

H&E EQUIPMENT SERVICES®



Fourth Quarter 2018 Earnings Conference

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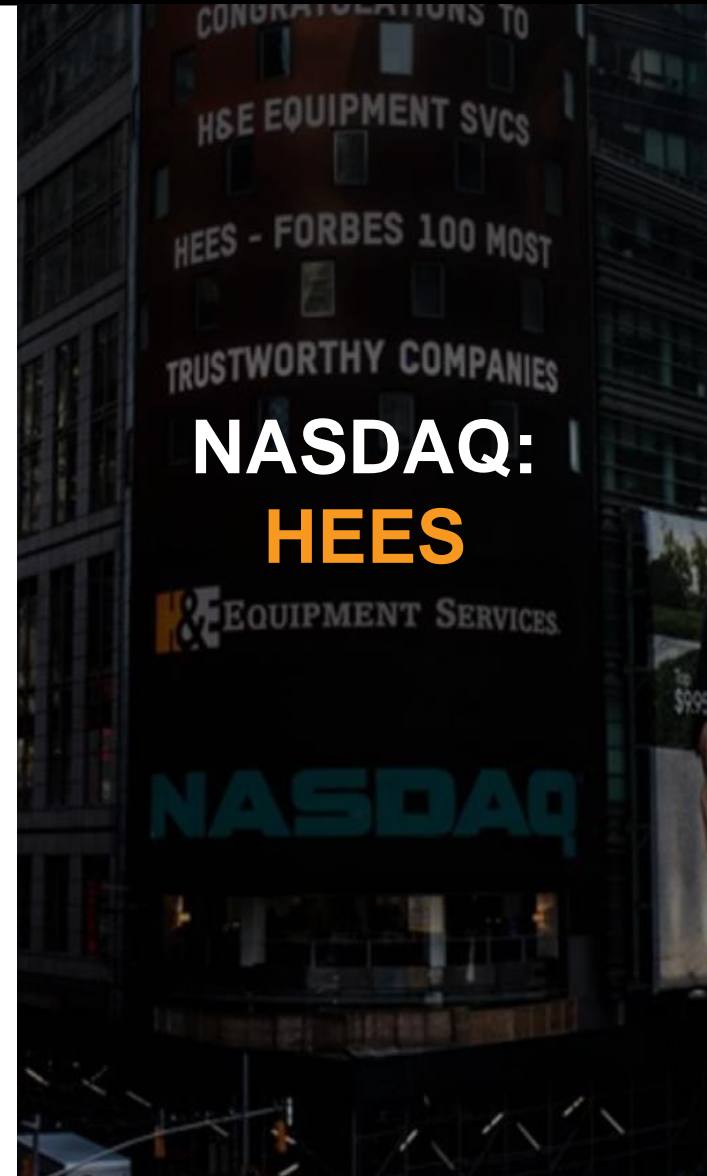
John Engquist EXECUTIVE CHAIRMAN OF THE BOARD

Brad Barber CHIEF EXECUTIVE OFFICER AND PRESIDENT

Leslie Magee CHIEF FINANCIAL OFFICER

Kevin Inda VICE PRESIDENT OF INVESTOR RELATIONS

February 21, 2019



Forward-Looking Information

This presentation contains "forward-looking statements" within the meaning of the federal securities laws. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Statements containing the words "may", "could", "would", "should", "believe", "expect", "anticipate", "plan", "estimate", "target", "project", "intend", "foresee" and similar expressions constitute forward-looking statements. Forward-looking statements involve known and unknown risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, the following: (1) general economic conditions and construction and industrial activity in the markets where we operate in North America; (2) our ability to forecast trends in our business accurately, and the impact of economic downturns and economic uncertainty on the markets we serve; (3) the impact of conditions in the global credit and commodity markets and their effect on construction spending and the economy in general; (4) relationships with equipment suppliers; (5) increased maintenance and repair costs as we age our fleet and decreases in our equipment's residual value; (6) our indebtedness; (7) risks associated with the expansion of our business and any potential acquisitions we may make, including any related capital expenditures or our inability to consummate such acquisitions; (8) our possible inability to integrate any businesses we acquire; (9) competitive pressures; (10) security breaches and other disruptions in our information technology systems; (11) adverse weather events or disasters; (12) compliance with laws and regulations, including those relating to environmental matters, corporate governance matters and tax 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 2018 Summary
- Rental Business Highlights
- Regional, Acquisitions and Greenfield Update
- End-User Markets/Fleet Update
- Current Market Conditions

Fourth Quarter and 2018 Financial Overview

- Q4 2018 Results
- 2018 Fleet and Free Cash Flow Update
- Capital Structure Update
- 2018 Financial Results

Conclusion

Question and Answer Session



Brad Barber CHIEF EXECUTIVE OFFICER AND PRESIDENT

Fourth Quarter 2018 Overview

Fourth Quarter Summary

- Solid execution.
- Rental business continues to benefit from high and broad-based demand in non-residential and other end-user markets.
- New equipment sales exceeded expectations.

Revenue/Gross Margin

- Total revenue increased 17.4%, or \$51.3 million, to \$346.0 million vs. \$294.7 million in Q4 2017.
- Gross margin was 35.6% vs. 34.2% in year ago quarter. Higher gross margin due to revenue mix and strong operating performance.

Adjusted EBITDA

- Adjusted EBITDA increased 26.2% to \$114.6 million (33.1% margin) vs. Q4 2017 Adjusted EBITDA of \$90.7 million (30.8% margin).

