


# Herc Holdings Inc.
# Q1 2019 Earnings Conference Call

May 2, 2019

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# Agenda

**Welcome and Introductions**
Elizabeth Higashi
Vice President, Investor Relations

**Strategic Update & Industry Outlook**
Larry Silber
President and Chief Executive Officer

**Q1 Financial Review**
Mark Irion
Senior Vice President and Chief Financial Officer

**Q&A**
Larry Silber
Mark Irion
Bruce Dressel, Senior Vice President and Chief Operating Officer


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# Safe Harbor Statements

## Forward-Looking Statements

This presentation contains statements, including those related to 2019 guidance, that are not statements of historical fact, but instead are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We caution readers not to place undue reliance on these statements, which speak only as of the date hereof. There are a number of risks, uncertainties and other important factors that could cause our actual results to differ materially from those suggested by our forward-looking statements, including:

- Business risks could have a material adverse effect on our business, financial condition, results and cash flows, including:
  - the cyclicality of our business and its dependence on levels of capital investment and maintenance expenditures by our customers; a slowdown in economic conditions or adverse changes in the level of economic activity or other economic factors specific to our customers or their industries, in particular, contractors and industrial customers;
  - our business is heavily reliant upon communications networks and centralized IT systems and the concentration of our systems creates or increases risks for us, including the risk of the misuse or theft of information we possess, including as a result of cyber security breaches or otherwise, which could harm our brand, reputation or competitive position and give rise to material liabilities;
  - we may fail to maintain and upgrade our IT systems;
  - we may fail to respond adequately to changes in technology and customer demands;
  - intense competition in the industry, including from our own suppliers, that may lead to downward pricing or an inability to increase prices;
  - our success depends on our ability to attract and retain key management and other key personnel and the ability of new employees to learn their new roles:
  - any occurrence that disrupts rental activity during our peak periods, given the seasonality of the business, especially in the construction industry;
  - some or all of our deferred tax assets could expire if we experience an “ownership change” as defined in the Internal Revenue Code;
  - doing business in foreign countries exposes us to additional risks, including under laws and regulations that may conflict with U.S. laws and those under anticorruption, competition, economic sanctions and anti-boycott regulations;
  - changes in the legal and regulatory environment that affect our operations, including with respect to taxes, consumer rights, privacy, data security and employment matters, could disrupt our business and increase our expenses;
  - an impairment of our goodwill or our indefinite lived intangible assets could have a material non-cash adverse impact;
  - other operational risks such as: any decline in our relations with our key national account customers or the amount of equipment they rent from us; our equipment rental fleet is subject to residual value risk upon disposition, and may not sell at the prices we expect; maintenance and repair costs associated with our equipment rental fleet could materially adversely affect us; we may be unable to protect our trade secrets and other intellectual property rights; we are exposed to a variety of claims and losses arising from our operations, and our insurance may not cover all or any portion of such claims; we may face issues with our union employees; environmental, health and safety laws and regulations and the costs of complying with them, or any change to them impacting our markets, could materially adversely affect us; and strategic acquisitions could be difficult to identify and implement and could disrupt our business or change our business profile significantly;
- Risks related to the spin-off, which effected our separation from Hertz Global Holdings Inc., formerly known as Hertz Rental Car Holding Company, Inc. ("New Hertz"), such as: the liabilities we have assumed and will share with New Hertz in connection with the spin-off could have a material adverse effect on our business, financial condition and results of operations; if there is a determination that any portion of the spin-off transaction is taxable for U.S. federal income tax purposes, including for reasons outside of our control, then we and our stockholders could incur significant tax liabilities, and we could also incur indemnification liability if we are determined to have caused the spin-off to become taxable;


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# Safe Harbor Continued and Non-GAAP Financial Measures

if New Hertz fails to pay its tax liabilities under the tax matters agreement or to perform its obligations under the separation and distribution agreement, we could incur significant tax and other liability; we have limited operating history as a stand-alone public company, and the spin-off may be challenged by creditors as a fraudulent transfer or conveyance;

- Risks related to our substantial indebtedness, such as: our substantial level of indebtedness exposes us or makes us more vulnerable to a number of risks that could materially adversely affect our financial condition, results of operations, cash flows, liquidity and ability to compete; the secured nature of our indebtedness, which is secured by substantially all of our consolidated assets, could materially adversely affect our business and holders of our debt and equity; an increase in interest rates or in our borrowing margin would increase the cost of servicing our debt and could reduce our profitability; and any additional debt we incur could further exacerbate these risks;
- Risks related to the securities market and ownership of our stock, including that: the market price of our common stock could decline as a result of the sale or distribution of a large number of our shares or the perception that a sale or distribution could occur and these factors could make it more difficult for us to raise funds through future stock offerings; provisions of our governing documents could discourage potential acquisition proposals and could deter or prevent a change in control; and the market price of our common stock may fluctuate significantly; and
- Other risks and uncertainties set forth in our Annual Report on Form 10-K for the year ended December 31, 2018 under Item 1A "Risk Factors," and in our other filings with the Securities and Exchange Commission.

All forward-looking statements are expressly qualified in their entirety by such cautionary statements. We do not undertake any obligation to release publicly any update or revision to any of the forward-looking statements.

## Information Regarding Non-GAAP Financial Measures

In addition to results calculated according to accounting principles generally accepted in the United States (“GAAP”), the Company has provided certain information in this presentation that is not calculated according to GAAP (“non-GAAP”), such as adjusted EBITDA, adjusted EBITDA margin, REBITDA, REBITDA margin, REBITDA flow-through, and Free Cash Flow. Management uses these non-GAAP measures to evaluate operating performance and period-over-period performance of our core business without regard to potential distortions, and believes that investors will likewise find these non-GAAP measures useful in evaluating the Company’s performance. These measures are frequently used by security analysts, institutional investors and other interested parties in the evaluation of companies in our industry.

Non-GAAP measures should not be considered in isolation or as a substitute for our reported results prepared in accordance with GAAP and, as calculated, may not be comparable to similarly titled measures of other companies. For the definitions of these terms, further information about management’s use of these measures as well as a reconciliation of these non-GAAP measures to the most comparable GAAP financial measures, please see the supplemental schedules that accompany this presentation.


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# Continued to Achieve Strong Results in Q1 2019

- Our strategic initiatives drove improved pricing and rental margins
- We achieved strong REBITDA flow-through from continued expense controls
- We are currently seeing the seasonal ramp-up for rental equipment
- We affirm our full year 2019 adjusted EBITDA and net fleet capex guidance


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# Our Strategic Initiatives



## Develop Our People and Culture

- Attract and retain talent
- Align performance to shared purpose
- Create supportive work place culture
- Expand continuous learning



## Expand and Diversify Revenues

- Broaden customer base
- Expand products and services
- Grow pricing and ancillary revenues
- Improve sales force effectiveness



## Improve Operating Effectiveness

- Focus on safety, labor productivity, and warranty recovery
- Increase density in large urban markets
- Improve vendor management and fleet availability



## Enhance Customer Experience

- Provide premium products and solutions-based services
- Introduce innovative technology solutions
- Maintain customer friendly showrooms and facilities



## Disciplined Capital Management

- Drive EBITDA margin growth
- Improve key financial metrics
- Maximize fleet management and utilization


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# Focus on Safety and Training

**"Safety is an action, not a metric"**

**All regions achieved ≥ 87% Perfect Days in the first quarter of 2019**

**The Perfect Day**

- No OSHA recordable incidents
- No "at fault" motor vehicle accidents
- No DOT violations

**Ultimate goal is zero incidents and a safe environment for our team and customers**




**Company Initiatives and Training**

- Our "Just Drive" initiative focuses on driver safety for all of our team members
- We continue to expand training programs for best practices in operations and sales


