

H&E EQUIPMENT SERVICES®

THIRD QUARTER 2014 EARNINGS CONFERENCE

October 30, 2014



NASDAQ: HEES

*JOHN ENGQUIST - Chief Executive Officer
BRAD BARBER - President, Chief Operating Officer
LESLIE MAGEE - Chief Financial Officer*

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) the pace of the economic recovery in areas affecting our business (although we have experienced an upturn in our business activities from the most recent economic downturn and related decreases in construction and industrial activities, there is no certainty that this trend will continue; if the pace of the recovery slows or construction and industrial activities decline, our revenues and operating results may be severely affected); (3) the impact of conditions of the global credit markets and their effect on construction spending activity 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) the risks associated with the expansion of our business; (8) our possible inability to effectively integrate any businesses we acquire; (9) competitive pressures; (10) compliance with laws and regulations, including those relating to environmental matters and corporate governance matters; and (11) other factors discussed in our public filings, including the risk factors included in the Company's most recent Annual Report on Form 10-K. Investors, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the SEC, we are under no obligation to publicly update or revise any forward-looking statements after the date of this presentation.

NON-GAAP FINANCIAL MEASURES

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

- ▶ **Third Quarter Overview**
 - Q3 2014 Summary
 - Regional Update
 - Current Market Conditions
- ▶ **Third Quarter Financial Overview**
 - Q3 2014 Results
 - 2014 Fleet Update
 - Capital Structure Update
- ▶ **Conclusion and 2014 Outlook**
- ▶ **Q&A Session**



John Engquist
Chief Executive Officer

Third Quarter Highlights

- ▶ Another strong quarter driven by continued high demand for rentals.
- ▶ Double-digit revenue growth in combined parts and service revenues.
- ▶ Continued to maintain leading industry utilization. Further fleet growth.
- ▶ Generated solid leverage in business.

Revenue/ Gross Margin

- ▶ Revenue increased \$4.6 million to \$275.0 million vs. Q3 2013.
- ▶ Revenue growth driven by rentals, up 21.0%; and parts/service, up 10.7%.
- ▶ Gross margin was 33.1% vs. 29.7% a year ago.

Income from Operations/ EBITDA

- ▶ Income from operations increased 17.9% to \$40.0 million (14.5% margin) vs. Q3 2013 income from operations of \$33.9 million (12.6% margin).
- ▶ EBITDA increased 18.8% to \$83.1 million (30.2% margin) vs. Q3 2013 EBITDA of \$70.0 million (25.9% margin).