Pre-Tax Income and Net Income¹

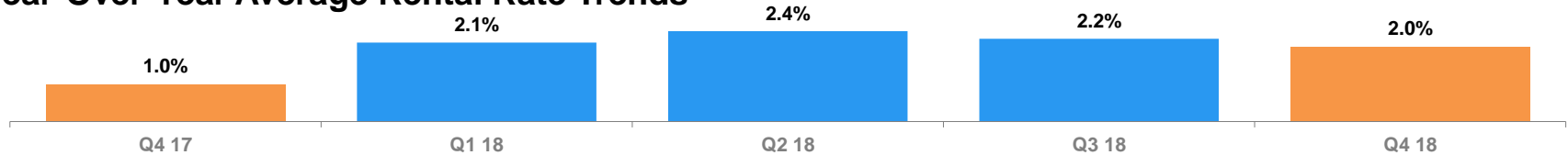
- Pre-tax income was \$34.8 million, an increase of \$7.2 million, or 26.1%, from a year ago.
- Net income¹ was \$25.1 million vs. net income of \$85.9 million in Q4 2017.
- Net income per share¹ was \$0.70 vs. \$2.40 in Q4 2017.
- Effective tax rate was 27.9% in Q4 2018 vs. (211.7%) in Q4 2017.

¹We recorded income tax expense of \$9.7 million versus an income tax benefit of \$58.4 million a year ago. The prior period \$58.4 million tax benefit was due to a one-time revaluation of our deferred tax assets and liabilities resulting from the decrease in the corporate federal income tax rate enacted in December 2017.

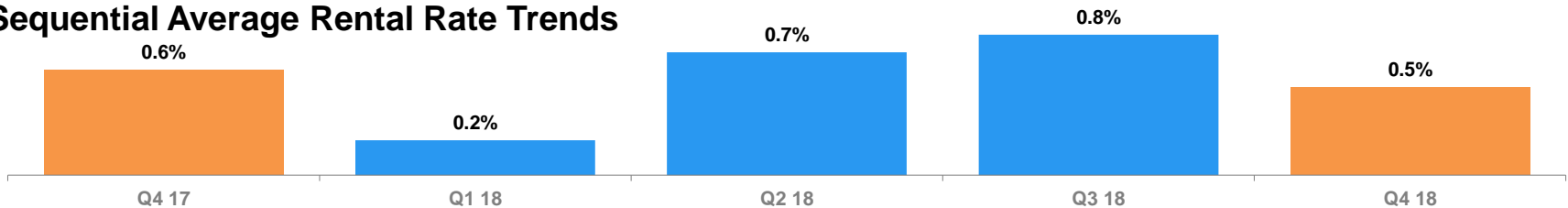
Rental Business Highlights

- Rental revenue increased 27.6% to \$163.0 million compared to \$127.7 million in Q4 2017.
- Rental gross margins increased to 51.5% vs. 51.0% in Q4 2017.
- Rental rates increased 2.0% over Q4 2017; rates increased 0.5% sequentially.
- Time utilization (based on OEC) was 72.9% vs. 74.2% in Q4 2017.
- Dollar utilization was 37.0% vs. 36.2% in Q4 2017.

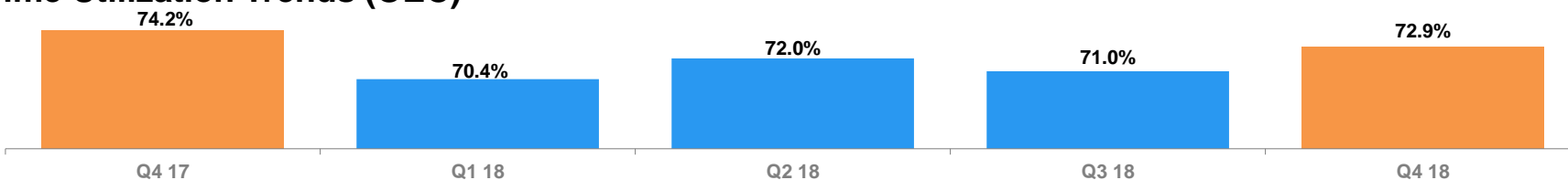
Year-Over-Year Average Rental Rate Trends

