

Q3 Rental Revenue Leaps 18.2 Percent for H&E

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H&E Equipment Services posted \$353 million in revenue in the third quarter of 2019, compared to \$322.1 million in the third quarter of 2018, a 9.6-percent increase. Net income increased 33.4 percent to \$28.4 million in the third quarter compared to net income of \$21.3 million a year ago. The effective income tax rate was 26.7 percent in the third quarter of 2019, and 26.4 percent in Q318.

Total equipment rental revenues for the third quarter of 2019 were \$204.1 million compared to \$172.8 million a year ago (as adjusted), an 18.2-percent hike. Rental revenues, as previously reported, for the third quarter were \$184.8 million, an increase of \$28.8 million or 18.4 percent, compared to \$156 million in the year-ago quarter.

Adjusted EBITDA increased 17.9 percent to \$127.5 million in the third quarter compared to \$108.2 million a year ago, yielding a margin of 36.1 percent of revenues compared to 33.6 percent a year ago.

New equipment sales decreased 4.7 percent to \$65 million in the third quarter compared to \$68.2 million a year ago.

Gross margin was 37.4 percent compared to 35.6 percent a year ago. The increase in gross margin was largely the result of a shift in revenue mix to rentals and higher equipment rental gross margins. Total equipment rental gross margins were 46.3 percent in the third quarter of 2019 compared to 45.2 percent in the third quarter of 2018, as adjusted. Rental gross margins were 50.8 percent in the third quarter of 2018 compared to 50 percent a year ago.

Average time utilization, based on original equipment cost, was 71.4 percent compared to 71 percent a year ago. The size of the company's rental fleet based on OEC cost increased 12.3 percent from a year ago to \$2 billion. Average rental rates increased 2.4 percent compared to a year ago and 1 percent sequentially. Dollar utilization in the third quarter was 37.5 percent compared to 35.9 percent a year ago.

Average rental fleet age at Sept. 30, 2019, was 34.9 months compared to an industry average age of 45.6 months, the company said.

“Our third quarter results were solid as we continued to experience broad-based demand for rental equipment throughout our end-user construction markets,” said Brad Barber, H&E Equipment Services’ CEO and president. “We achieved a 2.4 percent improvement in rates compared to a year ago, and physical utilization increased 40 basis points to 71.4 percent, which helped drive an 18.4 percent increase in rental revenues.

“We are pleased with our year-to-date performance and ability to capitalize on the ongoing strength and opportunities in the well-diversified construction markets we serve throughout our 23-state footprint. Increasing the scale of our rental business continues to be a strategic priority for our business. We expect to achieve this goal through organic growth, acquisitions and warm-start store openings. Based on our current performance, solid level of project activity and our customers’ feedback, our market outlook remains positive.”

For the first nine months of 2019, equipment rental revenue was \$572.6 million compared to \$455.2 million for the first nine months of 2018, a 25.8-percent jump. Total revenues for the nine-month period were \$1,000.2 million compared to \$893 million in the first nine months of 2018, a 12-percent jump.

H&E Equipment Services, No. 8 on the RER 100, has 96 branches throughout the West Coast, Intermountain, Southwest, Gulf Coast, Mid-Atlantic and Southeast regions. The company is headquartered in Baton Rouge, La.