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# Summary of Q1 2019 Results

| | |
|---|---|
| **Total Revenues** | **$475.7 million<br>+10.3% YoY** |
| **Equipment Rental Revenue** | **$377.6 million<br>+2.3% YoY** |
| **Average Fleet[1] Growth** | **+2.0% YoY** |
| **Pricing[1]** | **+3.8% YoY** |
| **Net Loss** | **$(6.7) million<br>+$3.4 million YoY** |
| **Diluted Loss Per Share** | **$(0.23)<br>+$0.13 YoY** |
| **Adjusted EBITDA[2]** | **$142.3 million<br>+7.2% YoY** |
| **Dollar Utilization[1]** | **35.5%<br>+20 bps YoY** |

1. Based on ARA guidelines
2. For a reconciliation to the most comparable GAAP financial measure, see the Appendix beginning on Slide 22


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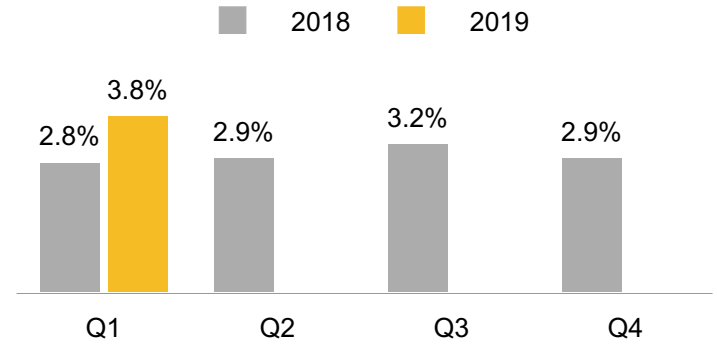
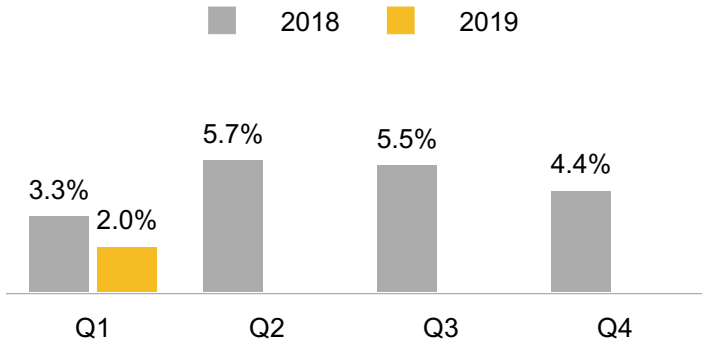
# Continuing Strong Performance

## YOY CHANGE IN PRICING[1]

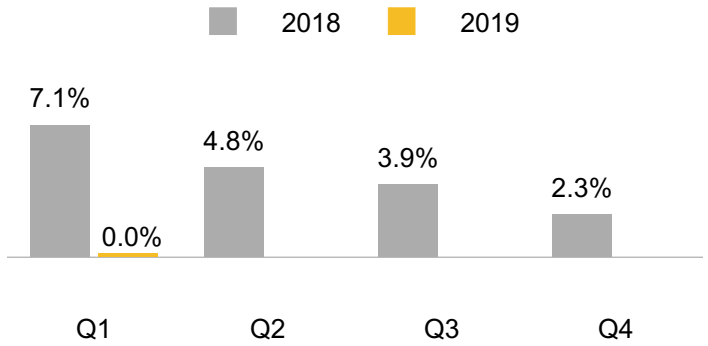



- YoY pricing improved 3.8% in Q1 2019, the 12th consecutive quarter of year-over-year improvement
- Total OEC at year end was $3.69 billion, an increase of average fleet at OEC of 2.0% for Q1
- Average fleet on rent in Q1 2019 was flat compared to the prior year, which was up 7.1%

## YOY CHANGE IN AVERAGE FLEET AT OEC[1]




## YOY CHANGE IN AVERAGE OEC FLEET ON RENT[1]




1. Based on ARA guidelines

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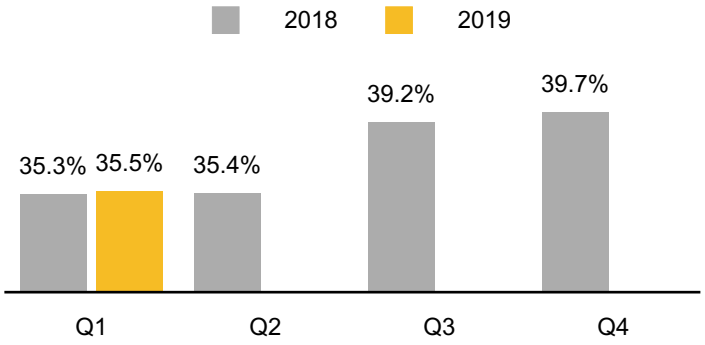
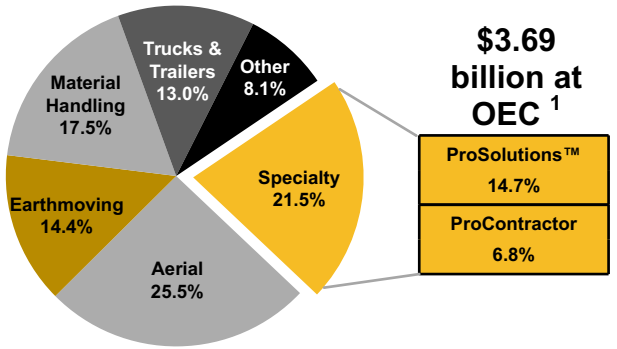
# Improving Fleet Mix to Drive Growth

## $ UTILIZATION[1]

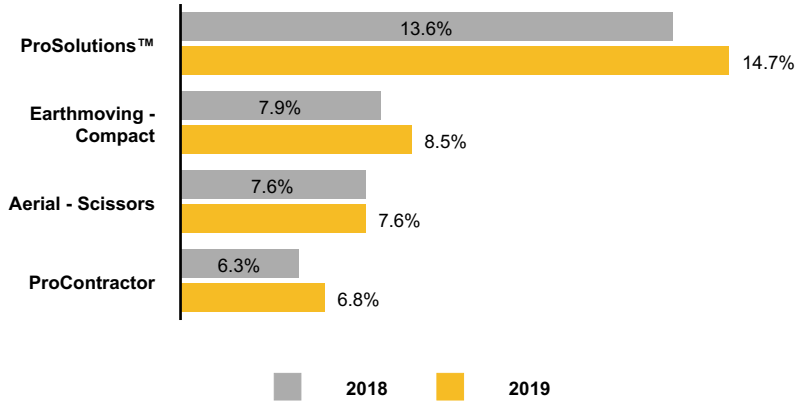



- $ utilization in Q1 2019 increased 20 bps YoY to 35.5%
- Average fleet age improved to 46 months in Q1 2019 from 49 months in Q1 2018