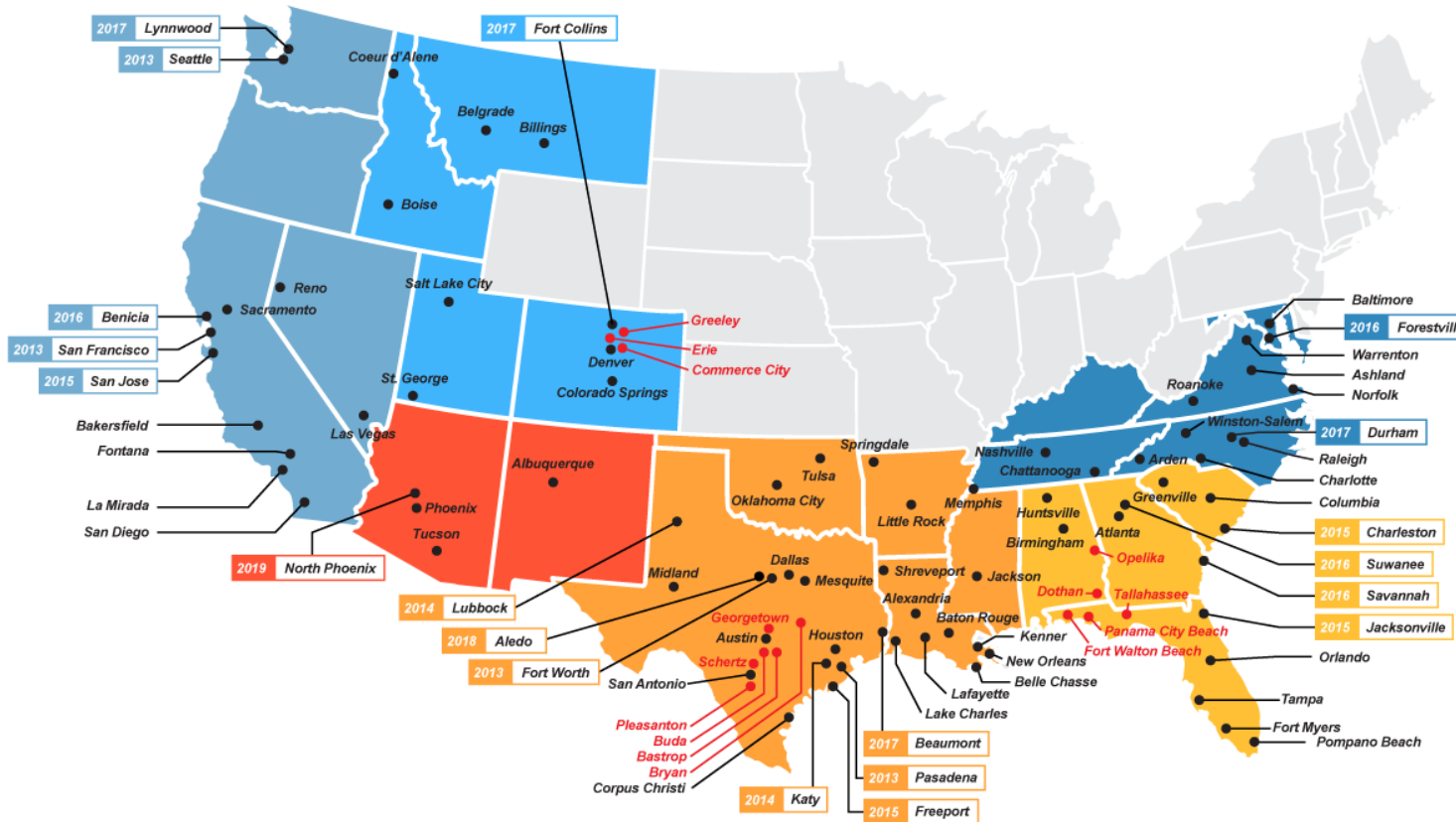


Sequential Average Rental Rate Trends



Time Utilization Trends (OEC)





96

Total Locations

Greenfield Opening Year and Count

YTD	1
2018	1
2017	4
2016	4
2015	4
2014	2
2013	4

Acquisitions and Location Count

2019	
We-Rent-It	6
2018	
Rental Inc	5
CEC	3

West Coast

11% Revenue
12% Gross Profit
12 Branches

Southwest

7% Revenue
6% Gross Profit
4 Branches

Intermountain

15% Revenue
17% Gross Profit
12 Branches

Gulf Coast

42% Revenue
40% Gross Profit
37 Branches

Southeast

10% Revenue
11% Gross Profit
18 Branches

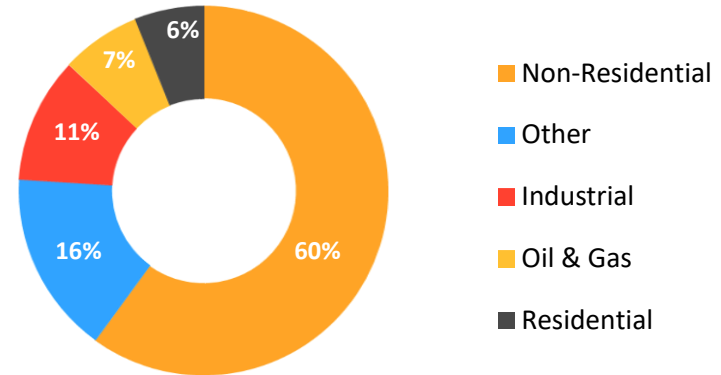
Mid-Atlantic

15% Revenue
14% Gross Profit
13 Branches

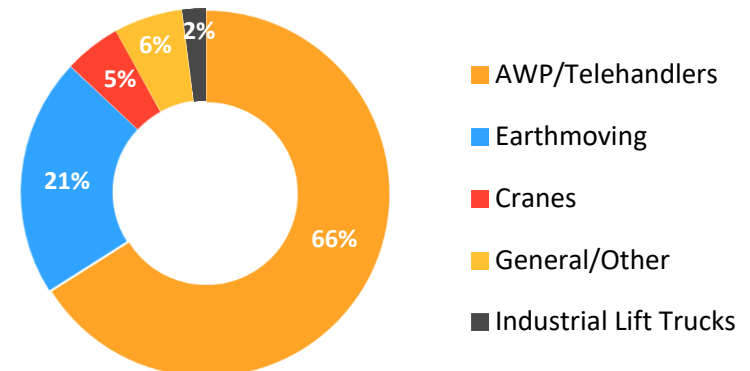
Revenue and gross profit data is as of LTM December 31, 2018.

- **Non-residential construction end market focus;** equipment on wide variety type of non-residential projects.
- **Well-diversified customer base;** five business segments generally derive their revenue from the same customer base.
- **Total industrial end market exposure only 11%;** majority of our industrial exposure is ongoing maintenance work.
- **Young fleet;** 34.5 months as of December 31, 2018 compared to industry average of 45.4 months.
- **Fleet is well maintained to extend equipment life.**
- **100% transferrable;** no specialized fleet.

Total Revenues by End Market¹



Fleet Mix²

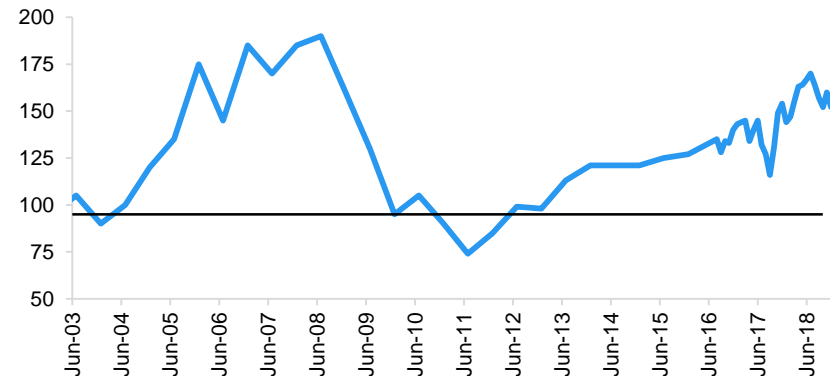


1 – Company data for LTM December 31 2018.
2 – As of December 31, 2018.

