

Herc Holdings Inc.
Baird 2019 Global Industrial Conference

November 6, 2019

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Safe Harbor Statements and Non-GAAP Financial Measures

Forward-Looking Statements

This presentation includes "forward-looking statements," as that term is defined by the federal securities laws. Forward-looking statements include statements concerning our plans, intentions, objectives, strategies, future events, future revenue, profitability, performance or cash flows, future capital expenditures, future accounting changes, financing needs, business trends and other information that is not historical information. When used in this presentation, the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "forecasts," and future or conditional verbs, such as "will," "should," "could" or "may," as well as variations of such words or similar expressions are intended to identify forward-looking statements, although not all forward-looking statements are so designated. All forward-looking statements are based upon our current expectations and various assumptions and, there can be no assurance that our current expectations will be achieved. 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:

- 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 reliance upon communications networks and centralized IT systems;
- the misuse or theft of information we possess, including as a result of cyber security breaches or otherwise;
- our response 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 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, 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;
- changes in the legal and regulatory environment that affect our operations, including with respect to taxes, consumer rights, privacy, data security and employment matters;
- an impairment of our goodwill or our indefinite lived intangible assets;
- a decline in our relations with our key national account customers or the amount of equipment they rent from us;
- maintenance and repair costs associated with our equipment rental fleet, and the residual value risk upon disposition;
- our inability to protect our trade secrets and other intellectual property rights;
- our exposure to a variety of claims and losses arising from our operations, some of which may not be covered by insurance;
- issues we face with our union employees;
- issues we face with environmental, health and safety laws and regulations and the costs of complying with them;
- difficulty in identifying, implementing and integrating strategic acquisitions and the disruption in our business therefrom;
- the liabilities we have assumed and share with Hertz Global Holdings, Inc., formerly known as Hertz Rental Car Holding Company, Inc., in connection with the spin-off;
- our substantial level of indebtedness, which is secured by substantially all of our consolidated assets, exposes us or makes us more vulnerable to a number of risks;
- 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;
- the sale of a large number of our shares or the perception that a sale could occur could cause the market price of our shares to decline, 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;
- 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.

Forward-looking statements are expressly qualified in their entirety by such cautionary statements. We undertake no obligation to update or revise forward-looking statements that have been made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

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 release that is not calculated according to GAAP (“non-GAAP”), such as adjusted net income, adjusted earnings per diluted share, EBITDA, adjusted EBITDA, adjusted EBITDA margin 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.

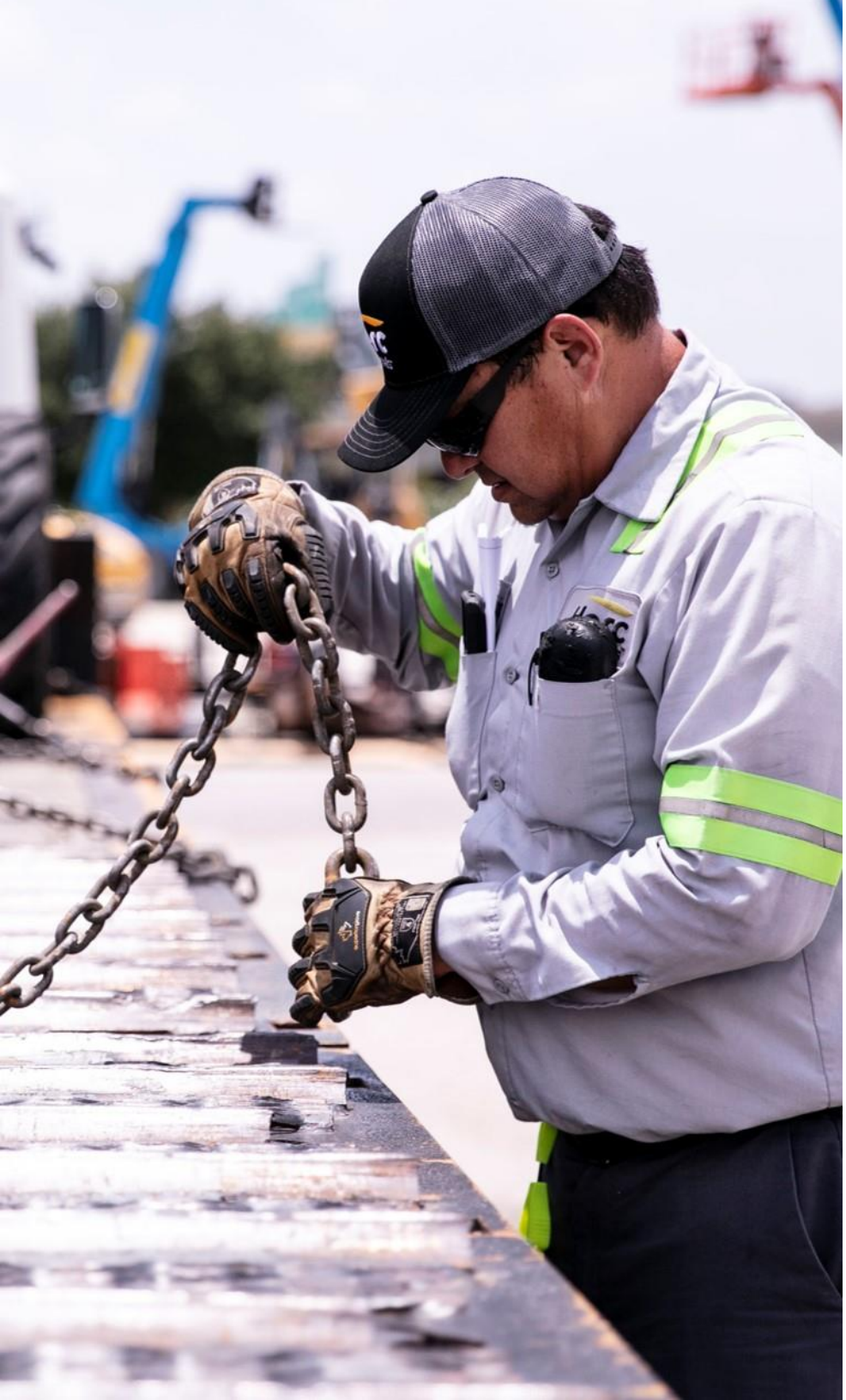
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A Leader in the Equipment Rental Industry

