



Herc Rentals Hikes Rental Revenue 3.8 Percent in Q2

August 1, 2019

Herc Rentals reported \$407.6 million in equipment rental revenue, compared with \$392.5 million for the second quarter of 2018, a 3.8-percent increase. Total revenues were \$475.1 million for the quarter compared to \$485.5 million last year, a 2.1-percent decrease. Herc reported net income of \$9.7 million, compared to a loss of \$0.3 million in the year ago quarter.

Average fleet at original equipment cost decreased 1.3 percent. Overall pricing improved 4.6 percent for the second quarter compared to the year-ago period. Adjusted EBITDA jumped 14.9 percent to \$174.9 million in the second quarter compared to \$152.2 million in the year-ago frame.

Strong year-over-year improvements in pricing and mix were offset by strategic reductions in re-rent revenue to drive margin improvement, the company said.

“Our strong second quarter results reflect the companywide focus on quality of earnings,” said Larry Silber, president and CEO. “We improved pricing 4.6 percent over last year and increased dollar utilization by 260 basis points to 38 percent in the quarter. Our margin improvement initiatives reduced expenses and contributed to the year-over-year increase in adjusted EBITDA margin of 550 basis points to 36.8 percent. Lower net fleet capital expenditures and increased pricing improved dollar utilization. These initiatives drove equipment revenue growth and strong profitability improvements despite record levels of rain in certain regions of the U.S.

“Customer feedback and project backlogs support our expectation for solid equipment rental demand for the rest of the year. As we continue to successfully implement our revenue and cost initiatives, we expect to continue generating strong growth in profitability for the full-year 2019.”

Herc said the year-over-year \$10.4 million decrease in total revenue was primarily because of the \$26.9 million in sales of rental equipment compared to 2018, partially offset by the increase in equipment rental revenue of \$15.1 million. Dollar utilization increased 260 basis points to 38 percent compared to the prior-year period, reflecting improved pricing and customer and fleet mix diversification.

Direct operating expenses declined from \$194.5 million in the year-ago quarter to \$188.5 million, primarily because of initiatives to reduce maintenance and transportation expenses and strategic reductions in re-rent expense. These savings were offset by investments in new facilities.

For the first six months of the year, equipment rental revenue was \$785.2 million compared to \$761.6 million last year, a 3.1-percent hike. Total revenues for the six months were \$950.8 million compared to \$916.8 million in the first six months of 2018, a 3.7-percent increase. Sales of rental equipment increased \$10.9 million for the first six months.

Herc reported net fleet capital expenditures of \$133.4 million for the first half of 2019. Gross fleet capital expenditures were \$257.1 million, and disposals were \$123.7 million. As of June 30, 2019, total fleet was valued at about \$3.86 billion at OEC. Average fleet at OEC decreased 1.3 percent in the second quarter of 2019, and 0.3 percent for the first half compared to prior-year periods. Average fleet age was 44 months as of June 30, compared to approximately 46 months on June 30, 2018.

The company is expecting adjusted EBITDA of \$735 million to \$760 million for the full year and net fleet capital expenditures of \$370 million to \$410 million.

Herc Rentals, No. 3 on the *RER* 100, is based in Bonita Springs, Fla.