- Demand in non-residential and other end-user construction markets remains solid and broad-based.
- **Key industry indicators continue to be positive:**
 - DMI gained 4.3% from the end of 2017.
 - ABI continues to indicate expansion market; 15 consecutive months above the 50.0 threshold.
- **U.S. public construction spending grew year-over-year for the 11th consecutive month in November.**
- **American Rental Association forecasting 2018-2022 North American rental industry revenue growth: CAGR of 5.6% (excluding party and event category).**
- **The American Institute of Architects is projecting non-residential construction spending to grow 4.4% through 2019.**
- **Energy-related markets remain strong despite fluctuating oil prices.**
- **New Gulf Coast industrial petrochemical projects continue to be announced.**
- **Customer sentiment bullish for 2019; larger contractor customers indicating solid project pipelines.**
- **Potential for U.S. infrastructure bill.**
 - **Voters in mid-term elections approved \$30+ billion of transportations initiatives in 31 states.**

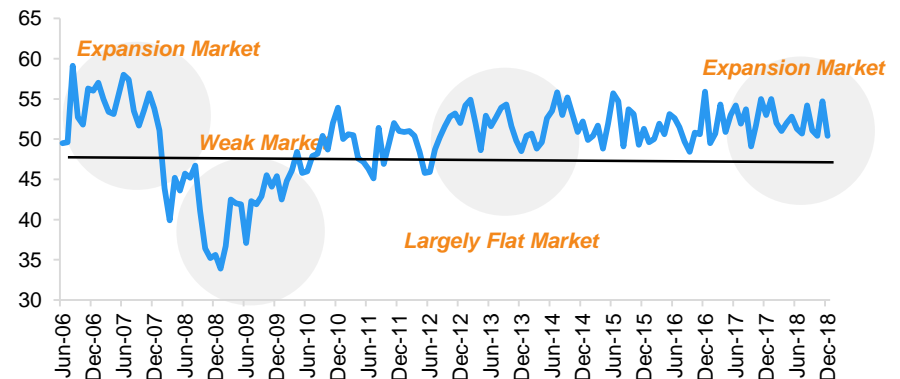
Dodge Momentum Index (DMI)

Source: Dodge Data & Analytics



Architectural Billing Index

Source: American Institute of Architects



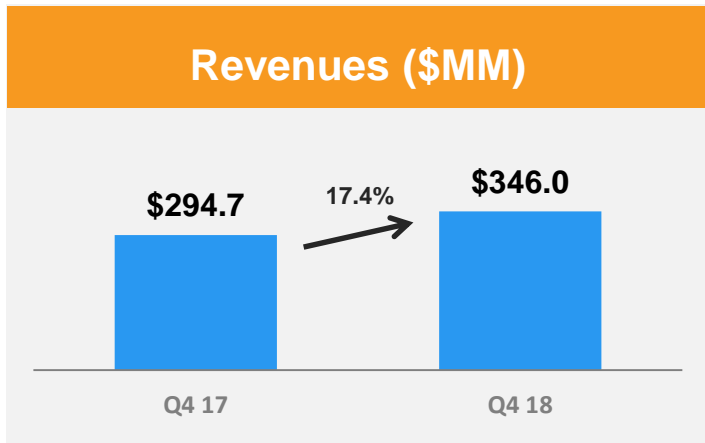
Sources: American Institute of Architects, American Rental Association, Buckingham Research Group, Dodge Data and Analytics, Houston Chronicle Fuel Fix, IHS Markit, Louisiana Economic Development, UBS Global Research and U.S. Census Bureau.



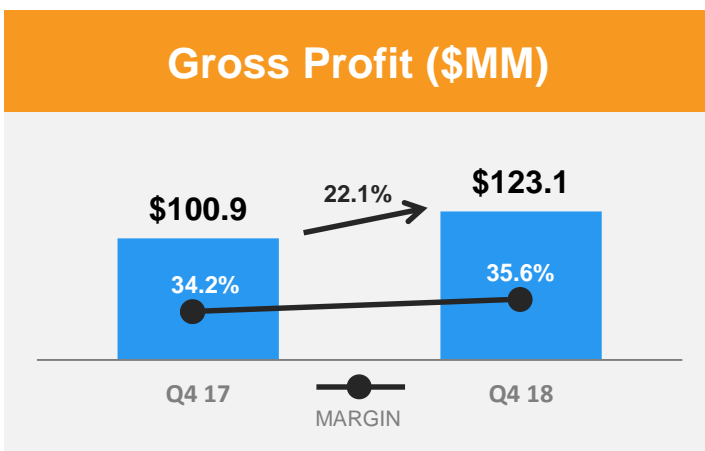
Leslie Magee CHIEF FINANCIAL OFFICER

**Fourth Quarter 2018/Fiscal Year 2018
Financial Overview**

Revenues (\$MM)