## FLEET COMPOSITION AT OEC[1,2]




## % OF SELECTED FLEET AT OEC[1] VS. PRIOR YEAR




1. Based on ARA guidelines
2. As of March 31, 2019

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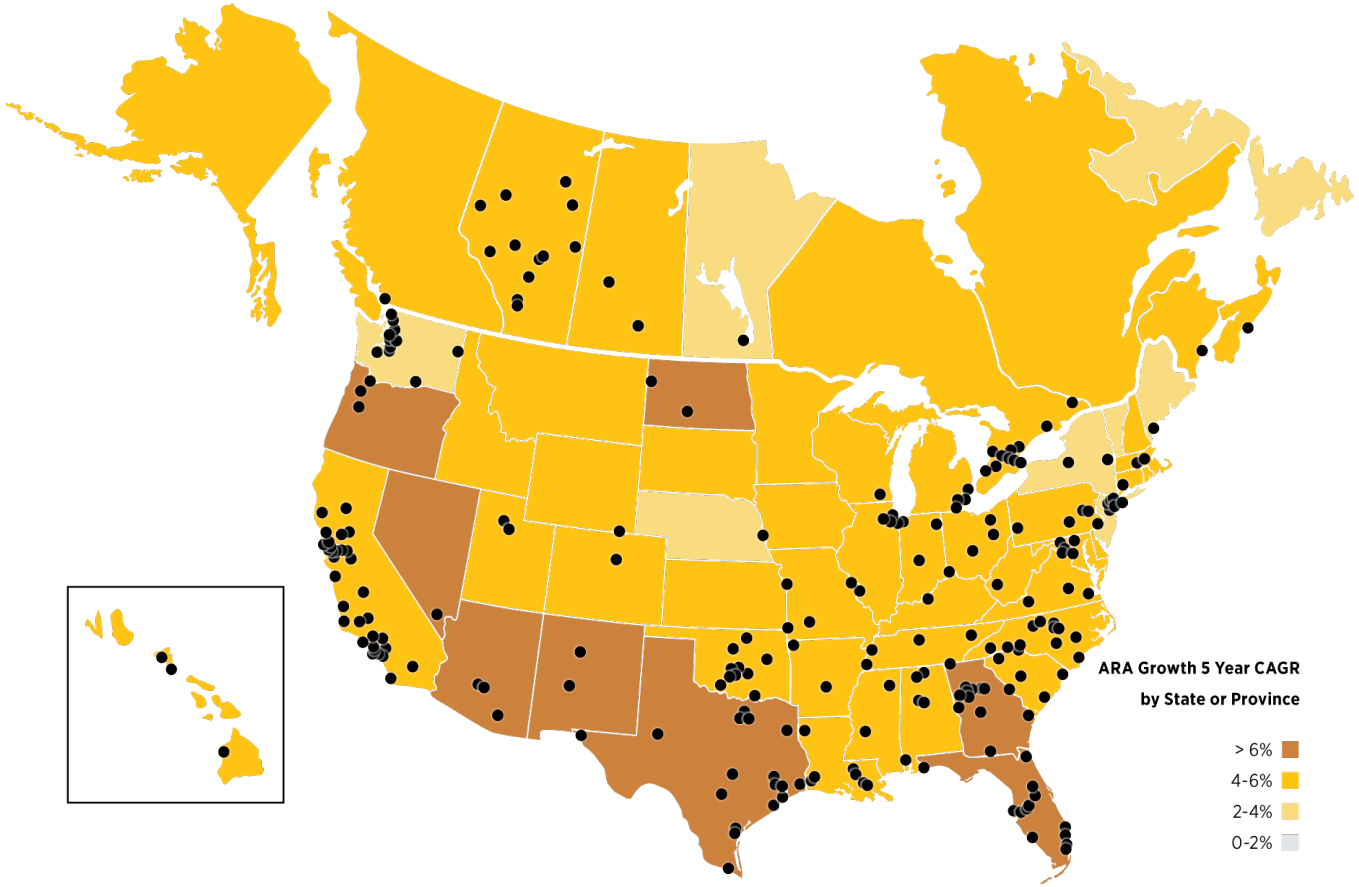
# Focusing on High Growth Urban Markets




**Approximately 270 locations, principally in North America[1]**

- 39 states
- 7 provinces

**Targeting four to six greenfield locations in high-growth urban markets in 2019**

Source: ARA IHS Global Insights February 2019

1. Locations as of March 31, 2019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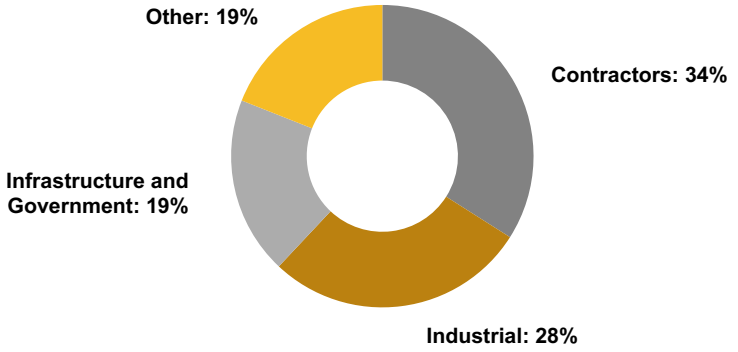
# Improving Customer Mix and Diversification

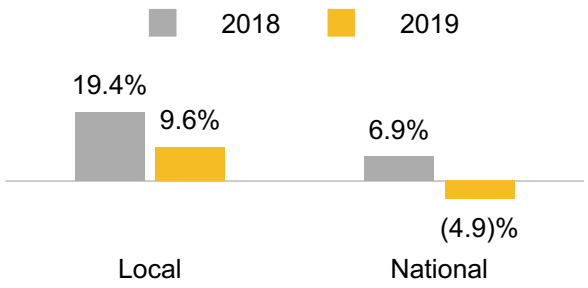
## Q1 LOCAL VS NATIONAL % MIX[1]




## Q1 REVENUE BY CUSTOMER[1,2]




## Q1 LOCAL VS NATIONAL YOY GROWTH[1]




- Local rental revenue grew 10% YoY in Q1 2019
- Local rental revenue accounts for 58% of the total
- Growth in new customer accounts remains strong

1. North America rental revenues
2. Refer to 10-K for description of industries related to each customer classification

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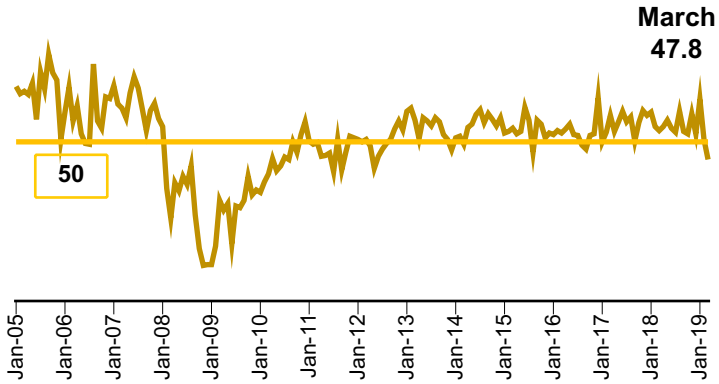
# Strong Industry Outlook Supports Our Growth

