



# FIRST QUARTER 2024 EARNINGS CONFERENCE

April 30, 2024

# Earnings Conference

## First Quarter 2024 Company Participants

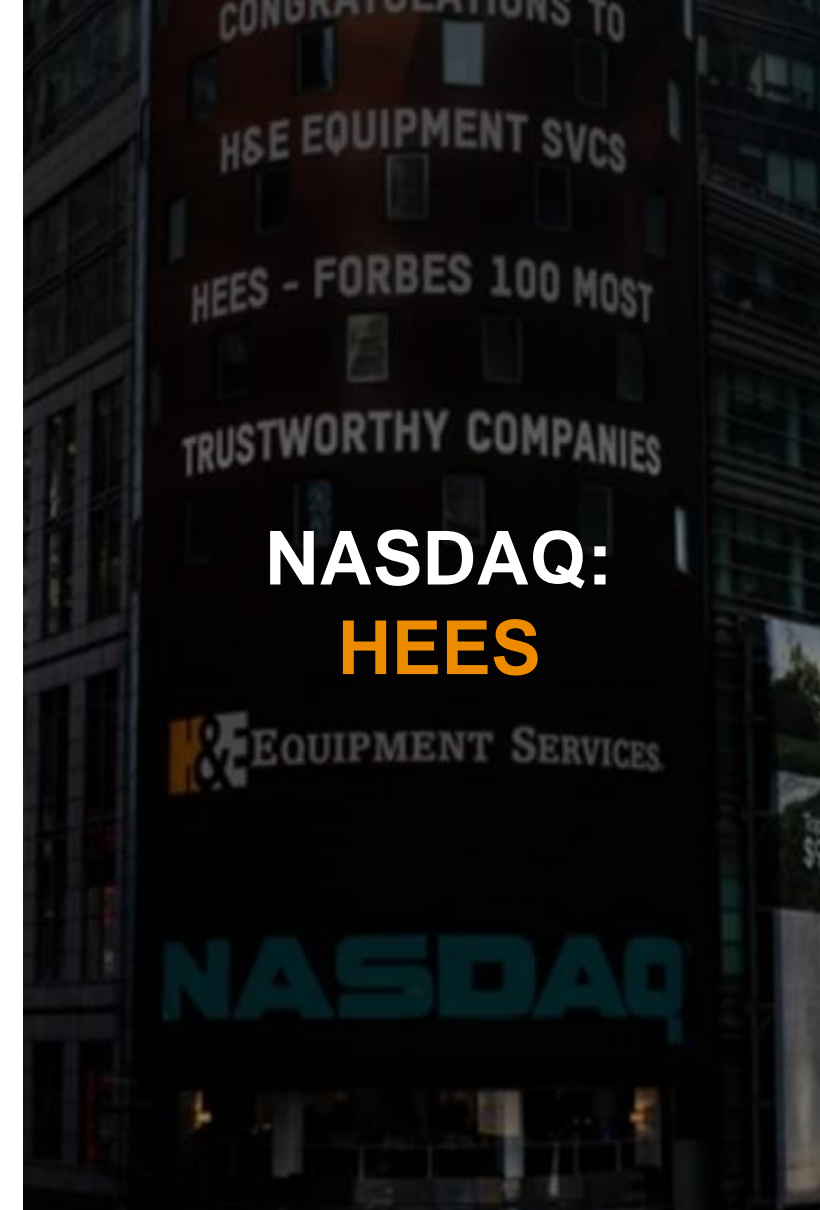
---

<b>Brad Barber</b>	CHIEF EXECUTIVE OFFICER
<b>John Engquist</b>	PRESIDENT AND CHIEF OPERATING OFFICER
<b>Leslie Magee</b>	CHIEF FINANCIAL OFFICER AND SECRETARY
<b>Jeff Chastain</b>	VICE PRESIDENT OF INVESTOR RELATIONS

April 30, 2024



First Quarter 2024 Earnings Conference



**NASDAQ:**  
**HEES**



# Legal Disclaimers

## 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. Forward-looking statements include statements preceded by, followed by or that include the words "may," "could," "would," "should," "believe," "expect," "anticipate," "plan," "estimate," "target," "project," "intend," "foresee" and similar expressions. 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 and geopolitical conditions in North America and elsewhere throughout the globe 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 (including as a result of current uncertainty due to inflation and increasing interest rates); (3) the impact of conditions in the global credit and commodity markets and their effect on construction spending and the economy in general; (4) trends in oil and natural gas which could adversely affect the demand for our services and products; (5) our inability to obtain equipment and other supplies for our business from our key suppliers on acceptable terms or at all, as a result of supply chain disruptions, insolvency, financial difficulties, supplier relationships or other factors; (6) increased maintenance and repair costs as our fleet ages and decreases in our equipment's residual value; (7) risks related to a global pandemic and similar health concerns, such as the scope and duration of the outbreak, government actions and restrictive measures implemented in response to the pandemic, material delays and cancellations of construction or infrastructure projects, labor shortages, supply chain disruptions and other impacts to the business; (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 ability to integrate any businesses or assets we acquire; (11) competitive pressures; (12) security breaches, cybersecurity attacks, increased adoption of artificial intelligence technologies, failure to protect personal information, compliance with data protection laws and other disruptions in our information technology systems; (13) adverse weather events or natural disasters; (14) risks related to climate change and climate change regulation; (15) 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 (16) other factors discussed under "Risk Factors" in our Annual Report on Form 10-K, for the year ended December 31, 2023. Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the Securities and Exchange Commission, we are under no obligation to publicly update or revise any forward-looking statements after we file this Annual Report on Form 10-K, whether as a result of any new information, future events or otherwise. Investors, potential investors and other readers are urged to consider the above mentioned factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results or performance.

## Non-GAAP Financial Measures

This presentation contains certain Non-GAAP measures (EBITDA, Adjusted EBITDA, Free Cash Flow, and the disaggregation of equipment rental revenues and cost of sales 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 in isolation or as an alternative to the Company's other financial information determined under GAAP. See Appendix A for a reconciliation of these Non-GAAP measures.