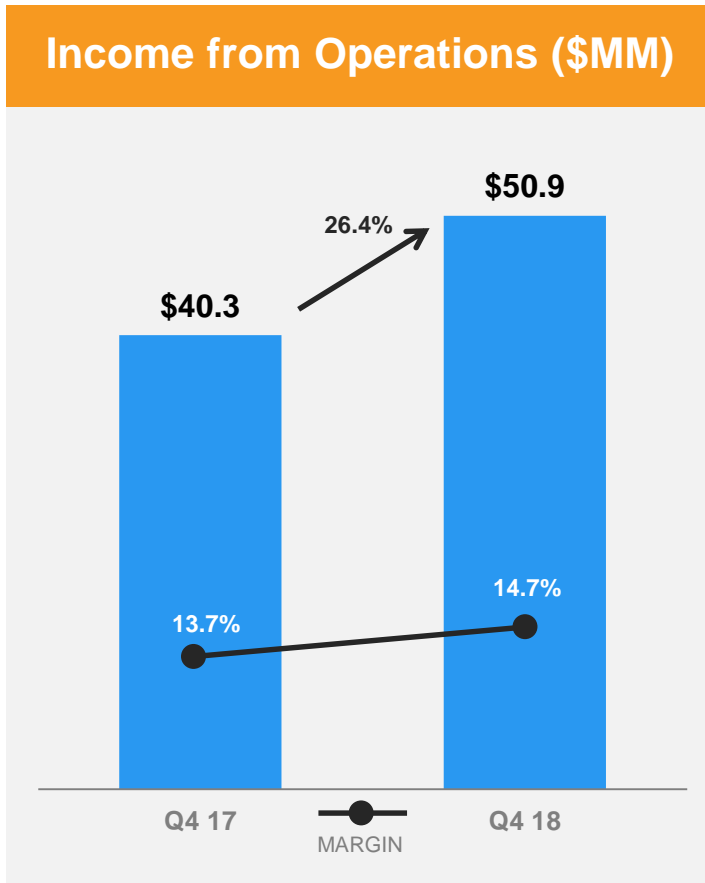
Gross Profit (\$MM)



Key Takeaways

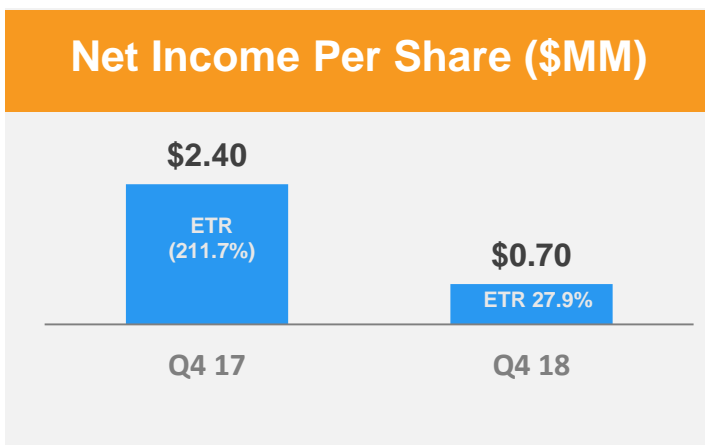
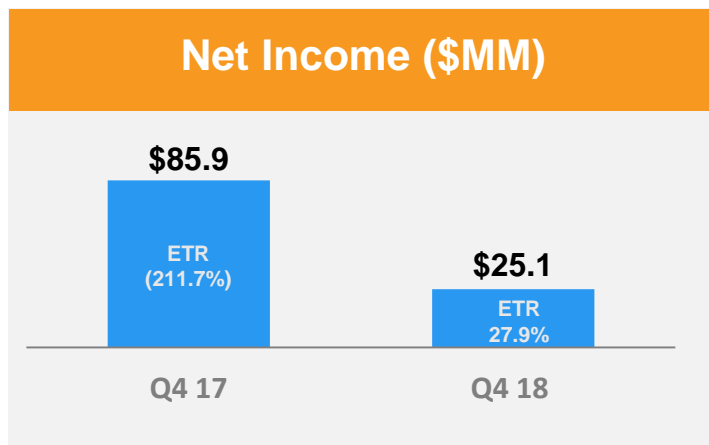
- **Revenues increased 17.4%, or \$51.3 million.**
 - Strong growth in rentals and equipment sales.
 - Two acquisitions completed in 2018 (CEC and Rental Inc.).
- **Rental revenue increased 27.6% to \$163.0 million vs. \$127.7 million a year ago.**
 - Average rates up 2.0% from a year ago; sequential rates up 0.5%.
 - Utilization strong at 72.9% (on an OEC basis).
 - Significantly larger fleet than a year ago.
- **New equipment sales increased 7.1%, or \$5.3 million, to \$79.7 million.**
 - Increase is primarily due to an increase in new aerial equipment sales and new crane equipment sales.
- **Used equipment sales increased 17.8%, or \$5.7 million, to \$37.8 million.**
- **Gross profit increased 22.1%, or \$22.2 million.**
 - Gross margin was 35.6% vs. 34.2%; increase due to revenue mix.
 - Margins by segments Q4 18 vs. Q4 17:
 - Rentals 51.5% vs. 51.0%
 - New 12.7% vs. 11.0%
 - Used 29.1% vs. 31.0%
 - Fleet only 32.3% vs 32.5%
 - Parts 26.0% vs. 27.1%; Service 67.9% vs. 66.9%

Income from Operations (\$MM)