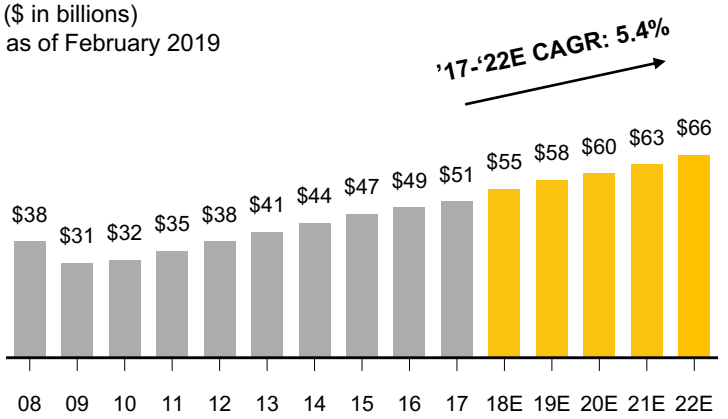
## ARCHITECTURE BILLINGS INDEX[1]

as of March 2019



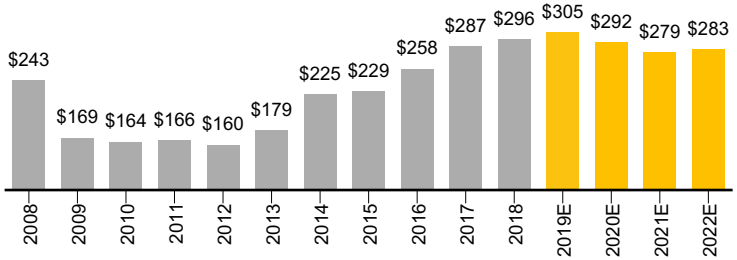

## N.A. EQUIPMENT RENTAL MARKET[2]

($ in billions)
as of February 2019



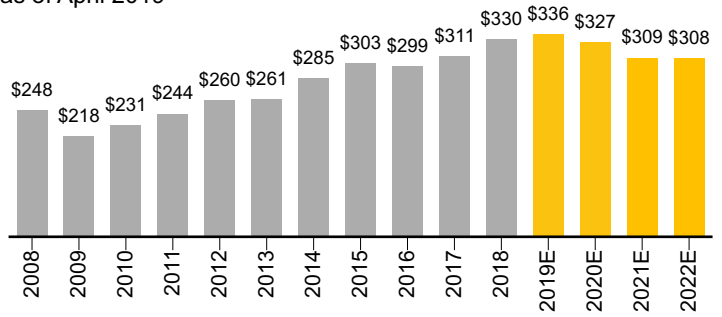

## NON-RESIDENTIAL STARTS[3]

($ in billions)
as of February 2019




## INDUSTRIAL SPENDING[4]

($ in billions)
as of April 2019




1. Source: The American Institute of Architects (AIA)
2. Source: ARA / IHS Global Insight as of February 2019, excludes Party & Event data
3. Source: Dodge Analytics U.S.
4. Source: Industrial information resources U.S.

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# Q1 2019
# Financial Review

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# Q1 Financial Summary

| *$ in millions, except per share data* | Three Months Ended March 31, 2019 | 2018 | *% Chg.* |
|---|---|---|---|
| **Equipment Rental Revenue** | $377.6 | $369.1 | *2.3%* |
| **Total Revenues** | $475.7 | $431.3 | *10.3%* |
| **Net Loss** | $(6.7) | $(10.1) | *33.7%* |
| **Diluted Loss Per Share** | $(0.23) | $(0.36) | *36.1%* |
| **Adjusted EBITDA**[1] | $142.3 | $132.7 | *7.2%* |
| **Adjusted EBITDA Margin**[2] | 29.9% | 30.8% | *(90) bps* |
| **REBITDA Margin**[2] | 36.3% | 33.5% | *+280 bps* |

| | Q1 2019 |
|---|---|
| **REBITDA YoY Flow-Through**[1,2] | 183.1% |
| **Average Fleet Growth**[3] | +2.0% YoY |
| **Pricing**[3] | +3.8% YoY |
| **Dollar Utilization**[3] | 35.5%, +20 bps YoY |

*NM = not meaningful*

1. For a reconciliation to the most comparable GAAP financial measure, see the Appendix beginning on Slide 22
2. REBITDA excludes the margin impact of sales of rental equipment and sales of new equipment
3. Based on ARA guidelines

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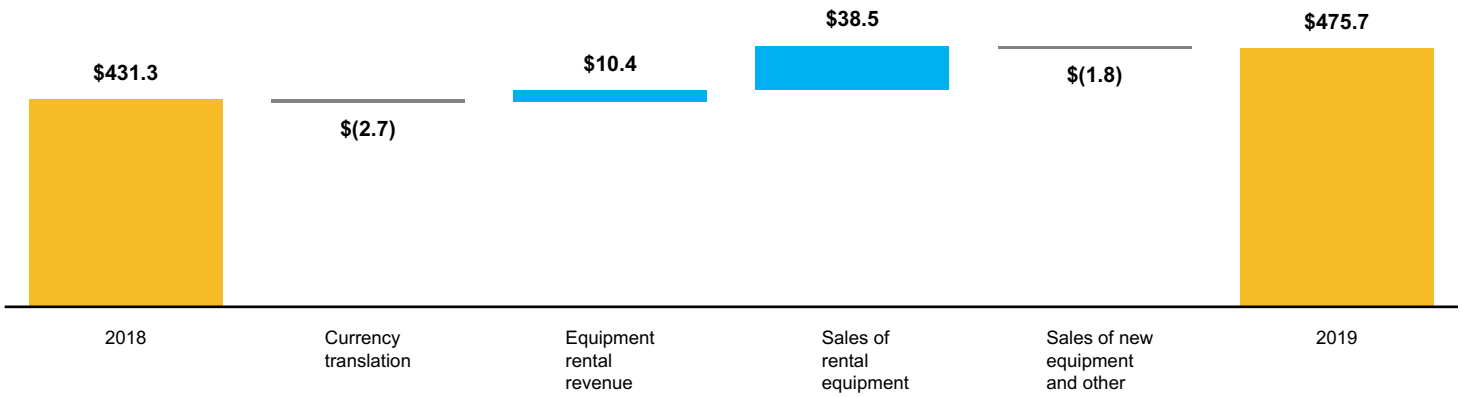
# Q1 Total Revenues

## Q1 BRIDGE

*$ in millions*




## Q1 TOTAL REVENUES

- Total revenues increased 10.3%, or $44.4 million, in Q1 2019
- Equipment rental revenue increased 2.3% in Q1 2019
  - Continued improvements in pricing
  - Strategic reductions in re-rent revenue
  - Substantial growth from local accounts
- Pricing[1] improved 3.8% and OEC on rent[1] was flat in Q1 2019
- Sales of rental equipment increased 79.9% in Q1 2019
  - Total OEC[1] of $193 million was sold and generated ~44% proceeds as a % of OEC[1] in Q1 2019

1. Based on ARA guidelines.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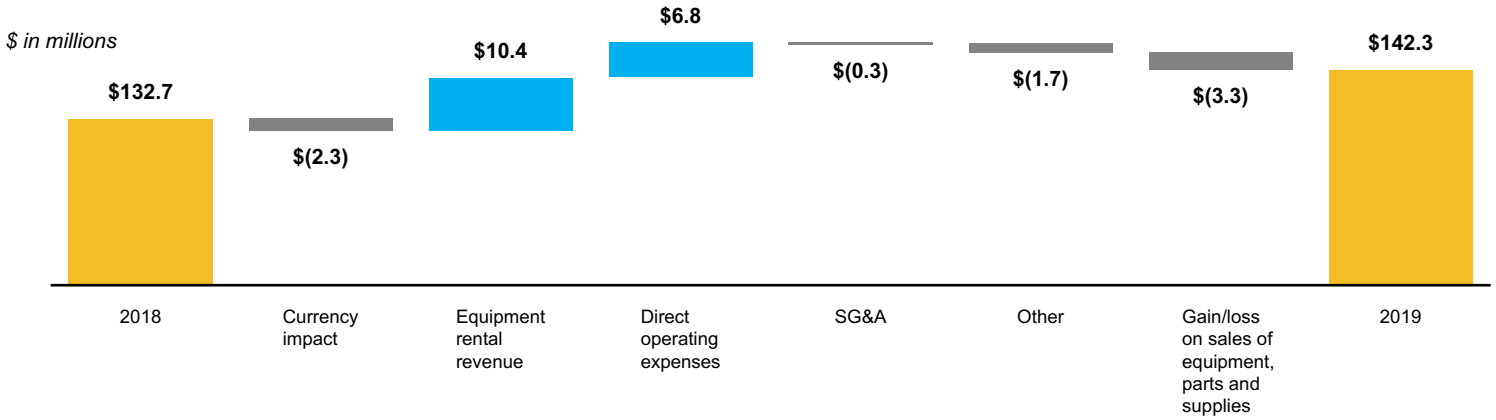
# Q1 Adjusted EBITDA[1]