Net Income

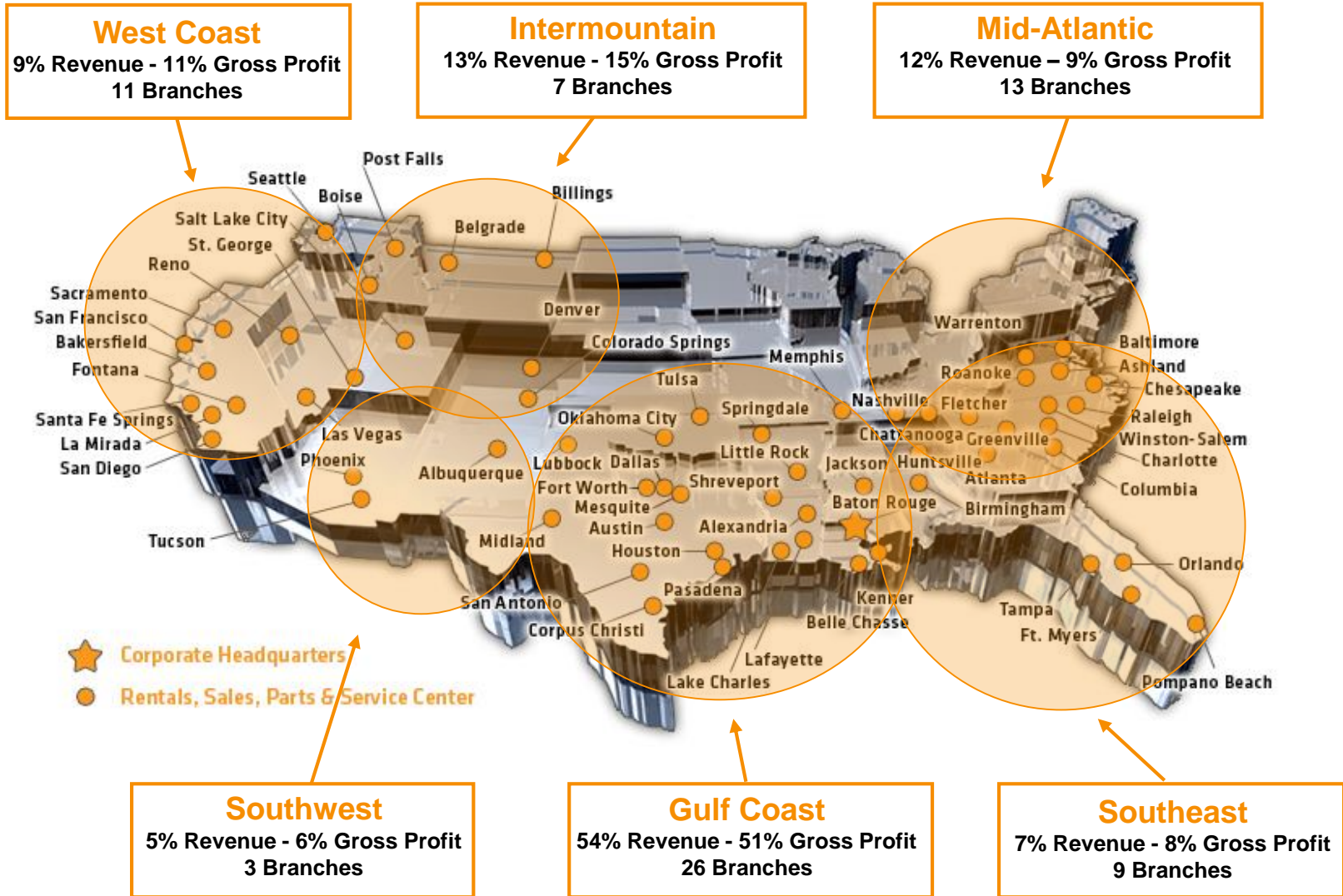
- ▶ Net income increased 9.7% to \$15.3 million vs. net income of \$14.0 million in Q3 2013 despite a much higher effective tax rate in the current quarter.
- ▶ Net income per share was \$0.43 vs. \$0.40 a year ago.

Fleet Utilization

- ▶ Time utilization (based on OEC) was 74.1% vs. 72.3% in Q3 2013.
- ▶ Time utilization (based on units) was 68.3% vs. 66.6% in Q3 2013.

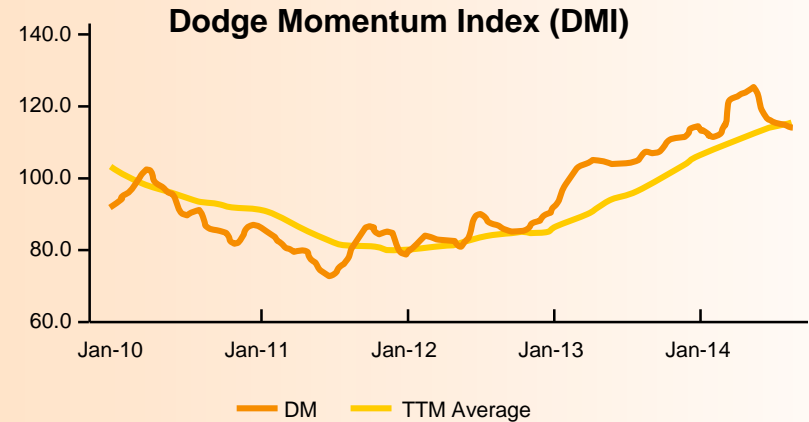
Rental Momentum Continues

- ▶ 21.0% rental revenue growth vs. Q3 2013.
- ▶ Rental gross margins were 50.5% vs. 49.6% in Q3 2013.
- ▶ Rental rates improved 2.9% over Q3 2013 rates and 1.3% over Q2 2014 rates.
- ▶ Dollar utilization was 36.9% vs. 36.7% in Q3 2013.