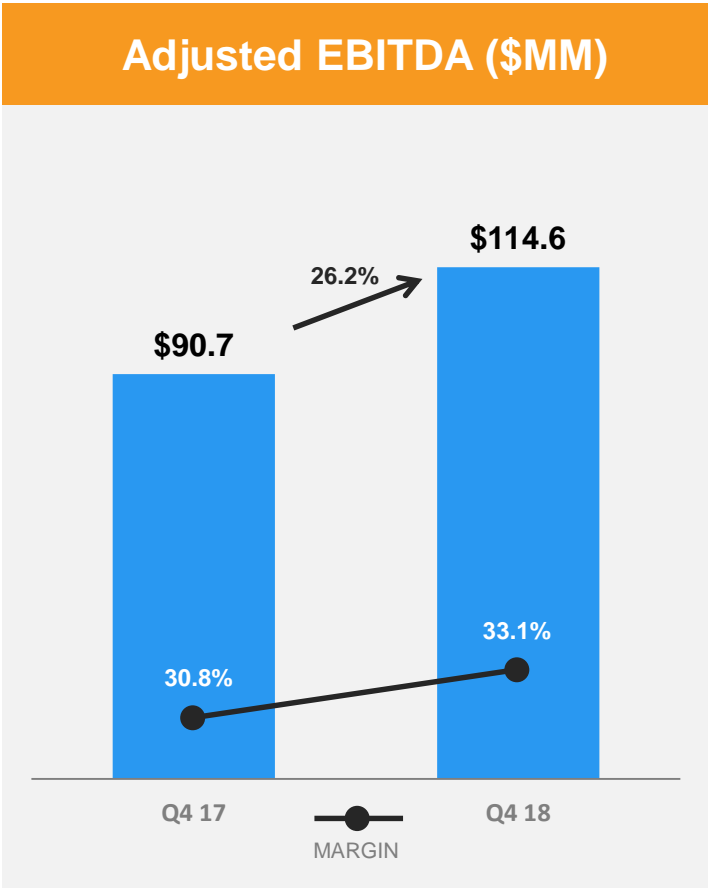
Key Takeaways

- Income from operations was \$50.9 million compared to \$40.3 million a year ago on a 17.4% increase in revenues.
- Margins increased to 14.7% in Q4 18 vs. 13.7% in Q4 17; The increase in margin is primarily due to the following:
 - Revenue mix.
 - Strong margin results in our rental and new equipment businesses.



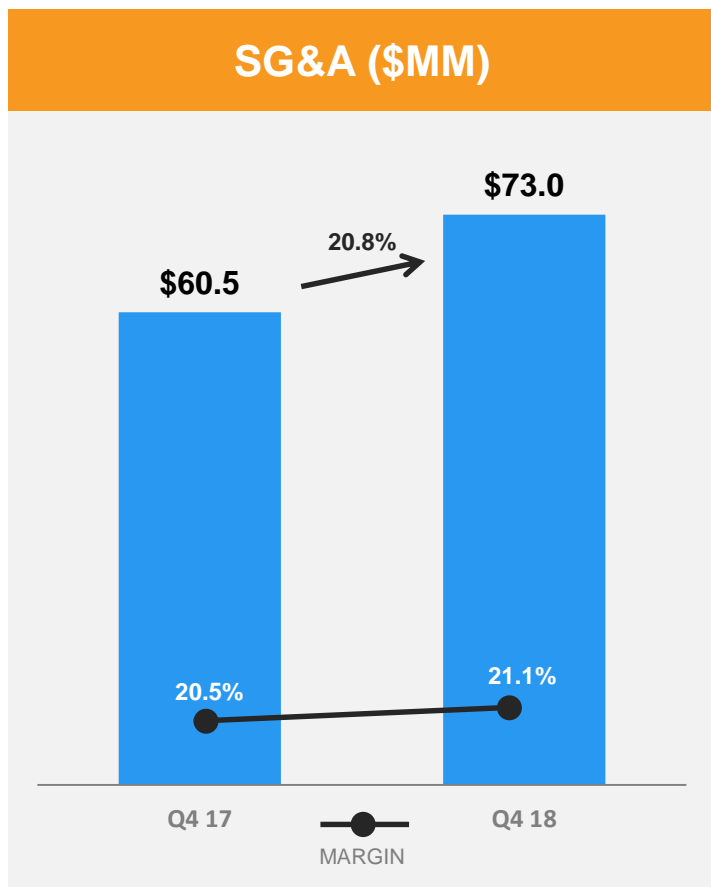
Key Takeaways

- **Net income of \$25.1 million compared to net income of \$85.9 million in Q4 17.**
- **Diluted net income per share was \$0.70 vs. diluted net income per share of \$2.40 a year ago.**
 - Effective tax rate (“ETR”) was 27.9% vs. (211.7)% a year ago.
 - Income tax expense of \$9.7 million during Q4 18 compared to benefit of approximately \$58.4 million during Q4 17, resulting from a one-time revaluation of our deferred tax assets and liabilities due to the decrease in the corporate federal income tax rate enacted in December 2017.



Key Takeaways

- Results were Adjusted EBITDA of \$114.6 million in Q4 18 compared to \$90.7 million a year ago.
 - Adjusted EBITDA increased 26.2% on a 17.4% increase in revenues.
- Margin was 33.1% compared to 30.8% a year ago primarily due to the following:
 - Revenue mix.
 - Rental and new equipment sales segments were positive to year-over-year margins.



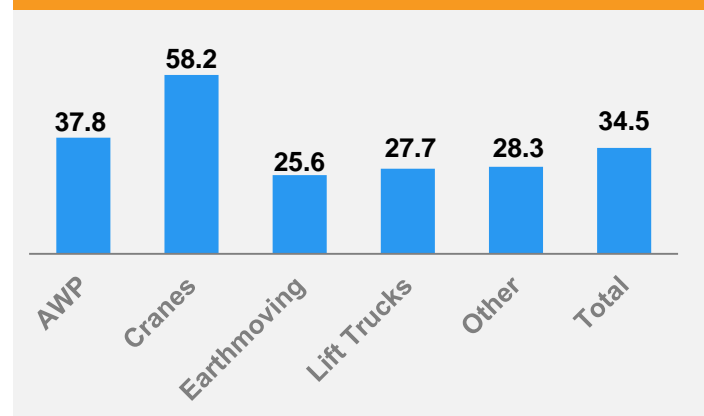
Key Takeaways

- **SG&A was \$73.0 million compared to \$60.5 million, a \$12.6 million increase.**
 - SG&A as a percentage of revenues was 21.1% compared to 20.5% a year ago.
 - Net increase primarily a result of:
 - Higher labor, wages, incentives, related employee benefits costs and other employee expenses of \$8.1 million due to the CEC and Rental Inc. acquisitions completed in 2018, a larger workforce and higher compensation related to our improved profitability.
 - \$0.9 million of amortization expense associated with the recognition of intangible assets resulting from the CEC and Rental Inc. purchase price allocations.
 - Greenfield branch expansion costs increased \$0.4 million compared to a year ago.