## Q1 BRIDGE




## Q1 ADJUSTED EBITDA

- YoY adjusted EBITDA increased $9.6 million or 7.2% in Q1 2019
- Higher equipment rental revenue of $10.4 million was the largest contributor to the improvement
- DOE declined $6.8 million primarily due to operating efficiencies and reduction in re-rent expense
- SG&A was flat driven by reductions in consulting and professional fees offset by increases in sales and incentive expense

## Q1 REBITDA[1]

- Measures contribution from our core rental business without impact of sales of equipment, parts and supplies
- Strong flow-through of 183% drove REBITDA margin of 36%, an increase of 280 bps from Q1 2018

1. For a reconciliation to the most comparable GAAP financial measure, see the Appendix beginning on Slide 22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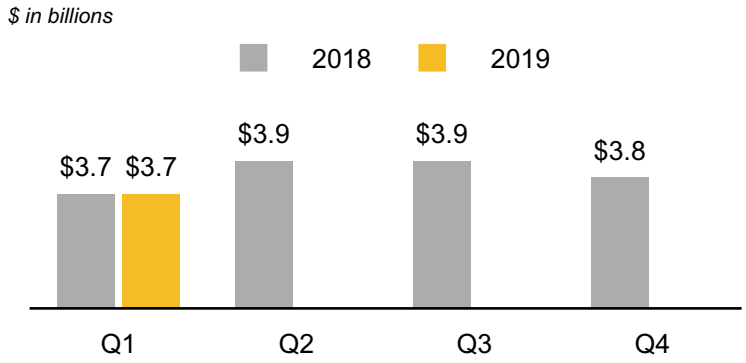
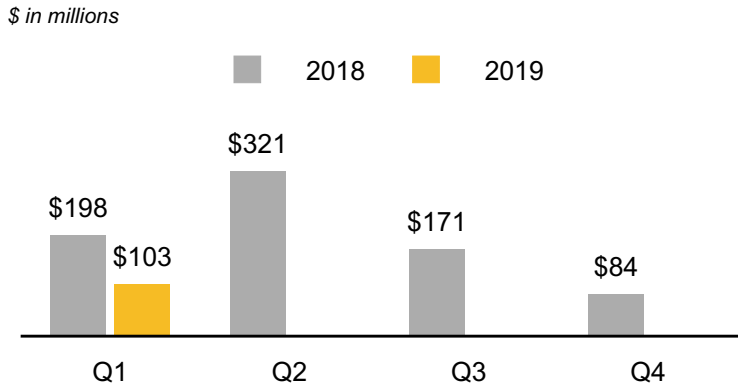
# Fleet at Original Equipment Cost (OEC)[1]

## FLEET ENDING BALANCE AT OEC

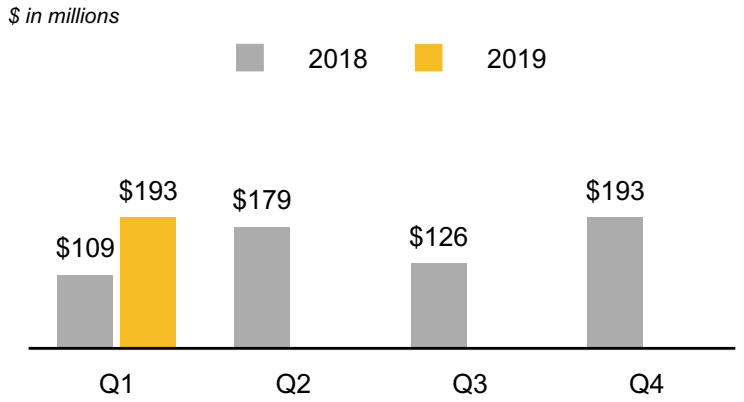



- Total fleet at OEC was $3.69 billion as of March 31, 2019
- Average fleet at OEC increased 2.0% in Q1 2019 over the prior-year quarter
- Fleet expenditures at OEC in Q1 2019 were $103 million
- Average fleet age improved to 46 months in Q1 2019 compared with 49 months in Q1 2018

## FLEET EXPENDITURES AT OEC




## FLEET DISPOSALS AT OEC




1. Original equipment cost based on ARA guidelines.

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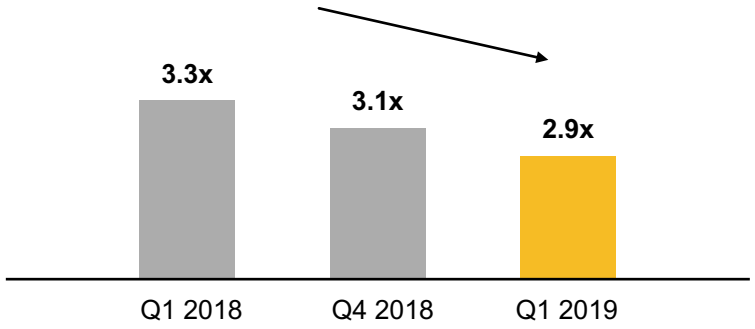
# Disciplined Capital Management

## NET LEVERAGE[1]




- Net leverage of ~2.9x[1]
  - Stable debt of ~$2.1 billion
- Ample liquidity and long-dated maturities provide financial flexibility
  - $774 million of liquidity
  - No near-term maturities
- Net cash from operating activities totaled $131 million, with net fleet capex[1] of $13 million and free cash flow[1] of $107.7 million

## LIQUIDITY

| *$ in millions* | March 31, 2019 |
|---|---|
| ABL and AR Facility | $1,925.0 |
| Outstanding | (1,151.0) |
| Letters of Credit | (24.6) |
| Availability from ABL and AR Facility | $749.4 |
| Cash & Cash Equivalents | 24.5 |
| **Total Liquidity** | **$773.9** |

## MATURITIES

*$ in millions, as of 03/31/2019*




1. For a definition and reconciliation to the most comparable GAAP financial measure, see the Appendix beginning on Slide 22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# 2019 Annual Guidance Affirmed

**Adjusted EBITDA:** $730 million to $760 million

**Net Fleet Capital Expenditures:** $370 million to $410 million



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# Going Forward

The Herc WAY

## Our Strategy is Working

Our strategic initiatives are expected to continue to drive growth in revenues and $ utilization

We expect to maintain REBITDA flow-through of approximately 60-70% throughout 2019

$ utilization and REBITDA margin are both expected to steadily increase year-over-year

We are affirming our FY 2019 adjusted EBITDA guidance of $730 million to $760 million



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# Appendix

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# Glossary of Terms Commonly Used in the Industry

**OEC:** Original Equipment Cost which is an operating measure based on the guidelines of the American Rental Association (ARA), which is calculated as the cost of the asset at the time it was first purchased plus additional capitalized refurbishment costs (with the basis of refurbished assets reset at the refurbishment date).

**Fleet Age**: The OEC weighted age of the entire fleet, based on ARA guidelines.

**Net Fleet Capital Expenditures:** Capital expenditures of rental equipment minus the proceeds from disposal of rental equipment.

**Dollar Utilization ($ UT):** Dollar utilization is an operating measure calculated by dividing rental revenue by the average OEC of the equipment fleet for the relevant time period, based on ARA guidelines.