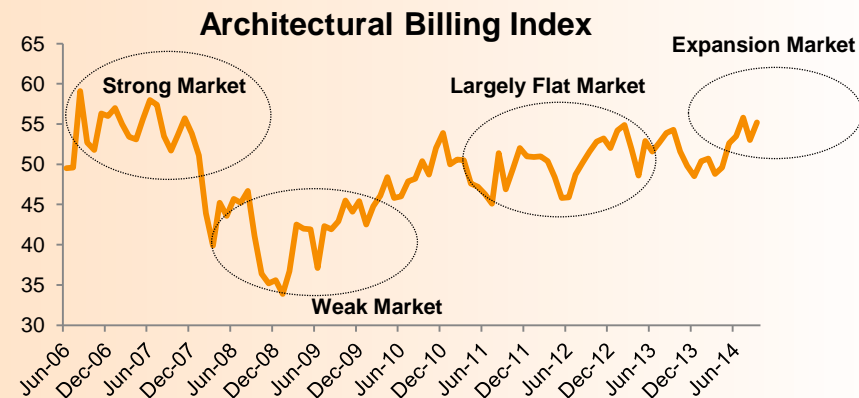


Construction growth	2015	2016	2017
McGraw-Hill	13.0%	19.0%	8.0%
Global Insight	10.0%	10.0%	9.0%

- ▶ Traditional commercial construction activity appears to be in an upcycle.
- ▶ Strong industrial markets, especially energy and petrochemical related; less industrial regions improving.
- ▶ Expected capital investment in manufacturing and petrochemical facilities along Gulf Coast, especially in Louisiana, ramping up in 2015-2017.
- ▶ In “the right place at the right time” as the Gulf Coast region continues to experience what is reported as the highest levels of non-residential construction starts and activity.
- ▶ Improving labor statistics and modest GDP growth.
- ▶ Demand in end-user markets strong.



Source: McGraw Hill Construction

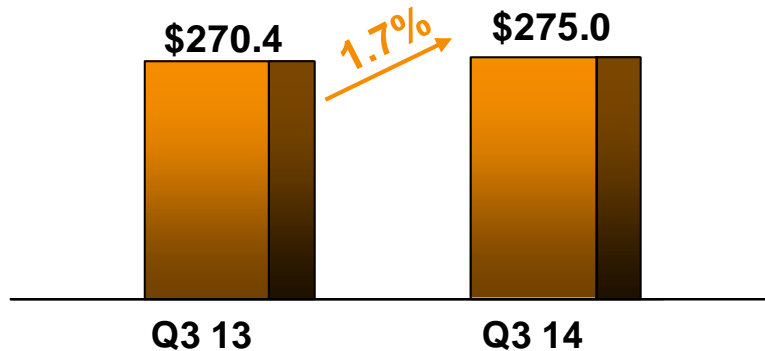


Source: American Institute of Architects

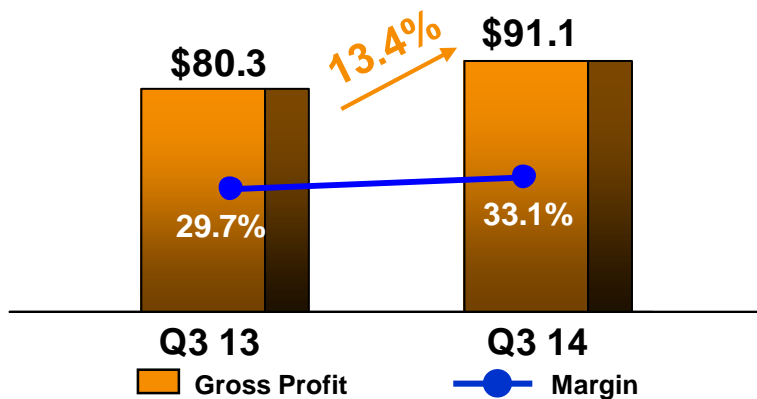


Leslie Magee
Chief Financial Officer

Revenues (\$MM)



