



H&E Equipment Services' Rental Revenues Jump 24.7 Percent in Fourth Quarter

February 24, 2022

H&E Equipment Services posted total equipment rental revenues for the fourth quarter of 2021 of \$203.7 million, an increase of \$40.8 million, or 25.1 percent, compared to \$162.9 million in the fourth quarter of 2020. Rental revenues for the fourth quarter of 2021 were \$182.0 million, an increase of \$36.0 million, or 24.7 percent, compared to \$146.0 million in the fourth quarter of 2020.

H&E Equipment Services posted \$281.3 million in total revenue in the fourth quarter of 2021 compared to \$267.7 million in the fourth quarter of 2020.

Net income for the fourth quarter of 2021 was \$21.7 million compared to a net loss of \$21.3 million in the fourth quarter of 2020. Adjusted EBITDA increased 18.4 percent in the fourth quarter of 2021 to \$110.4 million compared to \$93.3 million in the fourth quarter of 2020, yielding a margin of 39.3 percent of revenues compared to 34.8 percent over the same period of comparison.

Used equipment sales decreased 34.3 percent in the fourth quarter of 2021 to \$29.5 million compared to \$44.9 million in the same quarter of 2020. Margins in the fourth quarter improved to 39.3 percent compared to 31.6 percent a year ago. New equipment sales totaled \$22.5 million in the fourth quarter of 2021, a decline of 33.3 percent when compared to \$33.8 million in the fourth quarter of 2020.

Total equipment rental gross margins were 46.3 percent in the fourth quarter of 2021 compared to 40.7 percent in the same quarter of 2020. Rental gross margins were 51.7 percent compared to 45.5 percent in the year-ago quarter.

Average time utilization (based on original equipment cost) in the fourth quarter of 2021 was 73.1 percent compared to 65.6 percent in the same quarter in 2020 and 71.9 percent in the third quarter of 2021. The company's rental fleet based on original acquisition cost ended 2021 at approximately \$1.9 billion, representing a 10 percent increase from 2020.

Average rental rates improved 4.7 percent in the fourth quarter of 2021 when compared to a year ago and 1.5 percent when compared to the third quarter of 2021. Dollar utilization improved to 39.3 percent in the fourth quarter of 2021 compared to 34.1 percent in the fourth quarter of 2020.

Average rental fleet age on December 31, 2021, was 40.3 months compared to an industry average age of 53 months, according to H&E.

Rental rates rise, Barber says

“Strong customer demand for our rental fleet persisted well into the final quarter of 2021, resulting in higher average physical utilization and rental rate appreciation,” said Brad Barber, CEO of H&E Equipment Services. “Fourth quarter average physical utilization of 73.1 percent was exceptional, representing a 750 and 440 basis point improvement when compared to average utilization measures in the same quarters of 2020 and 2019, respectively, while it was 120 basis points above the third quarter of 2021. Accompanying the strong average utilization was an improvement in rental rates of 4.7 percent when compared to the fourth quarter of 2020, representing a gain of 1.5 on a sequential quarterly basis. With the advances in these critical industry benchmarks, we reported sequential quarterly improvement in rental revenues and adjusted EBITDA while demonstrating excellence throughout the operation.

“Favorable industry trends remain in place, providing abundant opportunities for growth in 2022. Of note, feedback from our customers suggests elevated equipment rental demand is likely to persist through 2022 with broadening activity in the non-residential construction and industrial end markets. Strong performance in 2021

of key industry measures of future construction activity support the likelihood for further expansion in 2022 of these important end markets. In addition, the recently passed Bipartisan Infrastructure Bill is expected to supplement demand for our fleet as our customers outline growing needs in 2022 ahead of government appropriation.

“Finally, the planned growth of our equipment rental fleet in 2022 underscores our confidence in a fundamentally robust cycle. Following 2021 gross capital expenditures of \$437 million, gross expenditures in 2022 are expected to range from \$550 million to \$600 million, representing the largest annual gross spend in the company’s history. The spending increase of nearly 40 percent year-over-year is expected to position H&E to meet intensified customer demand in 2022 and beyond.”

Barber emphasized the importance of H&E’s strategic execution. “During 2021, we took important strategic steps to advance the transformation of H&E to a pure play rental business,” he added. “These steps included continued investment in our rental fleet, which grew 10 percent in 2021, and the steady expansion of our branch network, as we added 10 new locations in regions with promising growth prospects. At the same time, we significantly reduced our exposure to the distribution business, ending the year as a pure play rental operation in 23 of the 24 states where we currently operate. As we enter 2022, successful execution of strategic initiatives has improved H&E’s competitive position in the equipment rental industry. Our young and versatile fleet is growing, and in 2022 we should experience the largest gross investment in our company’s 60-year history.

“Also, we expect our geographic footprint to expand in 2022 with our branch count expected to grow by more than 10 locations, including two new branches expected to be added in the first quarter that will provide increased access to new customers in expanding markets. Finally, our consolidated focus on rental operations has positioned the company for higher and increasingly more stable revenues through the cycle with margin appreciation. Meanwhile, our financial capacity, as evidenced by a conservative balance sheet and excellent liquidity position, provides a strong avenue for strategic growth.”

Full year rental revenues leap 12.4 percent

For the full year, revenues totaled \$1.1 billion, an increase of \$55.8 million, or 5.5 percent compared to \$1 billion in 2020. Total equipment rental revenues increased 13.2 percent to \$729.7 million compared to \$644.4 million in 2020. Rental revenues totaled \$653 million compared to \$581.1 million in 2020, a 12.4-percent year-over-year increase. Used equipment sales were \$135.2 million compared to \$135.2 million in 2020, a 3.2-percent drop. New equipment sales were \$92.7 million compared to \$113.7 million in 2020, an 18.5-percent decline.

Parts sales declined modestly to \$65.6 million from \$65.9 million in 2020 while service revenues decreased 8.2 percent to \$33.0 million from \$36.0 million in the previous year.

H&E Equipment Services, based in Baton Rouge, La., is No. 8 on the *RER*100.