# Agenda

## First Quarter Overview, Market Outlook and Strategic Execution

- Q1 2024 Key Financial Metrics
- Supplemental Company Data
  - Rental Performance
- Equipment Rental Market Outlook
  - End-User Markets and Fleet Mix
- 2024 Industry Outlook
- Strategy Implementation and Execution
  - 2024 Growth Initiatives

## First Quarter Financial Overview

- Q1 2024 Results
- 2024 Fleet and Free Cash Flow Update
- Capital Structure Update
- Liquidity Profile

## Question and Answer Session



# FIRST QUARTER 2024 OVERVIEW, MARKET OUTLOOK AND STRATEGIC EXECUTION

**Brad Barber**

Chief Executive Officer



# Q1 2024 Key Financial Metrics

TOTAL REVENUE

**\$371.4M**

↑ 15.2% YOY

TOTAL EQUIPMENT  
RENTAL REVENUE

**\$295.3M**

↑ 12.7% YOY

ADJUSTED EBITDA<sup>1</sup>

**\$161.7M**

↑ 13.1% YOY

PHYSICAL UTILIZATION

**63.6%**

↓ 370 bps YOY

CHANGE IN FLEET SIZE

**\$383.0M**

↑ 15.7% YOY

STRATEGIC GROWTH  
AND EXECUTION

↑ **New Branch Additions  
And Acquisitions**

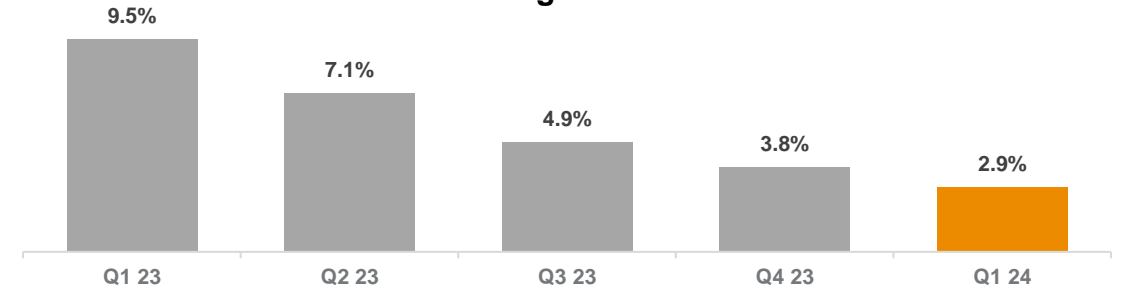
<sup>1</sup> For a reconciliation to GAAP financial measures, see Appendix A beginning on Slide 22.

# Q1 2024 Rental Performance

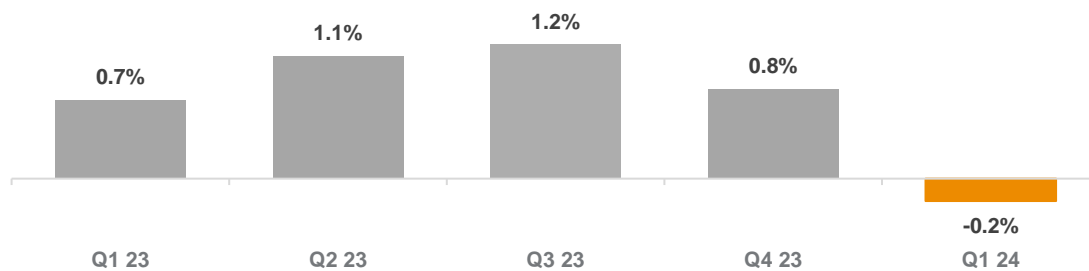
## Rental Business Highlights

- Rental revenue increased 12.8% to \$261.7 million compared to \$232.1 million in Q1 2023.
- Rental gross margins of 48.5% compared to 48.4% in Q1 2023.
- Rental rates improved 2.9% compared to Q1 2023 and decreased 0.2% sequentially.
- Physical time utilization (based on OEC) was 63.6% vs. 67.3% in Q1 2023.
  - Lower construction activity and unfavorable weather conditions
- Dollar utilization was 37.0% vs. 38.6% in Q1 2023.

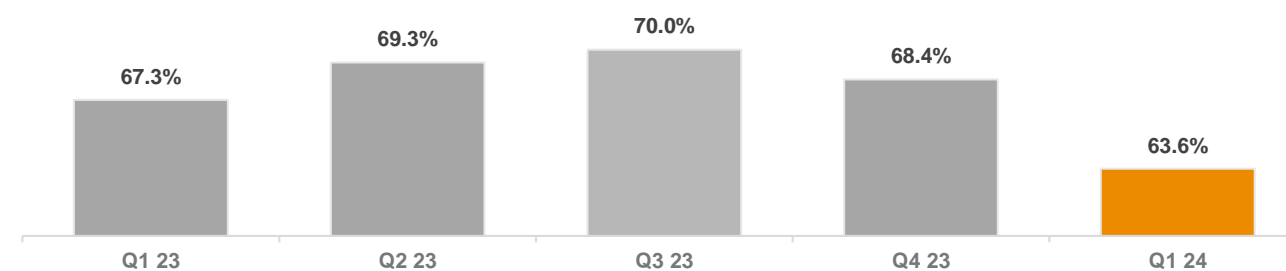
Year-Over-Year Average Rental Rate Trends<sup>1</sup>



Sequential Average Rental Rate Trends<sup>1</sup>



Time Utilization Trends (OEC)



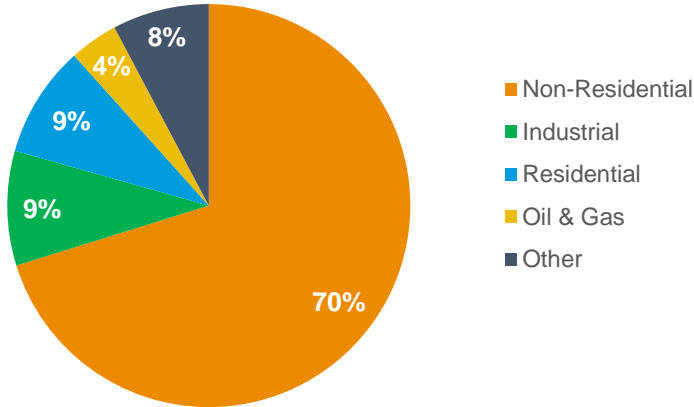
<sup>1</sup> Results exclude recent acquisitions.