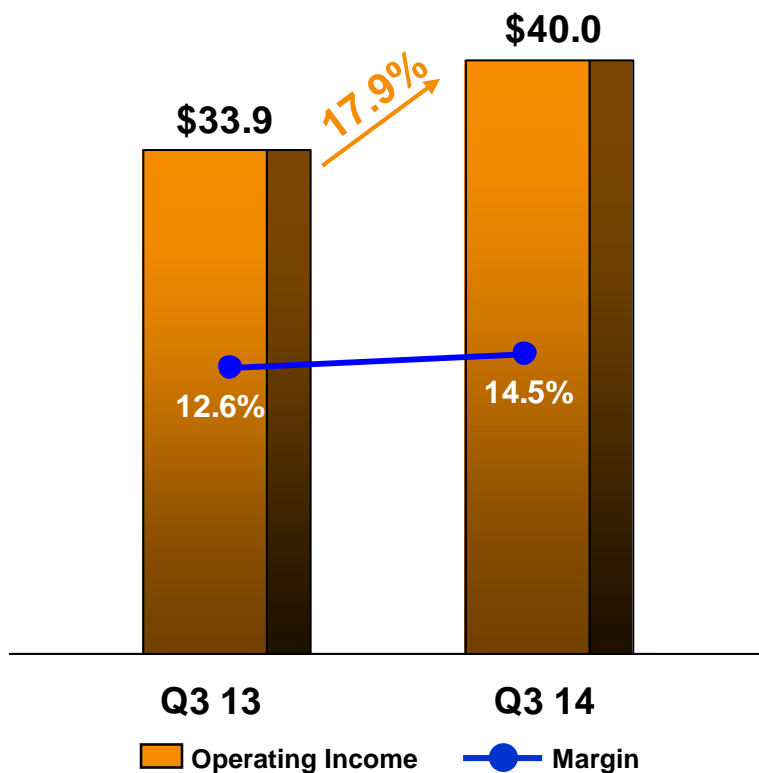
Gross Profit (\$MM)



Key Takeaways

- ▶ Revenues increased 1.7%.
- ▶ Driven by strong rental demand.
 - Rentals increased 21.0%.
 - Due to a larger fleet, higher physical utilization, and improved rates.
 - Parts/Service revenues increased 10.7% on a combined basis.
 - New equipment sales decreased 10.5% on challenging YOY comps. Demand remains strong.
 - Used equipment sales decreased 31.5% largely due to our young fleet age.
- ▶ Gross profit increased 13.4%.
 - Gross margin was 33.1%.
 - Margins increased in all segments.
 - Margins by segments Q3 14 vs. Q3 13:
 - Rentals 50.5% vs. 49.6%
 - New 11.3% vs. 10.6%
 - Used 31.1% vs. 26.3%
 - Parts 28.6% vs. 28.0%
 - Service 65.7% vs. 64.0%

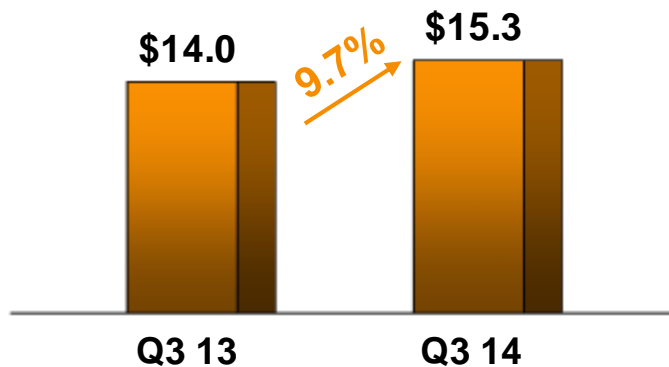
Income From Operations (\$MM)