- 50+ years of experience in the equipment rental industry
- One of the leading equipment rental suppliers in North America
- Listed on the New York Stock Exchange on July 1, 2016 under the symbol "HRI"
- Approximately 270 locations in 39 states and seven Canadian provinces
- OEC fleet of $3.94 billion as of September 30, 2019
- Approximately 5,000 employees

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Focus on Quality of Earnings Delivered Strong Results

Our strategic initiatives drove improved pricing and rental margins

We achieved excellent REBITDA flow-through and improved margin from reduced expenses

We are managing fleet capital expenditures and disposals to improve utilization

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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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Safety is at the Cornerstone of Everything We Do



JUST DRIVE Think Safety!

All branches achieved ≥ 90% Perfect Days through the third 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

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Q3 and Nine Months Financial Summary

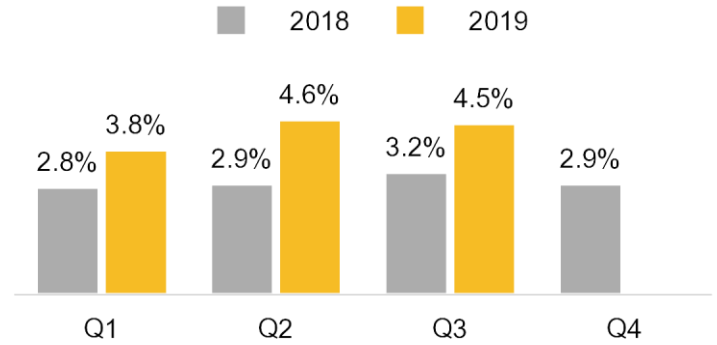
$ in millions, except per share data	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	**2018**	***% Chg.***	**2019**	**2018**	**% Chg.**
Equipment Rental Revenue	$459.6	$449.0	*2.4%*	$1,244.8	$1,210.6	*2.8%*
Total Revenues	$508.1	$516.2	*(1.6)%*	$1,458.9	$1,433.0	*1.8%*
Net Income	$9.4	$46.2	*(79.7)%*	$12.4	$35.8	*(65.4)%*
Earnings Per Diluted Share	$0.32	$1.60	*(80.0)%*	$0.43	$1.24	*(65.3)%*
Adjusted Net Income[1]	$43.2	$36.7	*17.7%*	$52.8	$34.4	*53.5%*
Adjusted Earnings Per Diluted Share[1]	$1.48	$1.27	*16.5%*	$1.81	$1.19	*52.1%*
Adjusted EBITDA[1]	$209.4	$201.5	*3.9%*	$526.6	$486.4	*8.3%*
Adjusted EBITDA Margin[1]	41.2%	39.0%	*+220 bps*	36.1%	33.9%	*+220 bps*
REBITDA Margin[1,2]	44.9%	44.0%	*+90 bps*	41.2%	38.6%	*+260 bps*
REBITDA YoY Flow-Through[1,2]	83.3%			142.8%		
Average Fleet[3]	+0.4% YoY			+0.3% YoY		
Pricing[3]	+4.5% YoY			+4.3% YoY		