# 2024 Outlook

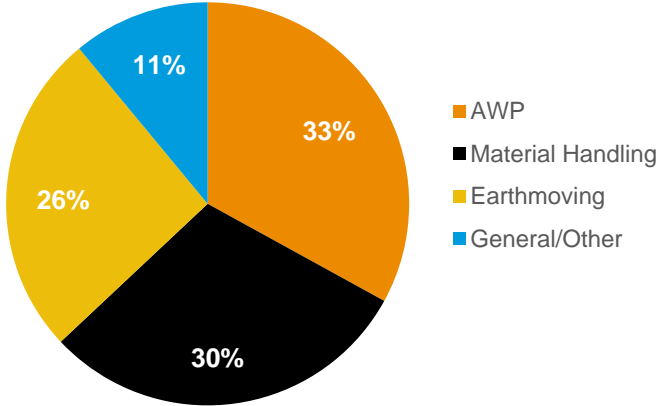
## Transitioning to a Slower Rate of Industry Growth

- **Easing construction activity relative to past 24 months.**
  - Burden of "higher for longer" interest rate environment and tighter lending standards
  - Recovery of equipment rental supply chain
- **Industry fundamentals adopting a steadier trend while adjusting to seasonal developments.**
  - Project backlogs remain healthy across non-residential and industrial end markets
    - Slower rate of project starts
- **Future construction activity supported by multiple factors.**
  - Growth in mega projects
  - Higher infrastructure project activity
  - Growing rental penetration
  - Consistent growth in construction employment

**Total Revenues by End Market<sup>1</sup>**



**Fleet Mix<sup>2</sup>**



<sup>1</sup> Company data for LTM March 31, 2024.  
<sup>2</sup> As of March 31, 2024.



# Strategy Implementation and Execution

## Adjusting Fleet Investment While Reiterating Branch Growth and Focus on Scale

- **A more balanced approach to fleet investment in 2024.**
  - Revised gross spending range of \$350 million to \$400 million
  - Previous range of \$450 million to \$500 million
  - Leveraging fleet growth and young fleet age
  - Effectively manage time utilization
- **Maintaining focus on branch expansion.**
  - Target of 12 to 15 new locations in 2024
    - Continue our strong commitment to branch densification and efficient branch operations
    - 36 new openings since end of 2020, including 2 new locations in 2024
- **Acquisitions could supplement branch growth.**
  - Two transactions closed since November 2023 with a third to close in Q2 2024
    - 9 branches added, addressing key MSAs
  - Continue to evaluate new opportunities



# FIRST QUARTER 2024 FINANCIAL OVERVIEW

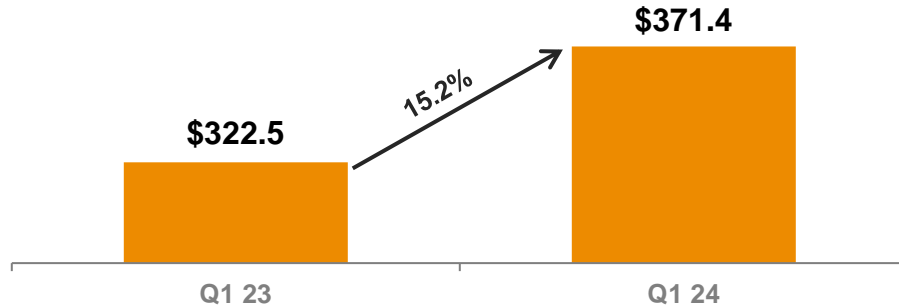
**Leslie Magee**

Chief Financial Officer

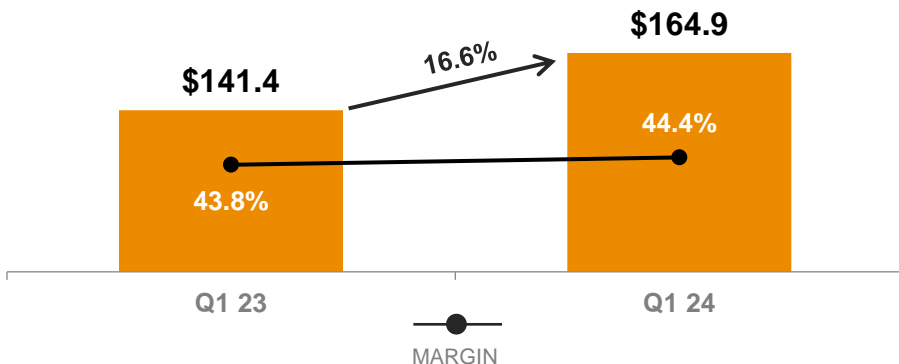


# Q1 2024 Revenues and Gross Profit

## Revenues (\$MM)



## Gross Profit (\$MM)

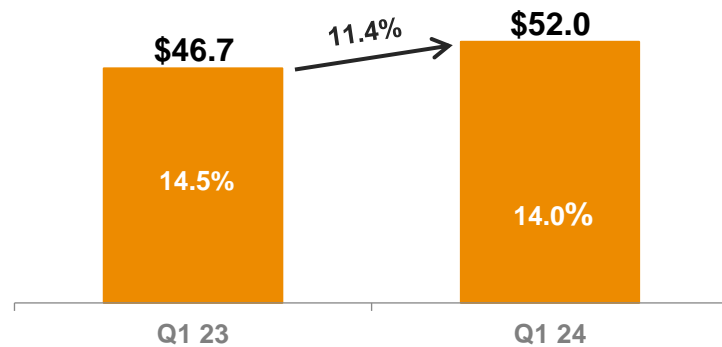


## Key Takeaways

- Revenues increased 15.2%, or \$48.9 million, to \$371.4 million.
  - Led by higher revenue from rentals and sales of rental equipment.
- Rental revenues increased 12.8% to \$261.7 million vs. \$232.1 million a year ago.
  - Average rates up 2.9%.
  - Fleet growth of \$383.0 million, or 15.7%.
- Sales of rental equipment totaled \$48.1 million, increase of 49.8% from \$32.1 million.
  - Healthy demand for used equipment.
- Sales of new equipment increased 33.2% to \$10.4 million compared to \$7.8 million a year ago.
- Gross profit increased \$23.5 million, or 16.6%, to \$164.9 million.
  - Gross margin was 44.4% compared to 43.8%, primarily driven by higher gross margins on the sales of rental equipment and favorable revenue mix.
  - Margins by segments Q1 24 compared to Q1 23:
    - Total Equipment Rentals 43.3% vs. 43.6%
    - Rentals 48.5% vs. 48.4%
    - Sales of Rental Equipment 62.9% vs. 58.6%
    - New Equipment Sales 17.0% vs. 13.3%