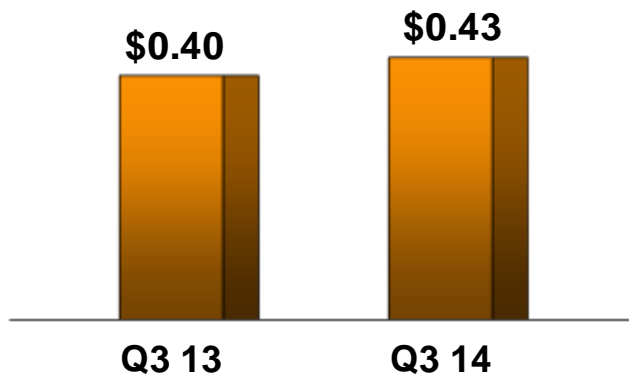
Key Takeaways

- ▶ **Income from operations was \$40.0 million compared to \$33.9 million a year ago.**
- ▶ **Margin expansion of 190 basis pts.**
 - **14.5% margin versus 12.6% margin.**
 - Q3 14 vs. Q3 13:
 - Revenues increased 1.7%.
 - Gross profit increased 13.4%.
 - SG&A as a percentage of sales was 18.8% compared to 17.4% a year ago (see slide 13).
 - **Income from operations increased 17.9% on a 1.7% increase in revenues, reflective of strong performance from all business segments.**

Net Income (\$MM)



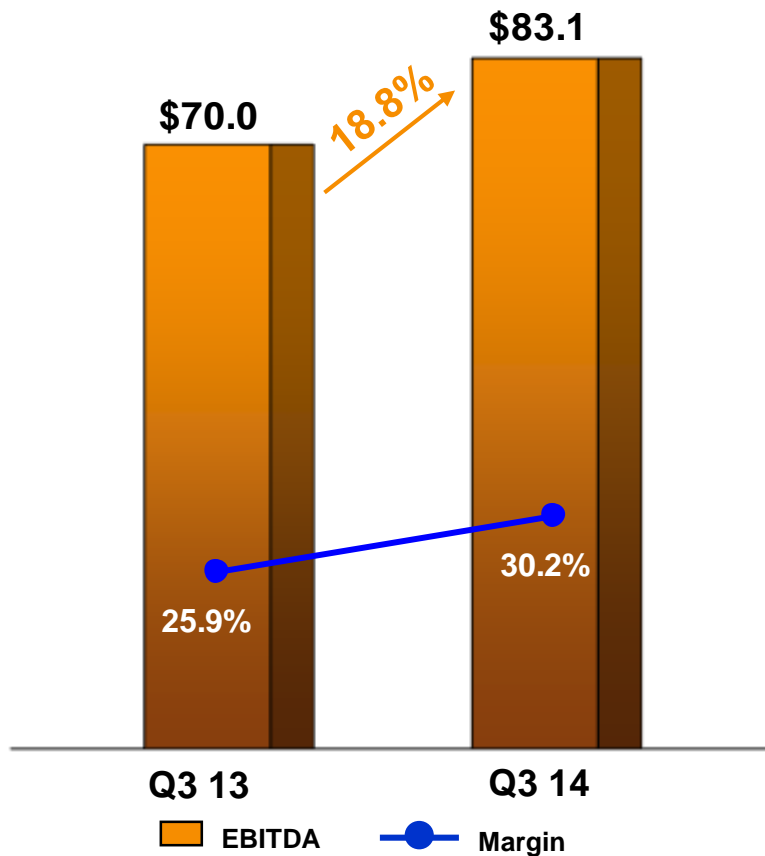
Net Income Per Share



Key Takeaways

- ▶ **Net income of \$15.3 million compared to net income of \$14.0 million in Q3 13.**
 - Effective tax rate was 43.6% vs. 33.5% a year ago due to lower favorable permanent items in the current period.
 - Increase in 2014 effective tax rate due to a reduction in previously forecasted permanent differences for the year.
- ▶ **Diluted net income per share was \$0.43 vs. diluted net income per share of \$0.40 a year ago.**