**Pricing:** Change in pure pricing achieved in one period versus another period. This is applied both to year-over-year and sequential comparisons. Rental rates are based on ARA guidelines and are calculated based on the category class rate variance achieved either year-over-year or sequentially for any fleet that qualifies for the fleet base and weighted by the prior year revenue mix.


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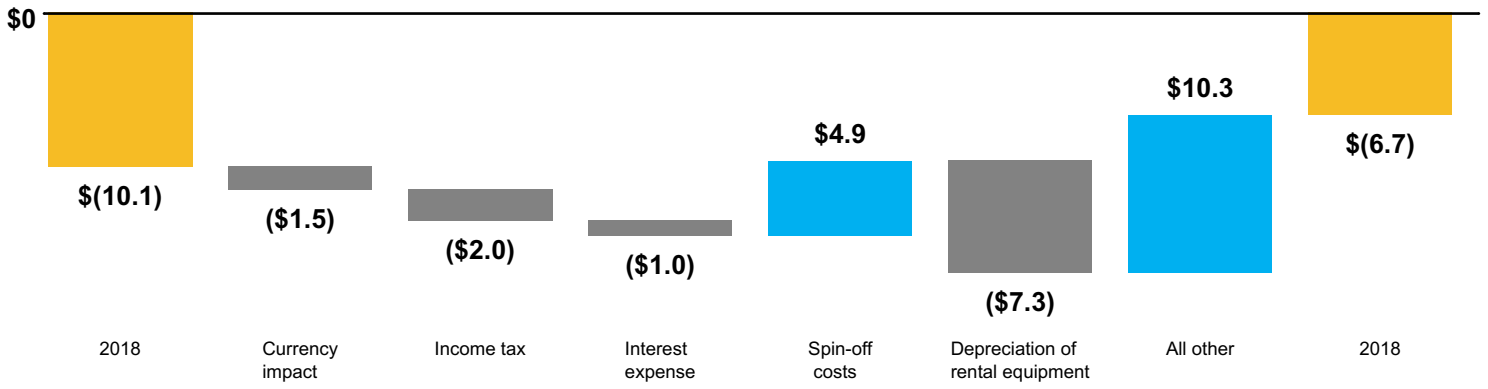
# Q1 Net Results

## Q1 BRIDGE

*$ in millions*




## Q1 NET RESULTS

- Net results improved to a loss of $6.7 million in Q1 2019 compared to a loss of $10.1 million in the prior year
- Interest expense on the ABL Credit Facility increased based on a higher average interest rate and increased borrowings on our AR Facility, partially offset by a decrease on the Notes due to lower average outstanding borrowings
- Spin-off related costs declined $4.9 million YoY in Q1 2019
- Depreciation of rental equipment increased $7.3 million YoY due to fleet growth, a reduction in fleet age and adjustments in residual values and holding periods for certain classes of equipment
- All other includes the positive impact of our improved operating results (See Slide 31 for additional details)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# Reconciliation of Net Income to Adj. EBITDA, Adj. EBITDA Margin, Rental Adj. EBITDA (REBITDA), REBITDA Margin and Flow-Through

EBITDA, Adjusted EBITDA, and Rental Adjusted EBITDA (REBITDA) are not recognized terms under GAAP and should not be considered in isolation or as a substitute for our reported results prepared in accordance with GAAP. Further, since all companies do not use identical calculations, our definition and presentation of these measures may not be comparable to similarly titled measures reported by other companies.

***EBITDA, Adjusted EBITDA, and REBITDA -*** EBITDA represents the sum of net income (loss), provision (benefit) for income taxes, interest expense, net, depreciation of rental equipment and non-rental depreciation and amortization. Adjusted EBITDA represents EBITDA plus the sum of merger and acquisition related costs, restructuring and restructuring related charges, spin-off costs, non-cash stock based compensation charges, loss on extinguishment of debt (which is included in interest expense, net), impairment charges, gain on disposal of a business and certain other items. REBITDA represents Adjusted EBITDA excluding the gain (loss) on sales of rental equipment and new equipment, parts and supplies. Management uses EBITDA, Adjusted EBITDA and REBITDA to evaluate operating performance and period-over-period performance of our core business without regard to potential distortions, and believes that investors will likewise find these non-GAAP measures useful in evaluating the Company's performance. However, EBITDA, Adjusted EBITDA and REBITDA do not purport to be alternatives to net income as an indicator of operating performance. Additionally, none of these measures purports to be an alternative to cash flows from operating activities as a measure of liquidity, as they do not consider certain cash requirements such as interest payments and tax payments.

***Adjusted EBITDA Margin, REBITDA Margin and REBITDA Flow-Through -*** Adjusted EBITDA Margin (Adjusted EBITDA / Total Revenues) is a commonly used profitability ratio. Adjusted EBITDA Margin, REBITDA Margin (REBITDA / Equipment rental, service and other revenues) and REBITDA Flow-Through (the year-over-year change in REBITDA/the year-over-year change in Equipment rental, service, and other revenues) provides useful operating profitability ratios. Adjusted EBITDA Margin, REBITDA Margin and REBITDA Flow-Through do not purport to be alternatives to Net Margin (Net Income/Total Revenues as calculated under GAAP) as an indicator of profitability, as they do not account for GAAP reportable expenses such as depreciation and interest, the expense or benefit from income taxes or, in the case of REBITDA Margin and REBITDA Flow-Through, the gain (loss) on sales of rental equipment and new equipment, parts and supplies.


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# Reconciliation of Net Income to Adj. EBITDA and REBITDA

## Calculation of Adjusted EBITDA Margin, REBITDA Margin and REBITDA Flow-Through

| *$ in millions* | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| **Net income (loss)** | **($6.7)** | **($10.1)** |
| Income tax provision (benefit) | (3.1) | (5.1) |
| Interest expense, net | 32.9 | 32.0 |
| Depreciation of rental equipment | 100.0 | 93.3 |
| Non-rental depreciation and amortization | 15.0 | 13.8 |
| **EBITDA** | **138.1** | **123.9** |
| Restructuring and restructuring related | — | 1.0 |
| Spin-off costs | — | 4.9 |
| Non-cash stock-based compensation charges | 3.9 | 2.8 |
| Other | 0.3 | 0.1 |
| **Adjusted EBITDA** | **$142.3** | **$132.7** |
| Less: Gain (loss) on sales of rental equipment | 1.6 | 5.3 |
| Less: Gain (loss) on sales of new equipment, parts and supplies | 2.7 | 2.4 |
| **Rental Adjusted EBITDA (REBITDA)** | **$138.0** | **$125.0** |

| | | |
|---|---|---|
| **Total Revenues** | **$475.7** | **$431.3** |
| Less: Sales of rental equipment | 85.1 | 47.3 |
| Less: Sales of new equipment, parts and supplies | 10.9 | 11.4 |
| **Equipment rental, service and other revenues** | **$379.7** | **$372.6** |

| | | |
|---|---|---|
| Total Revenues | $475.7 | $431.3 |
| Adjusted EBITDA | $142.3 | $132.7 |
| **Adjusted EBITDA Margin** | **29.9%** | **30.8%** |

| | | |
|---|---|---|
| Equipment rental, service and other revenues | $379.7 | $372.6 |
| REBITDA | $138.0 | $125.0 |
| **REBITDA Margin** | **36.3%** | **33.5%** |

| | |
|---|---|
| YOY Change in REBITDA | $13.0 |
| YOY Change in Equipment Rental, service and other revenues | $7.1 |
| **YOY REBITDA Flow-Through** | **183.1%** |