# Q1 2024 Income from Operations

## Income from Operations (\$MM)

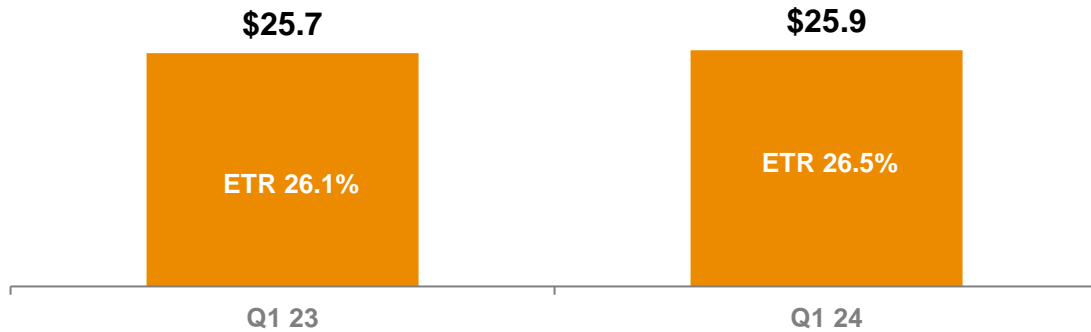


## Key Takeaways

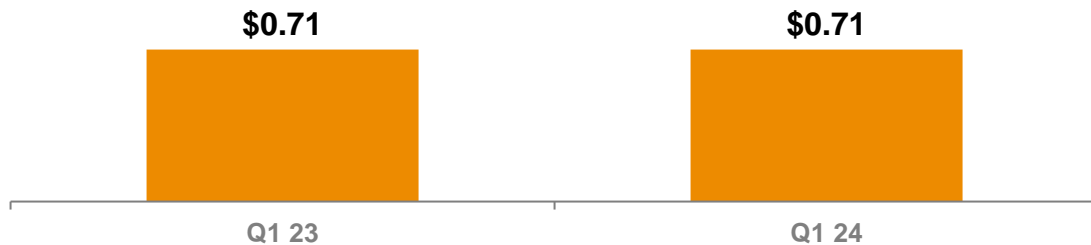
- Income from operations was \$52.0 million compared to \$46.7 million in Q1 23.
- Margins were 14.0% compared to 14.5% in Q1 23.
- The decrease was due primarily to:
  - Increase in SG&A expense.
  - Partially offset by higher gross margins on sales of rental equipment and favorable revenue mix.

# Q1 2024 Net Income

## Net Income (\$MM)



## Diluted Net Income Per Share

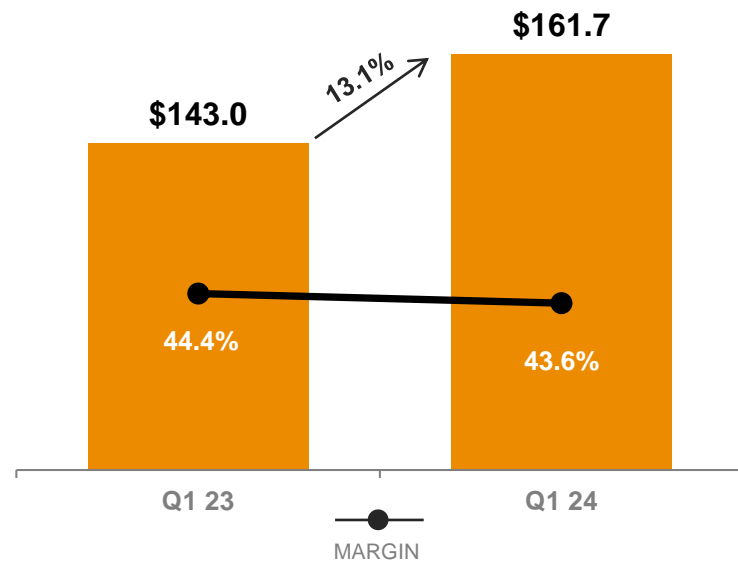


## Key Takeaways

- Net income of \$25.9 million compared to \$25.7 million in Q1 23.
- Diluted net income per share was \$0.71, unchanged from Q1 23.
- Effective tax rate (“ETR”) was 26.5% vs. 26.1% in Q1 23.

# Q1 2024 Adjusted EBITDA

Adjusted EBITDA<sup>1</sup> (\$MM)



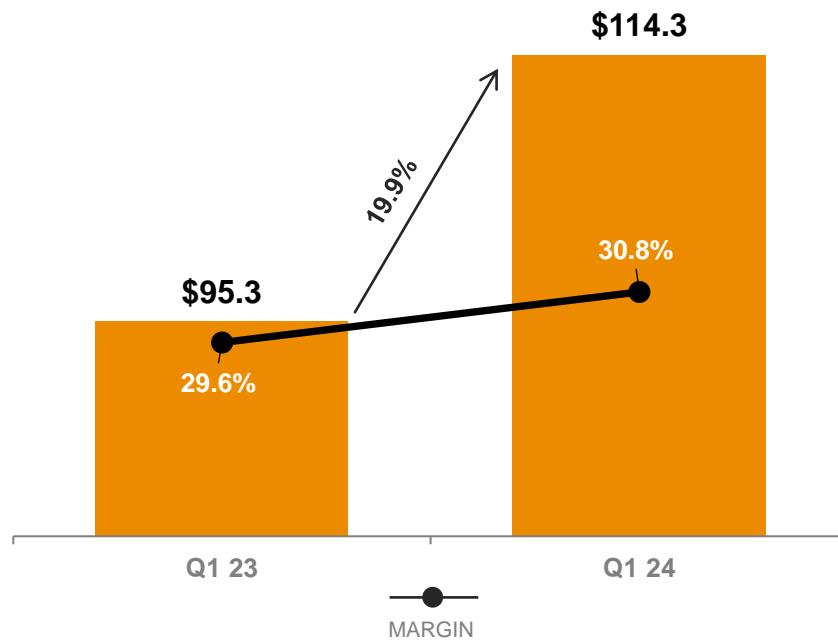
## Key Takeaways

- Adjusted EBITDA of \$161.7 million compared to \$143.0 million in Q1 23.
- Adjusted EBITDA margin was 43.6% compared to 44.4% in Q1 23.
- The decrease was due primarily to:
  - Higher SG&A expense and lower gross margins on total equipment rental and lower margins on parts, service and other.
  - Partially offset by higher gross margins on sales of rental equipment.

<sup>1</sup> For a reconciliation to GAAP financial measure, see Appendix A beginning on Slide 22.

# Q1 2024 SG&A Expense

SG&A (\$MM)



## Key Takeaways

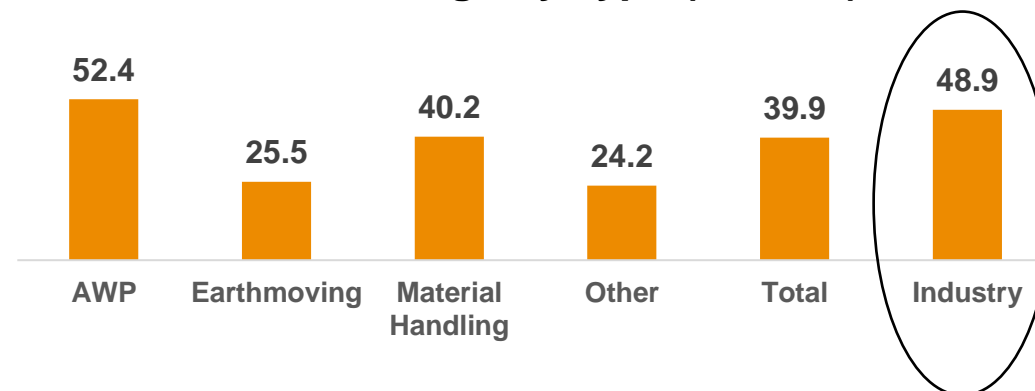
- SG&A was \$114.3 million compared to \$95.3 million in Q1 23, an increase of \$18.9 million, or 19.9%.
  - Branch expansion costs, including acquired branches, increased \$10 million in Q1 24 compared to Q1 23.
  - SG&A as a percentage of revenues was 30.8% compared to 29.6% a year ago.

