



Herc Rentals Uncorks a Hot 36.8 Percent Rental Revenue Rise in Second Quarter

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Herc Holdings posted equipment rental revenue of \$448 million in the second quarter compared to \$327.6 million in the second quarter of 2020, a 36.8-percent increase. Total revenues for the quarter were \$490.9 million compared to \$368 million for last year's second quarter, a 33.4-percent hike.

Herc reported net income of \$47.1 million or \$1.55 per diluted share in the second quarter of 2021, compared to \$2 million or \$0.07 per diluted share a year ago. The big jump was in equipment rental as sales of new and used rental equipment were essentially flat compared with the prior year. Pricing increased 1.9 percent compared to the same period in 2020.

"Our second quarter performance provides momentum for the rest of 2021," said Larry Silber, president and CEO. "Tight supply of new equipment and steady demand from a number of key markets have provided a positive operating environment. Second quarter total revenues were up 33 percent and adjusted EBITDA increased 39 percent compared with last year. Adjusted EBITDA margin rose 170 basis points year-over-year to 42.3 percent in the second quarter, reflecting solid overall performance and excellent growth in our specialty businesses."

Direct operating expenses of \$203.0 million increased 40.3 percent compared to the prior-year period. The \$58.3 million increase was primarily because of higher personnel-related costs and increases related to higher year-over-year volume such as delivery and freight, maintenance and re-rent expense.

Adjusted EBITDA increased 39.0 percent to \$207.7 million compared to \$149.4 million in the prior-year period. The increase was primarily due to improved operating efficiencies and higher contributions from the sale of rental equipment. Adjusted EBITDA margin increased 170 basis points to 42.3 percent compared with 40.6 percent in the prior-year period.

For the first six months of the year, equipment rental revenue increased 18.8 percent to \$848.4 million compared to \$714.1 million in the prior-year period. Total revenues increased 17.5 percent to \$944.7 million compared to \$804.2 million in the prior-year period. The year-over-year increase of \$140.5 million was related primarily to an increase in equipment rental revenue of \$134.3 million. Sales of rental equipment were nearly flat for the half-year stretch.

Pricing increased 0.9 percent for the half year, compared to the same period in 2020. Dollar utilization increased to 40.4 percent compared to 33.2 percent in the prior-year period.

Direct operating expenses of \$386.0 million increased 15.6 percent compared to the prior-year period. The \$52.1 million increase was primarily because of higher personnel-related costs and increases related to higher volume such as delivery and freight expenses, maintenance and re-rent expense.

Adjusted EBITDA increased 32.1 percent to \$392.3 million compared to \$297.0 million in the prior-year period. The increase was primarily because of improved operating efficiencies and higher contributions from the sale of rental equipment.

Adjusted EBITDA margin increased 460 basis points to 41.5 percent compared with 36.9 percent in the prior-year period.

With an improved business climate, Herc raised its guidance for the rest of 2021. It previously expected adjusted EBITDA of \$800 million to \$840 million for the year, but it now expects adjusted EBITDA in the range of \$840 million to \$870 million. Previously it expected net rental equipment capital expenditures of \$400 million to \$450 million, but it has raised its capex expectations to the range of \$500 million to \$550 million.

"Our year-to-date performance along with the current favorable operating environment have prompted us to raise our adjusted EBITDA guidance for the second time this year," said Silber. "We intend to continue to expand our

market share, particularly in our specialty businesses, and maximize our operating leverage to drive margins. Our strong free cash flow supports our fleet expenditures, greenfield expansion and M&A activity. We are excited to carry our momentum from Q2 into the balance of 2021 for what looks likely to be a record year for Herc Rentals revenues and net income. With net leverage now below our target range of 2x to 3x, we are also reviewing our capital allocation plan."

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