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# REBITDA Margin Trend

| *$ in millions* | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 | *FY 2018* | Q1 2019 |
|---|---|---|---|---|---|---|
| **Total Revenues** | **$431.3** | **$485.5** | **$516.2** | **$543.7** | **$1,976.7** | **$475.7** |
| Less: Sales of rental equipment | 47.3 | 78.2 | 50.1 | 80.6 | 256.2 | 85.1 |
| Less: Sales of new equipment, parts and supplies | 11.4 | 10.8 | 14.2 | 12.9 | 49.3 | 10.9 |
| **Equipment rental, service and other revenues** | **$372.6** | **$396.5** | **$451.9** | **$450.2** | **$1,671.2** | **$379.7** |
| **Net income (loss)** | **($10.1)** | **($0.3)** | **$46.2** | **$33.3** | **$69.1** | **($6.7)** |
| Income tax provision (benefit) | (5.1) | 0.8 | (1.0) | 5.0 | (0.3) | (3.1) |
| Interest expense, net | 32.0 | 32.4 | 38.6 | 34.0 | 137.0 | 32.9 |
| Depreciation of rental equipment | 93.3 | 97.0 | 98.3 | 98.9 | 387.5 | 100.0 |
| Non-rental depreciation and amortization | 13.8 | 13.7 | 14.3 | 15.5 | 57.3 | 15.0 |
| **EBITDA** | **$123.9** | **$143.6** | **$196.4** | **$186.7** | **$650.6** | **$138.1** |
| Restructuring and restructuring related | 1.0 | — | — | 4.3 | 5.3 | — |
| Spin-off costs | 4.9 | 3.9 | 1.7 | 3.9 | 14.4 | — |
| Non-cash stock-based compensation charges | 2.8 | 3.8 | 3.3 | 3.5 | 13.4 | 3.9 |
| Impairment | — | 0.1 | — | — | 0.1 | — |
| Other[1] | 0.1 | 0.8 | 0.1 | — | 1.0 | 0.3 |
| **Adjusted EBITDA** | **$132.7** | **$152.2** | **$201.5** | **$198.4** | **$684.8** | **$142.3** |
| Less: Gain (loss) on sales of rental equipment | 5.3 | 2.4 | (1.0) | 5.2 | 11.9 | 1.6 |
| Less: Gain on sales of new equipment, parts and supplies | 2.4 | 2.7 | 3.6 | 2.9 | 11.6 | 2.7 |
| **Rental Adjusted EBITDA (REBITDA)** | **$125.0** | **$147.1** | **$198.9** | **$190.3** | **$661.3** | **$138.0** |
| **REBITDA Margin** | **33.5%** | **37.1%** | **44.0%** | **42.3%** | **39.6%** | **36.3%** |
| **YOY REBITDA Flow-Through** | **60.7%** | **30.5%** | **68.0%** | **62.5%** | **54.8%** | **183.1%** |

1. For the year ended December 31, 2018, other is comprised primarily of a one-time cash separation benefit paid to our former Chief Financial Officer as part of a retirement and separation agreement.


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# Reconciliation of Net Leverage Ratio

***Net Leverage Ratio –***The Company has defined its net leverage ratio as net debt, as calculated below, divided by adjusted EBITDA for the trailing twelve-month period. This measure should be considered supplemental to and not a substitute for financial information prepared in accordance with GAAP. The Company's definition of this measure may differ from similarly titled measures used by other companies.

| $ in millions | Q1 2019 | Q4 2018 | Q1 2018 |
|---|---|---|---|
| Long-Term Debt, Net | $2,019.4 | $2,129.9 | $2,054.7 |
| (Plus) Current maturities of long-term debt | 23.6 | 26.9 | 21.0 |
| (Plus) Unamortized debt issuance costs | 10.1 | 10.6 | 14.0 |
| (Less) Cash and Cash Equivalents | (24.5) | (27.8) | (43.0) |
| **Net Debt** | **$2,028.6** | **$2,139.6** | **$2,046.7** |
| **Trailing Twelve-Month Adjusted EBITDA** | **$694.4** | **$684.8** | **$620.3** |
| **Net Leverage** | **2.9x** | **3.1x** | **3.3x** |



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# Reconciliation of Free Cash Flow

Free cash flow is not a recognized term under GAAP and should not be considered in isolation or as a substitute for our reported results prepared in accordance with GAAP. Further, since all companies do not use identical calculations, our definition and presentation of this measure may not be comparable to similarly titled measures reported by other companies.

**Free cash flow** represents net cash provided by (used in) operating activities less rental equipment expenditures and non-rental capital expenditures, plus proceeds from disposal of rental equipment, proceeds from disposal of property and equipment, and other investing activities. Free cash flow is used by management in analyzing the Company's ability to service and repay its debt and to forecast future periods. However, this measure does not represent funds available for investment or other discretionary uses since it does not deduct cash used to service debt or for other non-discretionary expenditures.

| $ in millions | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| **Net cash provided by operating activities** | $131.2 | $129.2 |
| | | |
| Rental equipment expenditures | (82.6) | (82.5) |
| Proceeds from disposal of rental equipment | 69.6 | 52.9 |
| **Net Fleet Capital Expenditures** | **(13.0)** | **(29.6)** |
| | | |
| Non-rental capital expenditures | (11.4) | (14.4) |
| Proceeds from disposal of property and equipment | 0.9 | 1.2 |
| **Free Cash Flow** | **$107.7** | **$86.4** |


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# Historical Fleet at OEC[1]

| $ in millions | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 | *FY 2018* | Q1 2019 |
|---|---|---|---|---|---|---|
| Beginning Balance | $3,651 | $3,732 | $3,873 | $3,922 | **$3,651** | $3,777 |
| Expenditures | $198 | $321 | $171 | $84 | **$774** | $103 |
| Disposals | ($109) | ($179) | ($126) | ($193) | **($607)** | ($193) |
| Foreign Currency / Other | ($8) | ($1) | $4 | ($36) | **($41)** | $7 |
| **Ending Balance** | $3,732 | $3,873 | $3,922 | $3,777 | **$3,777** | $3,694 |

1. Original equipment cost based on ARA guidelines



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# Net Results Bridge

| | Three Months Ended March 31, | | | Elements of Net Income (Loss) Bridge | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *$ in millions* | 2019 | 2018 | *$ Change* | *Currency impact*[1] | *Income tax* | *Spin-off costs* | *Depreciation of rental equipment* | *Interest expense* | *All other* |
| **Total revenues** | **$475.7** | **$431.3** | ***$44.4*** | **($2.7)** | **$—** | **$—** | **$—** | **$—** | **$47.1** |
| Direct operating | 189.1 | 196.0 | *(6.9)* | (1.3) | — | — | — | — | (5.6) |
| Depreciation of rental equipment | 100.0 | 93.3 | *6.7* | (0.6) | — | — | 7.3 | — | — |
| Cost of sales of rental equipment | 83.5 | 42.0 | *41.5* | (0.7) | | — | — | — | 42.2 |
| Cost of sales of new equipment, parts and supplies | 8.2 | 9.0 | *(0.8)* | — | — | — | — | — | (0.8) |
| Selling, general and administrative | 71.5 | 74.5 | *(3.0)* | 1.6 | — | (4.9) | — | — | 0.3 |
| Interest expense, net | 32.9 | 32.0 | *0.9* | (0.1) | — | — | — | 1.0 | — |
| Other expense (income), net | 0.3 | (0.3) | *0.6* | (0.1) | — | — | — | — | 0.7 |
| **Income (loss) before income taxes** | **(9.8)** | **(15.2)** | ***5.4*** | **(1.5)** | **—** | **4.9** | **(7.3)** | **(1.0)** | **10.3** |
| Income tax benefit (provision) | 3.1 | 5.1 | *(2.0)* | — | (2.0) | — | — | — | — |
| **Net income (loss)** | **($6.7)** | **($10.1)** | ***$3.4*** | **($1.5)** | **($2.0)** | **$4.9** | **($7.3)** | **($1.0)** | **$10.3** |