# 2024 Fleet and Free Cash Flow Update<sup>1</sup>

## Rental Cap-Ex Summary (\$MM)<sup>2</sup>

	2018	2019	2020	2021	2022	2023	Three Mos. Ended Mar. 31, 2023	Three Mos. Ended Mar. 31, 2024
Gross Rental CapEx <sup>2</sup>	\$440.9	\$349.1	\$138.8	\$436.8	\$507.8	\$736.6	\$127.7	\$74.4
Sale of Rental Equipment	\$(112.0)	\$(127.6)	\$(141.6)	\$(133.9)	\$(83.7)	\$(163.9)	\$(31.7)	\$(47.8)
Net Rental CapEx	\$328.9	\$221.5	\$(2.8)	\$302.9	\$424.1	\$572.7	\$96.0	\$26.6

## Fleet Age by Type (Months)



## Free Cash Flow Summary (\$MM)<sup>3</sup>

	2018	2019	2020	2021	2022	2023	Three Mos. Ended Mar. 31, 2023	Three Mos. Ended Mar. 31, 2024
Free Cash Flow <sup>3</sup>	\$(279.0)	\$(6.7)	\$307.1	\$88.6	\$(233.3)	\$(203.3)	\$(13.2)	\$(58.9)

NOTE: Fleet statistics as of March 31, 2024.

<sup>1</sup> Results and information preceding 2020 include both continuing and discontinued operations.

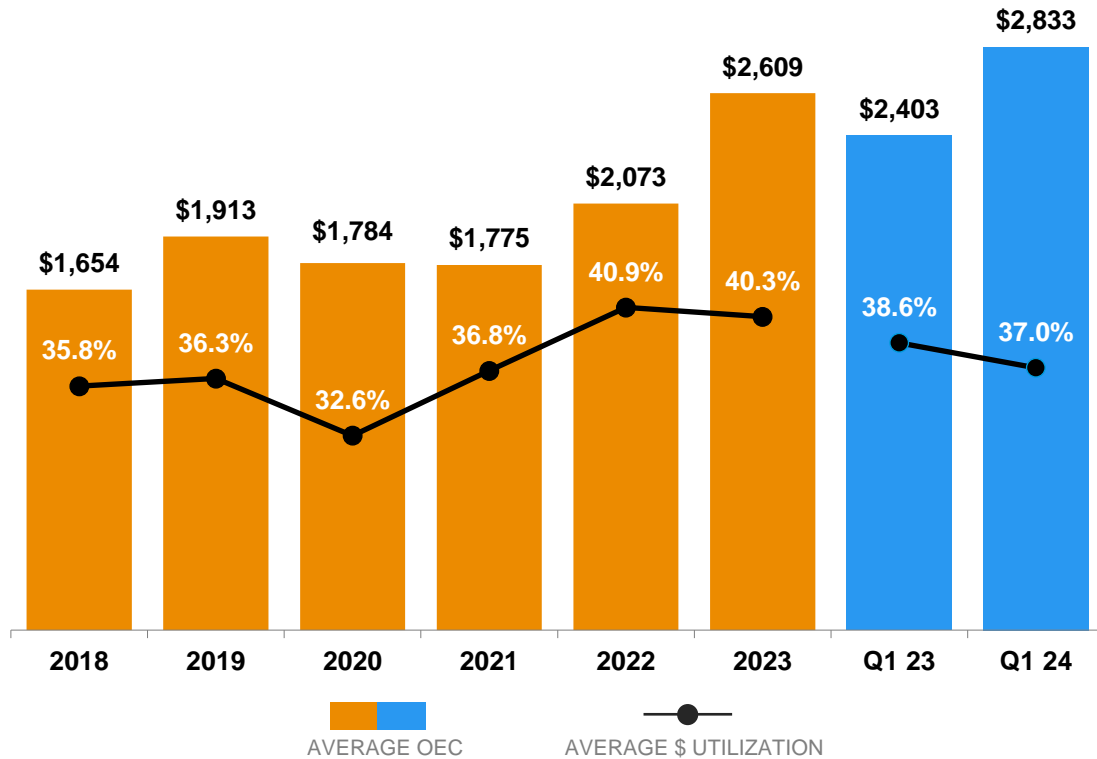
<sup>2</sup> Gross rental cap-ex includes amounts transferred from new and used inventory considered non-cash asset purchases for purposes of the Consolidated Statement of Cash Flows. Gross rental cap-ex does not include amounts acquired through acquisitions.

<sup>3</sup> 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 (closing adjustment) from sale of discontinued operations, 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.