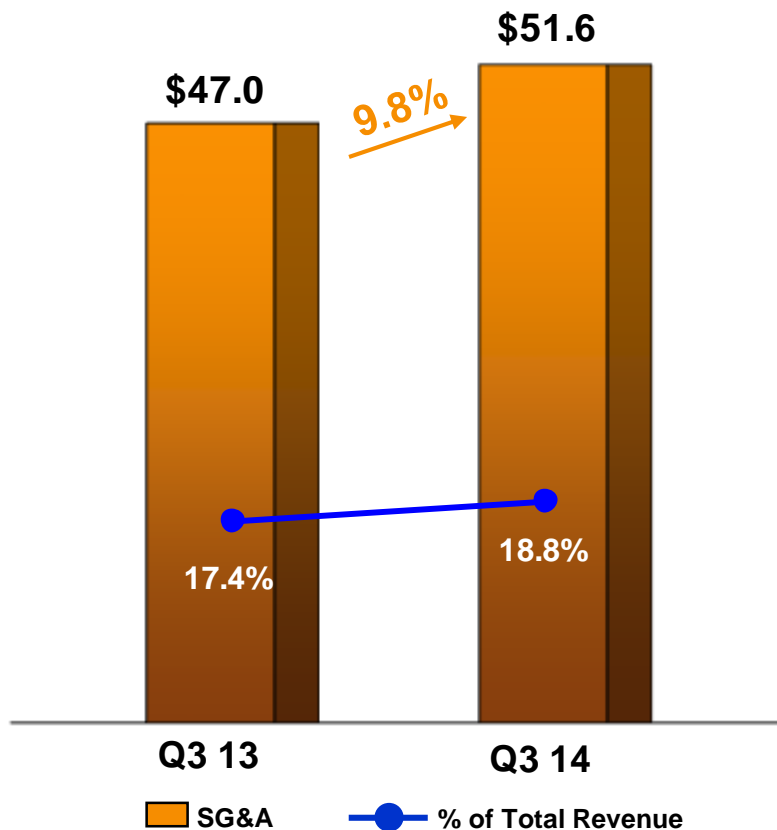
EBITDA (\$MM)



Key Takeaways

- ▶ **EBITDA grew 18.8% on revenue growth of 1.7%.**
 - Results were \$83.1 million compared to \$70.0 million a year ago.
 - Strong results were driven by growth in the rental business and parts/service businesses.
 - Strong results and higher gross margins in each business segment.
- ▶ **Margin was 30.2% compared to 25.9% a year ago.**
 - 430 basis points improvement in EBITDA margins.

SG&A (\$MM)



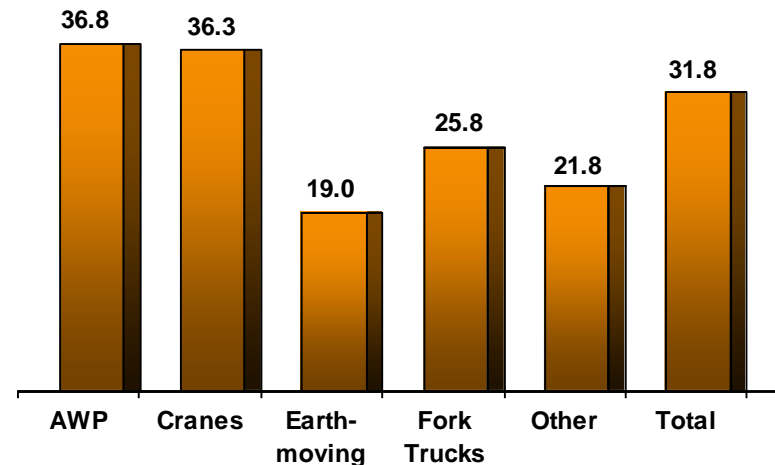
Key Takeaways

- ▶ **\$4.6 million, or 9.8% increase.**
 - SG&A as a percentage of revenue was 18.8% compared to 17.4% in Q3 13.
 - Labor and benefits increased \$2.7 million in Q3 14 versus Q3 13 largely due to:
 - A larger workforce.
 - Higher commission and incentive pay.
 - Branch expansions contributed \$0.3 million in SG&A in Q3 14.
 - Q3 13 reflected significant leverage in SG&A as a result of the timing of increased equipment sales a year ago.