1. Includes the translational and transactional SG&A impact of foreign currency exchange


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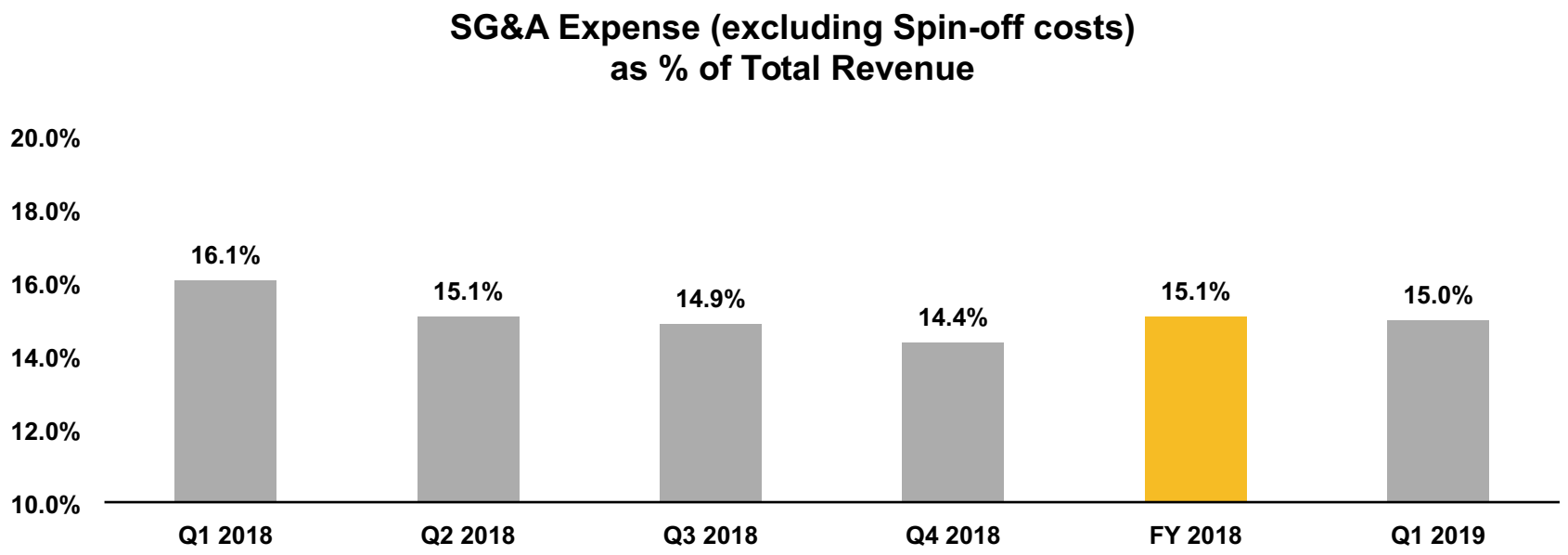
# SG&A Excluding Spin-off Costs

| *$ in millions* | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 | *FY 2018* | Q1 2019 |
|---|---|---|---|---|---|---|
| SG&A | $74.5 | $77.3 | $78.4 | $82.4 | $312.6 | $71.5 |
| Spin-off costs | ($4.9) | ($3.9) | ($1.7) | ($3.9) | ($14.4) | $0.0 |
| **SG&A excluding Spin-off costs** | **$69.6** | **$73.4** | **$76.7** | **$78.5** | **$298.2** | **$71.5** |
| **% of Total Revenue** | **16.1%** | **15.1%** | **14.9%** | **14.4%** | **15.1%** | **15.0%** |





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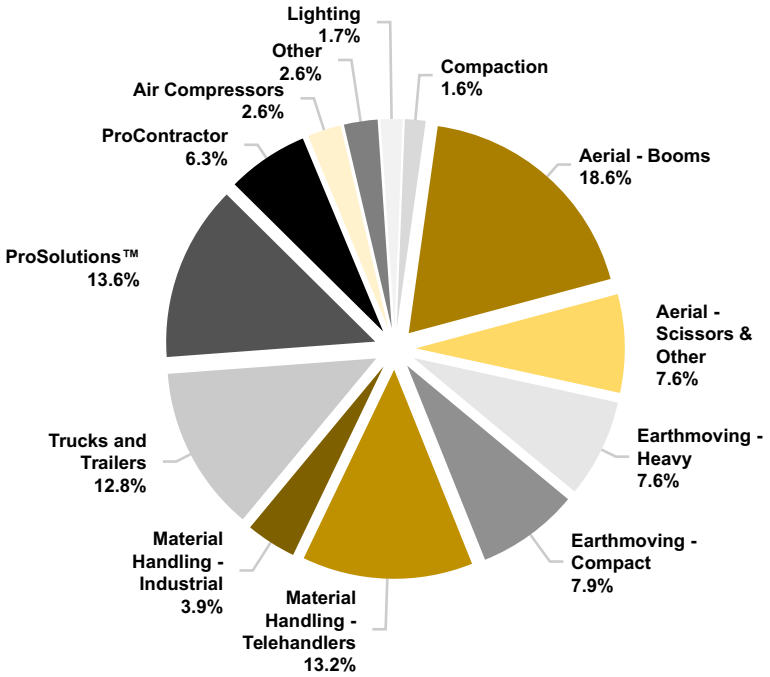
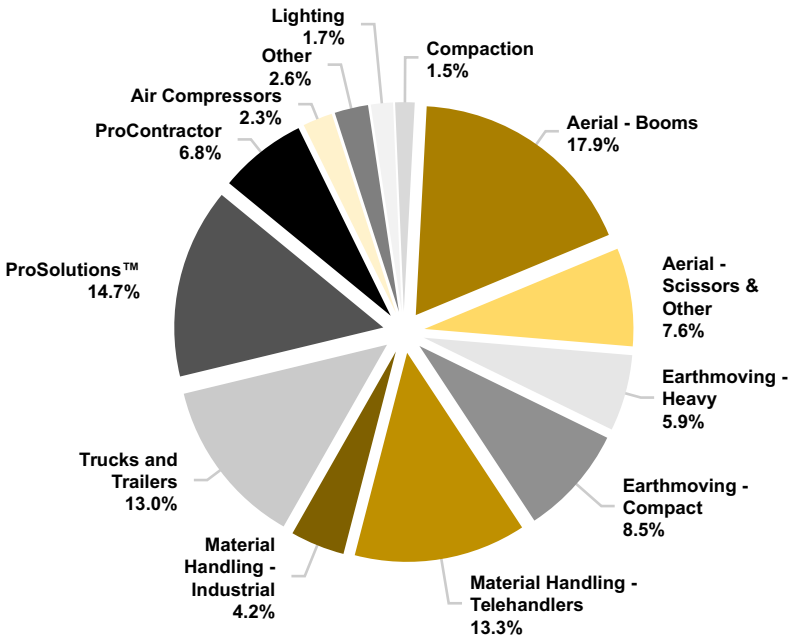
# Fleet Mix: Driving $ Utilization

## OEC AS OF 03/31/18[1]




**$3.73 billion**

## OEC AS OF 03/31/19[1]




**$3.69 billion**

### Increased
- Earthmoving - Compact
- Material Handling - Industrial
- ProContractor and ProSolutions™

### Reduced
- Earthmoving - Heavy
- Aerial - Booms
- Air Compressors

1. Original equipment cost based on ARA guidelines



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