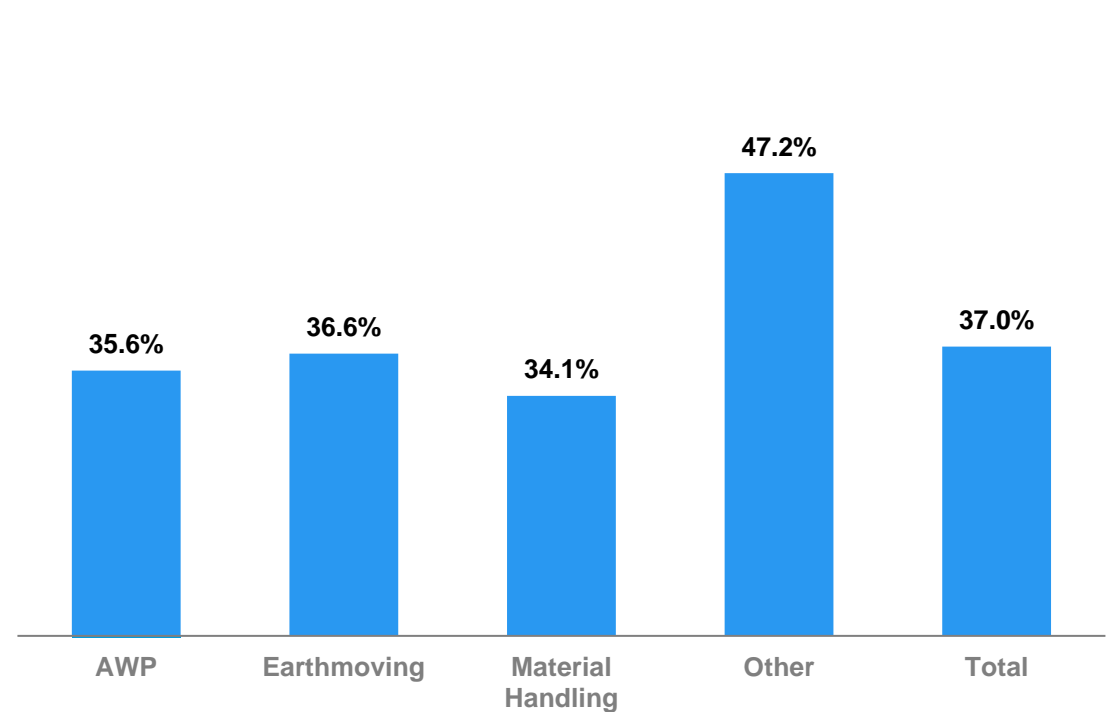


# 2024 Fleet Update

## Rental Fleet Statistics<sup>1,2</sup> (\$MM)



## \$ Utilization by Equipment Type<sup>1</sup>



**Note:** Fleet statistics as of March 31, 2024.

<sup>1</sup> \$ Utilization represents rental revenues annualized divided by the average original equipment cost.

<sup>2</sup> All years preceding 2020 are presented as both continuing and discontinued operations.

# Capital Structure

## Capital Structure (\$MM)

3/31/24

Cash and Cash Equivalents	<b>\$9.1</b>
Debt:	
Sr. Sec'd Credit Facility (ABL)	<b>\$254.6</b>
Senior Unsecured Notes <sup>1</sup>	<b>1,250.0</b>
Finance Lease Liabilities	<b>3.0</b>
<b>Total Debt</b>	<b>\$1,507.6</b>
Shareholders' Equity	<b>550.7</b>
<b>Total Book Capitalization</b>	<b>\$2,058.3</b>

## Credit Statistics<sup>2</sup>

	2018	2019	2020	2021	2022	2023	LTM Q1 2024
Adj. EBITDA <sup>3</sup> /Total Interest Exp.	6.4x	6.9x	5.8x	7.3x	10.0x	11.3x	10.8x
Total Net Debt <sup>4</sup> /Adj. EBITDA <sup>3</sup>	2.7x	2.4x	2.6x	2.2x	2.2x	2.1x	2.1x
Total Debt /Total Capitalization	81.4%	79.2%	84.0%	80.5%	75.8%	72.9%	73.2%

<sup>1</sup> Senior Unsecured Notes does not give effect to \$5.5 million of unaccreted discount and \$1.3 million of deferred financing costs.

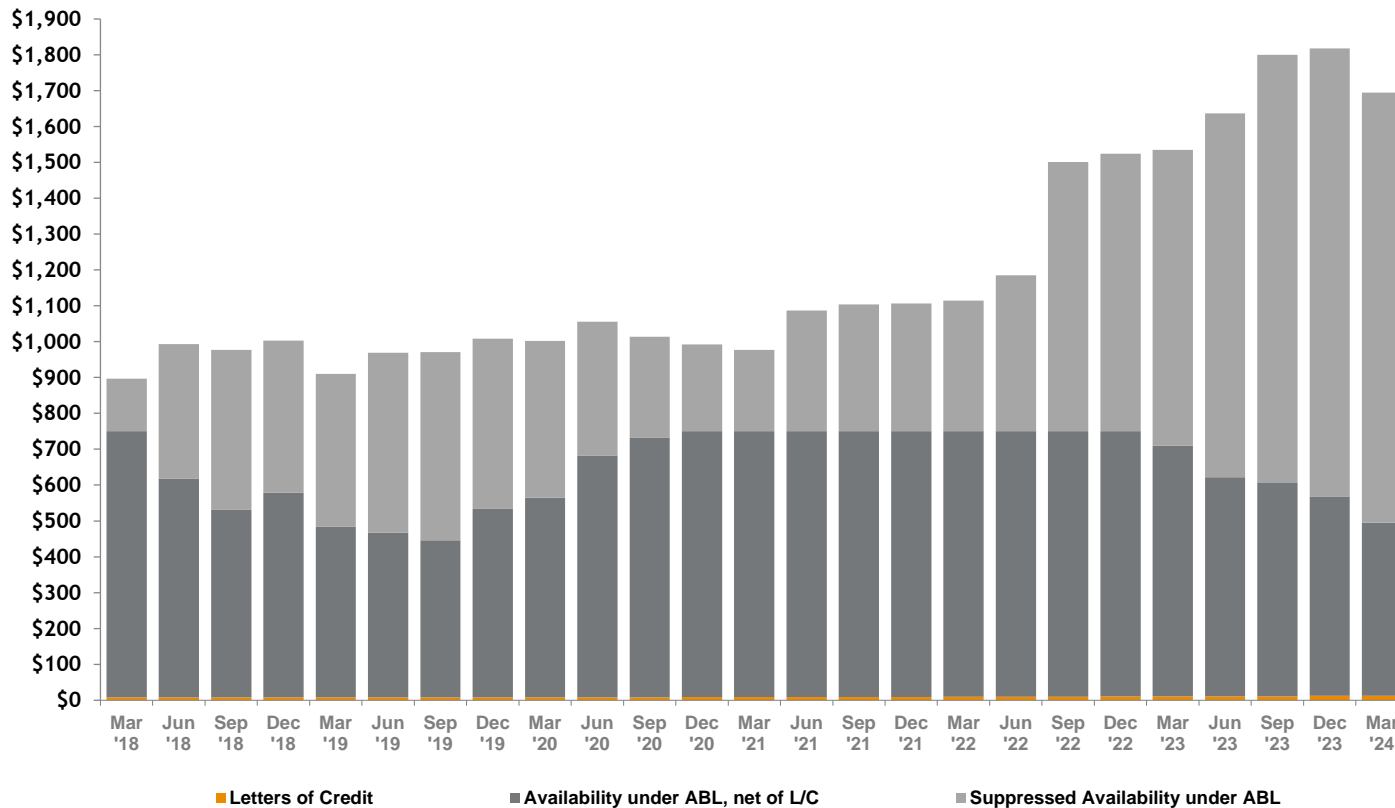
<sup>2</sup> All years preceding 2020 are presented as continuing and discontinued operations.