1. For a reconciliation to the most comparable GAAP financial measure, see the Appendix beginning on Slide 16
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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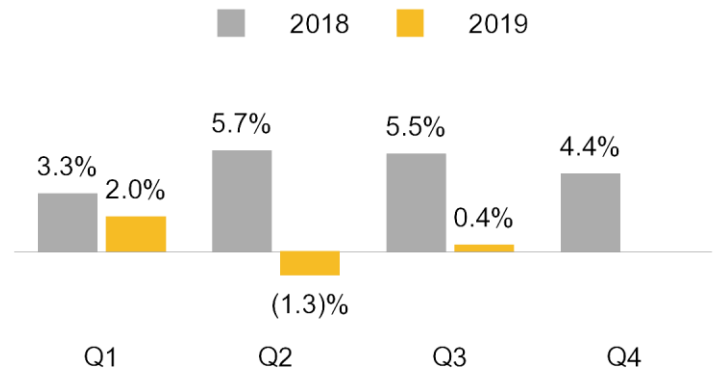
Continuing Rate Performance and Improving Utilization

YOY CHANGE IN PRICING[1]

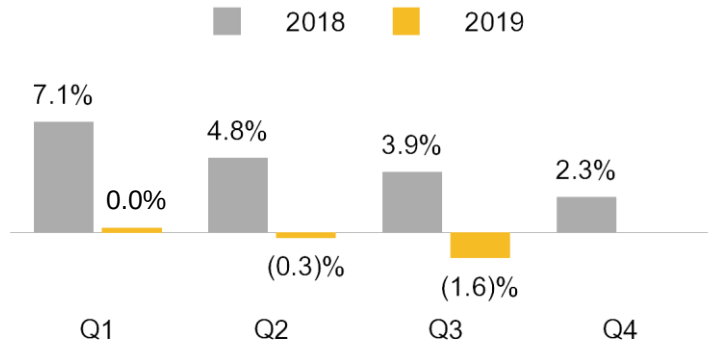


- YoY pricing improved 4.5% in Q3 2019, the 14th consecutive quarter of year-over-year improvement
- Total OEC at quarter end was $3.94 billion, with an increase of average fleet at OEC of 0.4% for Q3
- Average fleet on rent in Q3 2019 declined 1.6% compared to the prior year

YOY CHANGE IN AVERAGE FLEET AT OEC[1]



YOY CHANGE IN AVERAGE OEC FLEET ON RENT[1]



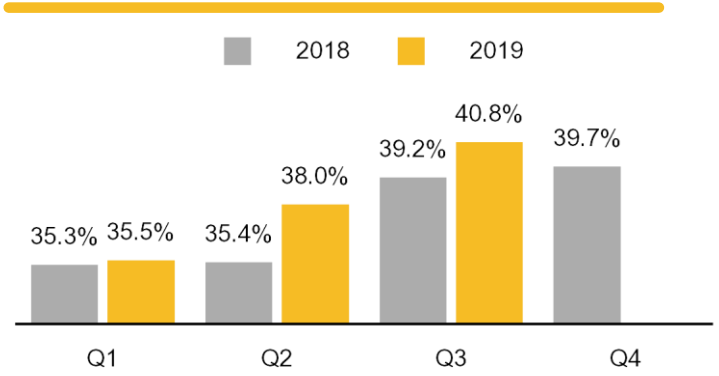
1. Based on ARA guidelines

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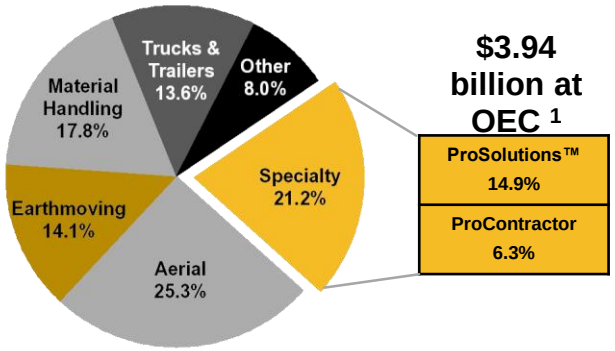
Improving Fleet Mix to Drive Growth