Rental Cap-Ex Summary (\$MM)

	2010	2011	2012	2013	YTD 2014
Gross Rental CapEx ¹	\$ 102.5	\$ 155.6	\$ 296.4	\$ 303.3	\$ 316.4
Sale of Rental Equipment	\$ (47.6)	\$ (63.4)	\$ (90.5)	\$ (114.6)	\$ (71.6)
Net Rental CapEx	\$ 54.9	\$ 92.2	\$ 205.9	\$ 188.7	\$ 244.8

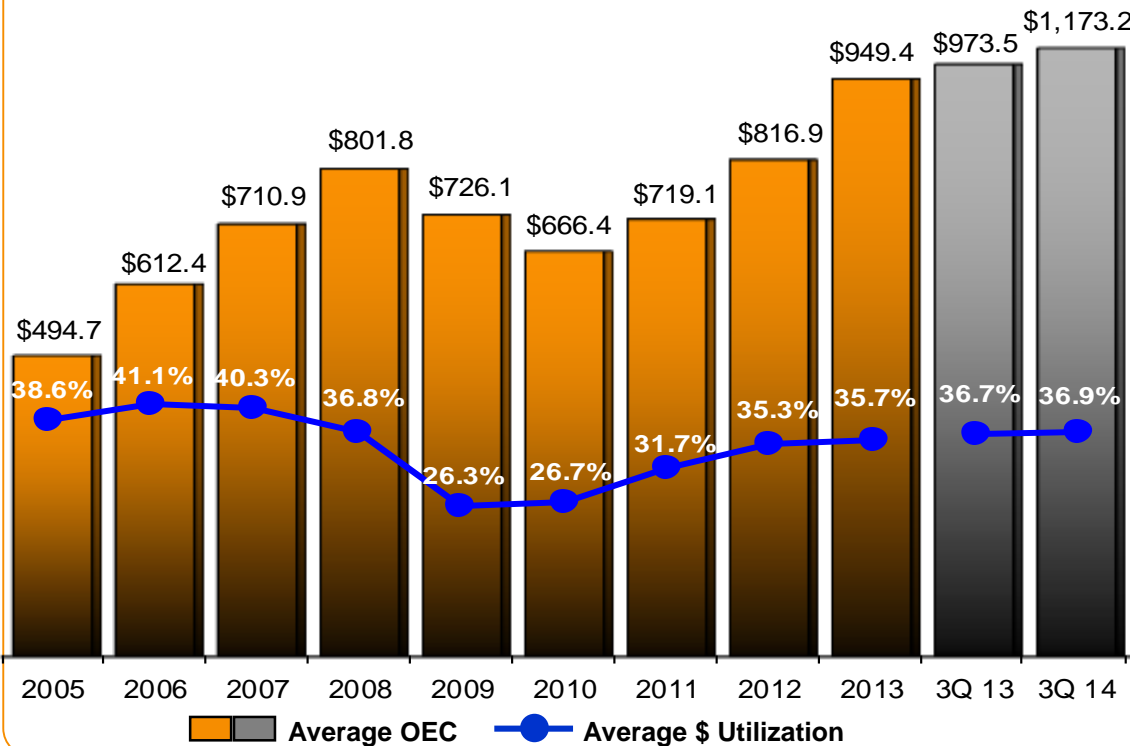
Fleet Age by Equipment Type (months)



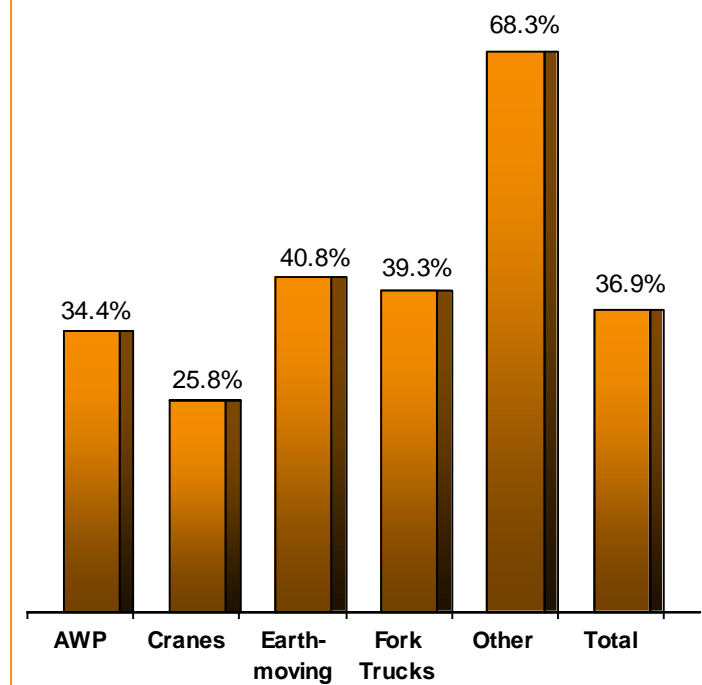
Note: Fleet statistics as of September 30, 2014.