<sup>3</sup> Adjusted EBITDA excludes \$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; \$0.5 million in merger costs recorded in 2020, a \$55.7 million impairment charge in the first quarter of 2020, and 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, and deferred costs associated therewith in the fourth quarter of 2020. Due to the recurring nature of our acquisition-related operating expenses, we no longer adjust EBITDA for merger and other costs as of December 31, 2021. Starting with the year ended December 31, 2022, adjusted EBITDA excludes the impact of non-cash stock-based compensation expense. Adjusted EBITDA additionally excludes a \$5.7 million goodwill impairment charge in the third quarter of 2023.

<sup>4</sup> Net debt is defined as total debt less cash on hand.

# Liquidity Profile

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



## Key Takeaways

- **Liquidity under facility.**
  - \$254.6 million outstanding balance under \$750 million amended ABL facility on March 31, 2024.
  - \$483.0 million of borrowing availability, net of letters of credit, under the ABL on March 31, 2024.
  - Suppressed availability (supporting asset value in excess of \$750 million facility size) under ABL borrowing base certificate was \$1.2 billion on March 31, 2024.
  - Excess availability under the ABL for purposes of the springing fixed charge covenant was \$1.7 billion on March 31, 2024.
  - No covenant concern.
    - Minimum excess availability requirement is \$75 million, or 10% of the \$750 million amended ABL facility.
    - Cash and cash equivalents balance on March 31, 2024, of \$9.1 million.

# About H&E

Founded in 1961, H&E Equipment Services, Inc. is one of the largest rental equipment companies in the nation, serving customers across 30 states. The Company's fleet is among the industry's youngest and most versatile with a superior equipment mix comprised of aerial work platforms, earthmoving, material handling, and other general and specialty lines. H&E serves a diverse set of end markets in many high-growth geographies and has branches throughout the Pacific Northwest, West Coast, Intermountain, Southwest, Gulf Coast, Southeast, Midwest and Mid-Atlantic regions.

## Contacts

**Leslie S. Magee**, Chief Financial Officer

[lmagee@he-equipment.com](mailto:lmagee@he-equipment.com)

**Jeffrey L. Chastain**, Vice President of Investor Relations

[jchastain@he-equipment.com](mailto:jchastain@he-equipment.com)



**NASDAQ: HEES**  
**[investor.he-equipment.com](http://investor.he-equipment.com)**

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



# Appendix A

## 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, 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 \$0.4 million of merger costs. We define Adjusted EBITDA for the year 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, \$55.7 million of goodwill impairment charges and \$0.5 million of merger costs. We define Adjusted EBITDA for the year ended December 31, 2022, as EBITDA adjusted for non-cash stock-based compensation expense. We define Adjusted EBITDA for the year ended December 31, 2023, as EBITDA adjusted for the \$5.7 million goodwill impairment charge recorded in the third quarter of 2023 and \$10.0 million in non-cash stock-based compensation expense. We define Adjusted EBITDA for the three months ended March 31, 2024, as EBITDA adjusted for the \$3.8 million in non-cash stock-based compensation expense.

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 non-recurring 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. Because EBITDA and Adjusted EBITDA 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.

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. We also believe that analysts and investors use Free Cash flow as a supplement measure to evaluate a company's overall operating performance and ability to meet working capital requirements. However, this measure should not be considered in isolation or 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 and thus this measure may not be comparable to other similarly titled measures 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.

# Appendix A

## EBITDA and Adjusted EBITDA GAAP Reconciliation (\$ in thousands)<sup>1</sup>

	2018	2019	2020	2021	2022	2023	Q1 2023	Q1 2024	LTM Q1 2024
Net Income (Loss)	\$76,623	\$87,211	\$(46,396)	\$60,564	\$133,694	\$169,293	\$25,674	\$25,889	\$169,508
Interest expense	63,707	68,277	61,790	53,758	54,033	60,891	13,697	18,366	65,560
Provision (Benefit) for income taxes	28,040	28,650	(13,428)	21,160	47,036	53,904	9,055	9,317	54,166
Depreciation	233,046	272,368	252,681	254,158	296,310	381,959	89,945	101,898	393,912
Amortization of intangibles	3,320	4,132	3,987	3,970	4,660	6,455	1,683	2,487	7,259
EBITDA	\$404,736	\$460,638	\$258,634	\$393,610	\$535,733	\$672,502	\$140,054	\$157,957	\$690,405
Loss on early extinguishment of debt <sup>2</sup>	–	–	44,630	–	–	–	–	–	–
Merger and other <sup>3</sup>	708	416	503	–	–	–	–	–	–
Impairment of goodwill <sup>2</sup>	–	12,184	55,664	–	–	5,714	–	–	5,714
Non-cash stock-based compensation expense	–	–	–	–	7,263	10,026	2,990	3,788	10,824
Adjusted EBITDA	\$405,444	\$473,238	\$359,431	\$393,610	\$542,996	\$688,242	\$143,044	\$161,745	\$706,943

<sup>1</sup> All years preceding 2020 are presented as continuing and discontinued operations.

<sup>2</sup> Adjustments relate to loss from early extinguishment of debt incurred in the fourth quarter ended December 31, 2020. Adjustment includes goodwill impairment charges in the fourth quarter ended December 31, 2019, in the first quarter ended March 31, 2020, and in the third quarter ended September 30, 2023.

<sup>3</sup> Adjustment includes the net merger breakup fee proceeds associated with the terminated merger agreement with Neff Corporation and subsequent merger and other costs. Due to the recurring nature of our acquisition-related operating expenses, we will no longer adjust for merger and other costs effective with the year ending December 31, 2021.

# Appendix A<sup>1</sup>

## Free Cash Flow GAAP Reconciliation (\$ in thousands)

	2018	2019	2020	2021	2022	2023	Three Mos. Ended Mar. 31, 2023	Three Mos. Ended Mar. 31, 2024
<b>Net cash provided by operating activities</b>	\$247,211	\$319,218	\$286,016	\$259,572	\$313,238	\$405,483	\$43,225	\$83,350
<b>Acquisition of business, net of cash acquired</b>	(196,027)	(106,746)	–	–	(135,710)	(31,265)	–	(121,571)
<b>Proceeds (closing adjustment) on sale of discontinued operations</b>	–	–	–	135,945	(2,256)	–	–	–
<b>Purchases of property and equipment</b>	(34,960)	(43,111)	(18,664)	(34,622)	(51,452)	(83,872)	(12,388)	(39,137)
<b>Purchases of rental equipment<sup>2</sup></b>	(416,600)	(309,654)	(116,363)	(418,082)	(464,434)	(661,960)	(76,578)	(31,059)
<b>Proceeds from sale of property and equipment</b>	9,261	6,050	14,524	11,884	23,626	4,449	849	1,669
<b>Proceeds from sale of rental equipment</b>	112,086	127,558	141,594	133,900	83,689	163,886	31,686	47,809
<b>Free cash flow</b>	\$(279,029)	\$(6,685)	\$307,106	\$88,597	\$(233,299)	\$(203,279)	\$(13,206)	\$(58,939)

<sup>2</sup> Purchases of rental equipment as reflected in the Condensed 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)

	2018	2019	2020	2021	2022	2023	Three Mos. Ended Mar. 31, 2023	Three Mos. Ended Mar. 31, 2024
<b>Transfers of new and used inventory</b>	\$24.3	\$39.5	\$22.4	\$18.7	\$43.3	\$74.7	\$51.1	\$43.3

<sup>1</sup> Results and information are presented as continuing and discontinued operations for all years presented.