Rental Cap-Ex Summary (\$MM)

	2012	2013	2014	2015	2016	2017	2018
Gross Rental CapEx¹	\$296.4	\$303.3	\$412.7	\$230.2	\$218.2	\$ 244.7	\$ 440.9
Sale of Rental Equipment	\$ (90.5)	\$ (114.6)	\$ (101.4)	\$ (99.5)	\$ (84.4)	\$ (96.1)	\$ (112.0)
Net Rental CapEx	\$205.9	\$188.7	\$311.3	\$130.7	\$133.8	\$ 148.6	\$ 328.9

Fleet Age by Type (Months)



Free Cash Flow Summary (\$MM)

	2012	2013	2014	2015	2016	2017	2018
Free Cash Flow²	\$ (172.0)	\$ (40.9)	\$ (138.3)	\$104.9	\$ 62.6	\$ 73.1	\$ (279.0)

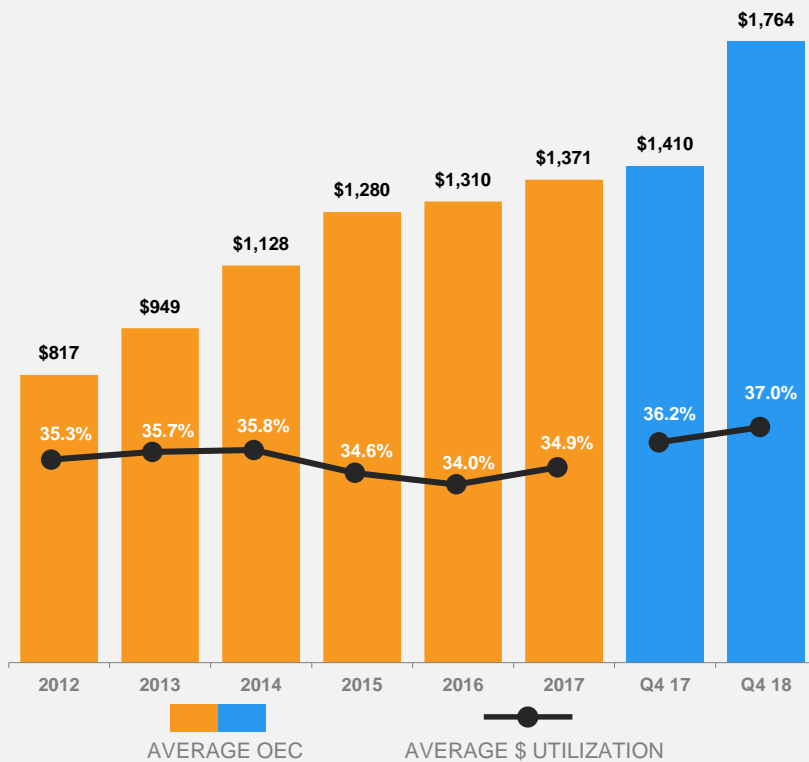
NOTE: Fleet statistics as of December 31, 2018.

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.

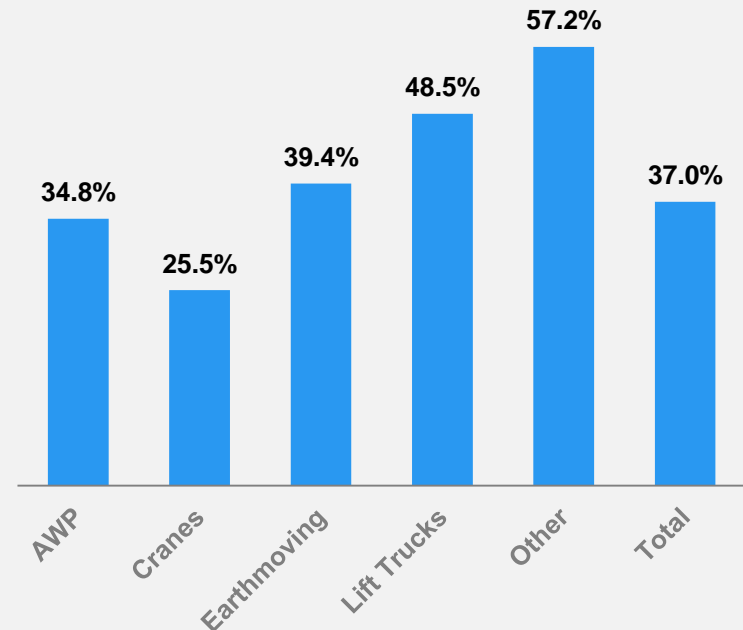
Gross rental cap-ex does not include amounts acquired through acquisitions.

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 Statistics¹ (\$MM)



\$ Utilization by Equipment Type¹



Note: Fleet statistics as of December 31, 2018.
 1 – Represents rental revenues annualized divided by the average original equipment cost.

Capital Structure (\$MM)
12/31/18

Cash	\$16.7
Debt:	
Sr. Sec'd Credit Facility (ABL)	\$170.8
Senior Unsecured Notes ¹	950.0
Capital Leases Payable	0.7
Total Debt	\$1,121.5
Shareholders' Equity	256.8
Total Book Capitalization	\$1,378.3

Credit Statistics

	2012	2013	2014	2015	2016	2017	2018
Adj. EBITDA² /Total Interest Exp.	5.8x	5.0x	6.0x	5.9x	5.6x	6.0x	6.4x
Total Net Debt³ /Adj. EBITDA²	3.3x	2.8x	2.8x	2.6x	2.6x	2.4x	2.7x
Total Debt /Total Capitalization	93.4%	88.6%	87.0%	85.1%	84.8%	81.4%	81.4%

1 – Senior Unsecured Notes exclude \$10.2 million of unaccreted discount; \$7.1 million of unamortized premium and \$2.1 million of deferred financing costs.

2 – Excludes the impact of the \$10.2 million loss from early extinguishment of debt incurred in the third quarter of 2012, \$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 and \$0.7 million of other merger related costs recorded in 2018. See Appendix A for a reconciliation of Non-GAAP measures.

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

Highlights

- Solid execution.
- Rental and distribution businesses performed well.
- Executing on growth strategy.