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

Rental Fleet Statistics¹ (\$MM)



\$ Utilization by Equipment Type¹



Note: Fleet statistics as of September 30, 2014.

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

Capital Structure (\$MM)

9/30/14

Cash	\$	5.3
Debt:		
Sr. Sec'd Credit Facility (ABL)		220.5
Senior Unsecured Notes ¹		630.0
Capital Leases Payable		2.1
Total Debt	\$	852.6
Shareholders' Equity	\$	125.7
Total Book Capitalization	\$	978.3

Credit Statistics

	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	LTM 9/30/14
Adj. EBITDA ² / Total Interest Exp.	3.9x	2.8x	4.9x	5.8x	5.0x	5.7x
Total Net Debt ³ / Adj. EBITDA ²	1.7x	2.8x	1.7x	3.3x	2.8x	2.9x
Debt/ Total Capitalization	47.7%	50.0%	50.4%	93.4%	88.6%	87.2%

¹ Senior Unsecured Notes exclude \$8.3 million of unaccreted note discount and \$7.0 million of unamortized premium.

² Excludes the impact of (a) the non-cash asset impairment charge of \$9.0 million in the fourth quarter of 2009 and (b) 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

- ▶ **Continued strength and momentum in business.**
- ▶ **Capitalizing on positive trends in non-residential construction.**
 - **Positive trends continuing into 4Q with traditional non-residential construction activity expected to accelerate into 2015.**
 - **Activity in the energy and petrochemical sectors along the Gulf Coast appears strong. Less industrial regions showing material improvements.**
 - **Momentum in rental business continues to build on high physical utilization and continued rate increases.**
 - **Distribution business remains solid, but difficult to predict; combined parts and service business delivering strong and profitable results.**
- ▶ **Higher than normal fleet investment incurred YTD and expect further investment during 4Q in anticipation of accelerating demand.**
- ▶ **Strong balance sheet provides enhanced liquidity to invest in fleet and to take advantage of growth and expansion opportunities.**
- ▶ **Remain focused on solid execution, operating leverage, cost control and marketplace trends.**
- ▶ **Paid the first quarterly cash dividend of \$0.25 per share of common stock on September 9th to stockholders of record on August 25th of this year.**



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 Adjusted Net Income and Adjusted Net Income per Share for the year ended December 31, 2012 as Net Income and Net Income per Share, adjusted for the \$10.2 million loss from early extinguishment of debt, net of income taxes, incurred in the third quarter ended September 30, 2012. We define Adjusted Net Income and Adjusted Net Income per Share for the year ended December 31, 2009 as Net Income and Net Income per Share, adjusted for the \$9.0 million goodwill impairment charge, net of income taxes, recorded in the fourth quarter ended December 31, 2009.

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

(\$ in thousands)

	2009	2010	2011	2012	2013	Q3 13	Q3 14
Net income (loss)	\$ (11,943)	\$ (25,460)	\$ 8,926	\$ 28,836	\$ 44,140	\$ 13,953	\$ 15,300
Interest expense	31,339	29,076	28,727	35,541	51,404	13,193	13,171
Provision (benefit) for income taxes	(6,178)	(14,920)	3,215	15,612	21,007	7,023	11,815
Depreciation	98,702	91,707	99,036	116,447	138,903	35,805	42,849
Amortization of intangibles	591	559	362	66	—	—	—
EBITDA	\$ 112,511	\$ 80,962	\$ 140,266	\$ 196,502	\$ 255,454	\$ 69,974	\$ 83,135
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	\$ 69,974	\$ 83,135

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.