# Appendix A

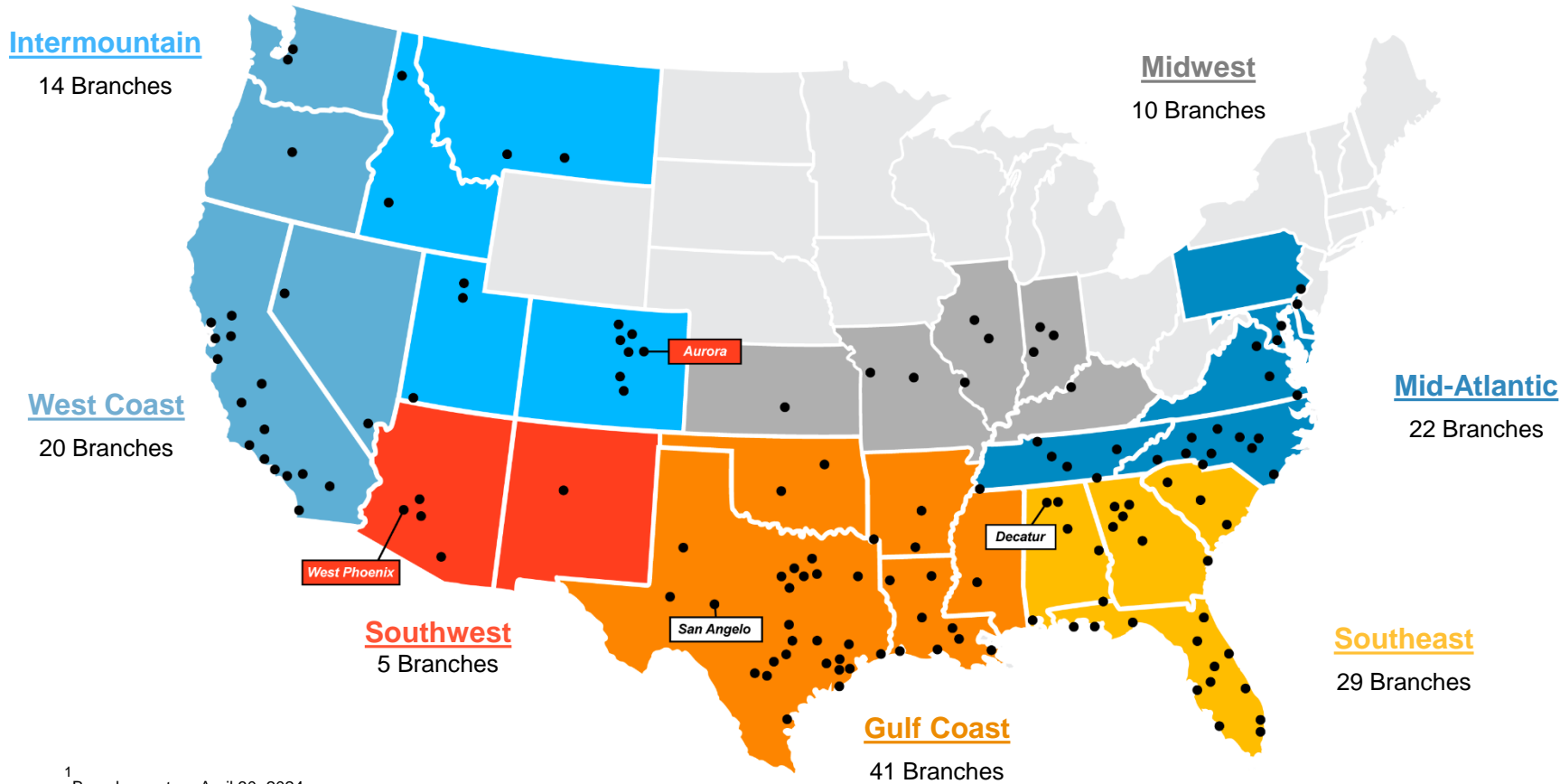
**H&E EQUIPMENT SERVICES, INC.**  
**UNAUDITED RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**  
(Amounts in thousands)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>RENTAL</b>		
Equipment rentals <sup>(1)</sup>	\$ 261,741	\$ 232,076
Rental other	33,584	29,932
Total equipment rentals	<u>295,325</u>	<u>262,008</u>
 <b>RENTAL COST OF SALES</b>		
Rental depreciation	91,398	81,872
Rental expense	43,407	37,867
Rental other	32,623	27,975
Total rental cost of sales	<u>167,428</u>	<u>147,714</u>
 <b>RENTAL REVENUES GROSS PROFIT</b>		
Equipment rentals	126,936	112,337
Rentals other	961	1,957
Total rental revenues gross profit	<u>\$ 127,897</u>	<u>\$ 114,294</u>
 <b>RENTAL REVENUES GROSS MARGIN</b>		
Equipment rentals	48.5%	48.4%
Rentals other	2.9%	6.5%
Total rental revenues gross margin	<u>43.3%</u>	<u>43.6%</u>

<sup>1</sup> Pursuant to SEC Regulation S-X, the Company's equipment rental revenues are aggregated and presented in our unaudited condensed consolidated statements of operations as a single line item, "Equipment Rentals." The above table disaggregates the Company's equipment rental revenues for discussion and analysis purposes only.

# Appendix A

## Regional Branch Map - 141 Locations in 30 States<sup>1</sup>



### 2024 Branch Expansion To Date

- 4 new locations.
  - 2 added through warm start program.
  - 2 added through acquisitions.
- 4 additional locations excluded (Lewistown Rental and affiliates). Expected close in Q2 2024.

<sup>1</sup> Branch count on April 30, 2024.



# THANK YOU!

April 30, 2024

**I&F** EQUIPMENT  
SERVICES.