Revenue/Gross Profit

- Total revenue increased \$208.9 million, or 20.3%, to \$1.2 billion.
 - Rental revenue increased \$113.2 million, or 23.6%, to \$592.2 million.
 - New equipment sales increased \$59.6 million, or 29.3%, to \$262.9 million.
 - Used equipment sales increased \$17.8 million, or 16.6%, to \$125.1 million.
 - Combined parts and service revenue was \$183.9 million compared with \$177.1 million.
- Gross profit increased \$78.6 million, or 21.8%, to \$438.5 million; gross margin was 35.4% compared to 34.9%.


Adjusted EBITDA

- Adjusted EBITDA increased 23.9% to \$405.4 million (32.7% margin) vs. Adjusted EBITDA of \$327.1 million (31.8% margin) in 2017.

Net Income and Free Cash Flow¹

- Net income was \$76.6 million vs. net income of \$109.7 million in 2017.
- Net income per diluted share was \$2.13 vs. \$3.07.
- Effective tax rate was 26.8% vs (84.8%) a year ago.
 - Income tax benefit of \$50.3 million in 2017 from a one-time re-measurement of deferred tax assets and liabilities resulting from the decrease in the corporate federal income tax rate from 35% to 21%.
- Free cash flow was a use of \$279.0 million compared to free cash flow of \$73.1 million in 2017.

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



Brad Barber CHIEF EXECUTIVE OFFICER AND PRESIDENT

Conclusion

- **Strong quarter and year with solid gains in rental and distribution businesses.**
- **Executing on growth strategy through acquisitions and Greenfield/warm-start expansion.**
- **Solid demand in end-user markets forecast to continue in 2019.**
- **Paid eighteenth consecutive quarterly cash dividend on December 7, 2018; \$1.10 total dividends paid in 2018.**

**Appendix A-Unaudited Reconciliation
of Non-GAAP Financial Measures**

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COFFEE

1500

Express

NYP
NEW YORK

F
OR
TO

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. For the year ended December 31, 2017, we define Adjusted EBITDA as EBITDA adjusted for (1) merger breakup fees, net of related merger costs, totaling \$5.8 million related to the previously proposed acquisition of Neff Corporation and the previously mentioned CEC transaction costs; and (2) a non-recurring \$25.4 million item associated with the premiums paid to repurchase and redeem previously outstanding 7% senior unsecured notes and the write-off of unamortized note discount and deferred transaction costs associated therewith. We define Adjusted EBITDA for the three month period ended December 31, 2018 and 2017, as EBITDA adjusted for \$0.3 million and \$0.7 million, respectively, of transaction costs related to recent acquisitions; and for the year ended December 31, 2018, as EBITDA adjusted for \$0.7 million related to recent acquisition transaction costs.

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	2017	2018	Q4 2017	Q4 2018
Net Income	\$28,836	\$44,140	\$55,139	\$44,305	\$37,172	\$109,658	\$76,623	\$85,928	\$25,060
Interest expense	35,541	51,404	52,353	54,030	53,604	54,958	63,707	13,293	16,646
Provision (Benefit) for income taxes	15,612	21,007	37,545	31,371	21,858	(50,314)	28,040	(58,359)	9,695
Depreciation	116,447	138,903	166,514	186,457	189,697	193,245	233,046	49,157	61,979
Amortization of intangibles	66	-	-	-	-	-	3,320	-	905
EBITDA	\$196,502	\$255,454	\$311,551	\$316,163	\$302,331	\$307,547	\$404,736	\$90,019	114,285
Loss on early extinguishment of debt¹	10,180	-	-	-	-	25,363	-	-	-
Merger costs, net of merger breakup fee proceeds¹	-	-	-	-	-	(5,782)	708	724	269
Adjusted EBITDA	\$206,682	\$255,454	\$311,551	\$316,163	\$302,331	\$327,128	\$405,444	\$90,743	\$114,554

1 – Adjustments relate to loss from early extinguishment of debt incurred in the third quarter ended September 30, 2012 and third quarter ended September 30, 2017. Adjustment also includes the net merger breakup fee proceeds associated with the terminated merger agreement with Neff Corporation and transaction costs associated with subsequent acquisitions.

Free Cash Flow GAAP Reconciliation (\$ in thousands)

	2012	2013	2014	2015	2016	2017	2018
Net cash provided by operating activities	\$41,023	\$138,652	\$158,318	\$206,620	\$176,979	\$226,199	\$247,211
Acquisition of business, net of cash acquired	-	-	-	-	-	-	(196,027)
Purchases of property and equipment	(37,361)	(29,479)	(33,235)	(26,797)	(22,895)	(22,515)	(34,960)
Purchases of rental equipment¹	(268,229)	(267,465)	(368,491)	(178,772)	(179,709)	(234,209)	(416,600)
Proceeds from sale of property and equipment	2,058	2,759	3,657	4,289	3,805	7,506	9,261
Proceeds from sale of rental equipment	90,542	114,595	101,426	99,521	84,389	96,143	112,086
Free cash flow	\$(171,967)	\$(40,938)	(138,325)	\$104,861	\$62,569	\$73,124	(279,029)

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

Transfers from New and Used Inventory (\$MM)

	2012	2013	2014	2015	2016	2017	2018
Transfers of new and used inventory	\$28.2	\$35.9	\$44.2	\$51.4	\$38.5	\$10.5	\$24.3

The image features a dark, atmospheric background with silhouettes of various construction and industrial equipment. In the foreground, there is a large excavator on the left, a telehandler in the center, and a large crane on the right. The background shows more distant silhouettes of machinery and a hazy sky with faint mountain ranges. The logo for H&E Equipment Services is positioned in the upper left, with the letters 'H' and 'E' in white on an orange background, and '&' in white on a black background. The text 'EQUIPMENT SERVICES' is in white, bold, serif font to the right of the logo.

H&E EQUIPMENT SERVICES®

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