



H&E Equipment Services' Rental Revenue Jumps 24.2 Percent in Third Quarter

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H&E Equipment Services posted \$322.1 million in third quarter revenue compared to \$259.2 million in the third quarter of 2017, a 24.3-percent increase. The jump in rental revenue was almost equal, from \$125.6 million in last year's third compared to \$156 million in the recently concluded frame, a 24.2-percent leap.

Net income more than doubled from \$8.5 million a year ago to \$21.3 million in this year's third quarter. Adjusted EBITDA increased 22.2 percent to \$108.2 million in the third quarter, compared to \$88.5 million a year ago, yielding a margin of 33.6 percent of revenues compared to 34.2 percent in last year's third quarter.

New equipment sales increased 39.4 percent to \$68.2 million in the third quarter. Used equipment sales increased 36.2 percent to \$30.3 million.

During the third quarter, the company completed its offering of new eight-year 5.625 percent senior unsecured notes and the repurchase and redemption of its previously outstanding 7 percent senior unsecured notes.

Rental gross margins were 50 percent in the third quarter compared to 49.7 percent a year ago.

Average rental rates increased 2.2 percent compared to a year ago, and 0.8 percent sequentially. Dollar utilization was 35.9 percent compared to 36 percent a year ago. Average rental fleet age on Sep. 30, 2018 was 33.8 months.

"Our business performed well during the third quarter as we took advantage of the strength in the non-residential construction markets," said CEO John Engquist. "Ongoing rental rate improvement as well as solid broad-based demand throughout our geographic footprint drove a 24.2-percent increase in rental revenues. Despite organically growing our fleet by \$236.6 million year-to-date, physical utilization remained strong and we achieved our expected year-over-year and sequential rental rate increases. Now that this significant fleet investment has been absorbed into the business, our utilization has returned to industry-leading levels during the fourth quarter.

"A year ago, our utilization was at unsustainable levels and resulted in missed opportunities in our end markets. We believe our fleet investment has positioned us well for the rest of this year and for 2019. The momentum in our distribution business continued during the quarter with new equipment sales increasing 39.4 percent, largely due to an increase in new crane sales of 51.2 percent from a year ago. Demand for new earthmoving equipment was also solid, increasing 39.3 percent. Overall, it was a good quarter for our business. As we move into the fourth quarter, project activity remains strong resulting in healthy demand for rental equipment and is consistent with the ongoing strength in the non-residential construction markets, which is forecast to continue into 2019. Lastly, our stated growth strategy including both acquisitions and organic expansion remains on track."

At the end of the third quarter, the original acquisition cost of the company's rental fleet was \$1.8 billion, an increase of \$354.8 million from the end of the third quarter of 2017.

For the first nine months of 2018, total revenue was \$893 million, compared to \$735.4 million for the first nine months of 2017, a 21.4-percent hike. Equipment rental revenue for the first nine months totaled \$492.2 million compared to \$351.3 million in the first nine months of 2017, a 22.2-percent increase.

Based in Baton Rouge, La., H&E Equipment Services is No. 10 on the *RER*100.