



Equipment Rental Revenues Jump 30 Percent in First Quarter for H&E Equipment Services

April 27, 2022

H&E Equipment Services posted \$199.2 million in total equipment rental revenue in the first quarter of 2022, compared to \$153.2 million in the first quarter of 2021, a 30-percent year-over-year increase. Rental revenues for the first quarter of 2022 were \$177.2 million, an increase of 29.2 percent, compared to \$137.1 million in the first quarter of 2021. Total revenue was \$272.5 compared to \$240.4 million a year ago, a 13.3-percent increase.

Used equipment sales in this year's first quarter totaled \$21.5 million, compared to \$38.9 million a year, a 44.6-percent decline as the company kept its used equipment longer because of the long lead times to acquiring new equipment. Parts sales increased 3.2 percent, from \$15.6 million a year ago to \$16.1 million this year. Service revenues were essentially flat, increasing from \$8 million to \$8.1 million.

Net income was \$16.3 million in the quarter compared to \$1.9 million in the first quarter of 2021. Adjusted EBITDA totaled \$103.4 million in the first quarter of 2022, an increase of 34.5 percent compared to \$76.9 million in the first quarter of 2021, resulting in a margin of 38 percent of revenues compared to 32 percent in the year-ago quarter.

Gross margin improved to 41 percent in the first quarter of 2022 compared to 34.7 percent in the first quarter of 2021. Total equipment rental gross margins were 44.9 percent in the first quarter of 2022 compared to 38.0 percent in the same quarter of 2021. Rental gross margins were 49.9 percent in the quarter compared to 42.7 percent in the year-ago frame.

Average time utilization based on original equipment cost in the first quarter of 2022 was 70.4 percent compared to 64.1 percent in the same quarter of 2021. H&E's rental fleet, based on OEC, finished the first quarter at more than \$1.9 billion, an increase of \$218.8 million, or 13 percent compared to Q121.

Average rental rates improved 6.5 percent in the first quarter of 2022 compared to Q121, with a 1.6-percent sequential increase compared to the fourth quarter of 2021. Dollar utilization improved to 37.6 percent in the first quarter of 2022 compared to 32.6 percent in the first quarter of 2021.

Young rental fleet

H&E's average rental fleet age on March 31, 2022, was 41.5 months compared to an industry average age of 51.3 months, the company said.

“The combination of seasonally strong fleet utilization, rising rental rates and fleet growth played a significant role in our impressive start to the year,” said Brad Barber, H&E Equipment Services CEO. “At 70.4 percent, average physical utilization in the first quarter benefited from strong demand and minimal seasonal delays. The measure was 630 basis points better than the year-ago quarter, which reflected COVID-19 disruptions, and only 270 basis points below the fourth quarter of 2021. Rental rates continued their positive trajectory, closing the quarter 6.5 percent ahead of the year-ago quarter and 1.6 percent better on a sequential quarterly basis.

“Finally, we grew our rental fleet \$218.8 million, or 13 percent, when compared to the first quarter of 2021, closing the quarter with a fleet OEC value of just over \$1.9 billion. With these strong fundamentals in place, rental revenues grew 29.2 percent when compared to the year-ago quarter, achieving a gross margin of 49.9

percent, while adjusted EBITDA improved 34.5 percent over the same period of comparison, posting a margin of 38 percent, or an increase of 600 basis points.

“Our end-markets are displaying impressive strength, driven by growing non-residential construction and industrial activity. These important sectors accounted for 77 percent of our total revenues in 2021. We are confident that our 2022 gross capital expenditure projection of \$550 million to \$600 million is appropriately timed and positions the company to address the expected growth across our regions of operation. As our rental fleet grows throughout the year, it will do so in a business environment that remains fundamentally robust.”

Barber also noted that the expansion of the company’s branch network remains an important part of the company’s strategy in addition to growing its fleet. “A focus on both efforts positions H&E to address the expanding regional opportunities available in this highly resilient business environment. During the first quarter, we advanced our goal of no fewer than 10 warm start and greenfield locations with the addition of two new branches and added a third location following the close of the quarter. With these three additions, H&E has expanded its branch network to 105 locations across 25 states.”