



Herc Rentals' Rental Revenue Decreases 12.5 Percent in Third Quarter

October 22, 2020

Herc Holdings reported third quarter equipment rental revenue of \$402.3 million compared to \$459.6 million in the third quarter of 2019, a 12.5-percent decrease. Total revenue for the third quarter was \$456.7 million compared to \$508.1 million a year ago, a 10.1-percent decline. The year-over-year decline of \$51.4 million was related primarily to lower equipment rental revenue, offset by an increase in the sales of rental equipment of \$9.9 million.

Net income was \$39.9 million for the quarter compared to \$43.2 million a year ago.

While the COVID-19 business slowdown impacted volume and pricing, monthly results continued to improve sequentially throughout the third quarter.

Pricing declined 0.8 percent compared to the same period in 2019. Dollar utilization was 37.6 percent, compared with 40.8 percent in the prior-year period, reflecting lower volume, fleet mix and pricing. Direct operating expenses were \$169.4 million, a drop of 14.3 percent year over year, reflecting savings in nearly every expense category, and primarily related to lower re-rent expense, personnel-related costs, and transportation and maintenance expense.

Selling, general and administrative expenses decreased 19.9 percent to \$61 million in Q320, compared to \$76.2 million in the year-ago period. The expense decline was primarily attributed to reductions in selling and travel expenses, as well as lower bad debt expense because of improvement in collections.

"Volume improved sequentially throughout the third quarter as many of our markets steadily recovered from the impact of COVID-19 and normal seasonality returned to the business," said Larry Silber, president and CEO. "We continued to improve adjusted EBITDA margin as our operating efficiency and cost control initiatives reduced third quarter costs compared to the prior year. Despite the challenging business environment, our customer and industry diversification strategy continued to demonstrate the resilience of our business model.

"We continue to adhere to the Centers for Disease Control and Prevention's guidelines in our operations and interactions with customers and adapt to more stringent municipal and state mandates. Our highest priority is to ensure the health and safety of our team members and customers."

For the first nine months of 2020, equipment rental revenue was \$1,116.4 million compared to \$1,244.8 million in the first nine months of 2019, a 10.3-percent decline, primarily because of lower volume related to the impact of COVID-19. Total revenues were \$1,260.9 million compared to \$1,458.9 million in the first nine months of 2019, a 13.6-percent dip. The economic slowdown caused by the pandemic impacted all of the company's revenue streams in 2020, especially with lower equipment rental revenue and sales of rental equipment.

Pricing increased 0.4 percent for the first nine months of 2020.

Herc reported net fleet capital expenditures of \$159.1 million for the first nine months of 2020, with gross fleet capital expenditures of \$273.2 million compared with \$506.7 million in the first nine months of 2019. Average fleet at original equipment cost decreased 4.5 percent year over year in the third quarter and by 1.1 percent in the first nine months. Average fleet age was 47 months as of Sept. 30, 2020, compared with 44 months a year ago.

Herc raised adjusted EBITDA guidance for the full year, previously expecting \$625 million to \$650 million and now expecting \$655 million to \$675 million. It expects net fleet capital expenditures of between \$190 million and \$210 million.

"Our improving efficiency in the third quarter reflects our ability to manage through challenging times," said Silber. "We currently estimate fourth quarter fleet on rent is likely to decline approximately 4 percent to 6 percent and rental revenue to decline approximately 6 percent to 8 percent year over year. Adjusted EBITDA margin for the fourth quarter and full year should improve versus the comparable prior-year periods. Our strong free cash

flow position for the nine-month period ending September 30, 2020, is already substantially higher than the amount we generated for the full year 2019, and should continue to improve during the remainder of the year. With reduced leverage and ample liquidity, we are well positioned for 2021."

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