$ UTILIZATION[1]

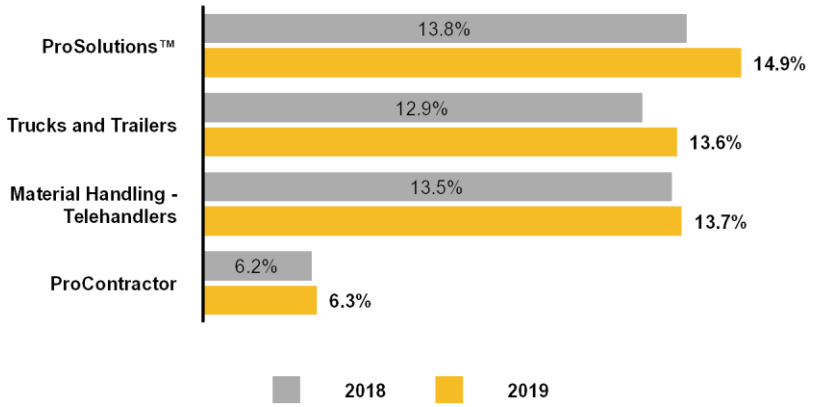


- $ utilization in Q3 2019 increased 160 bps YoY to 40.8%
- Average fleet age improved to 44 months in Q3 2019 from 46 months in Q3 2018

FLEET COMPOSITION AT OEC[1,2]



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



1. Based on ARA guidelines
2. As of September 30, 2019

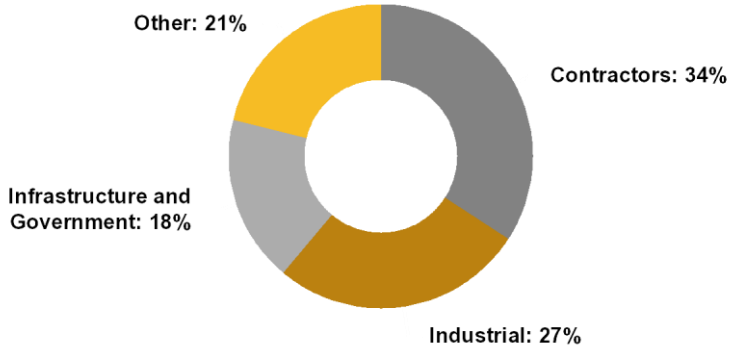
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Improving Customer Mix and Diversification

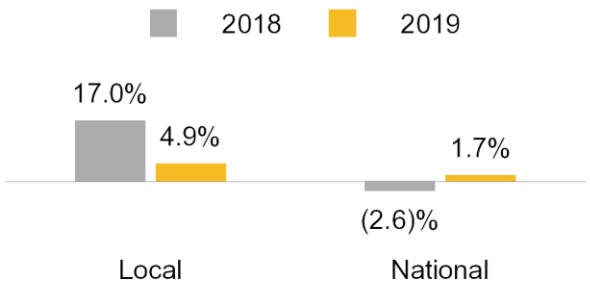
Q3 LOCAL VS NATIONAL % MIX[1]



Q3 REVENUE BY CUSTOMER[1,2]



Q3 LOCAL VS NATIONAL YOY GROWTH[1]



- Local rental revenue grew 4.9% YoY in Q3 2019 and now accounts for 61% of total rental revenue
- Local branch sales initiatives are driving strong growth in new customer accounts

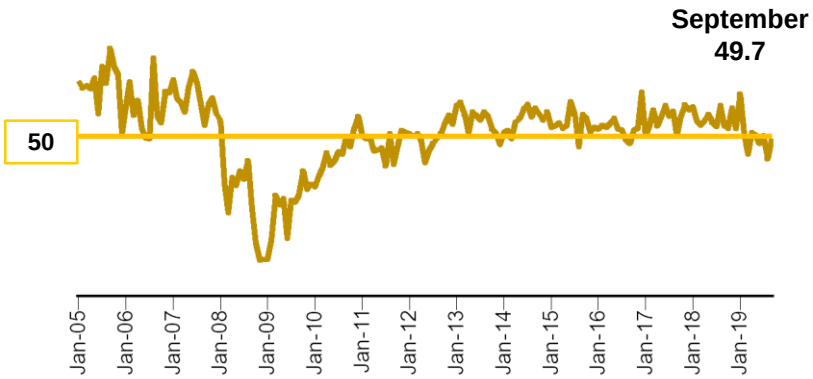
1. North America rental revenues
2. Refer to 10-K for description of industries related to each customer classification

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Industry Outlook

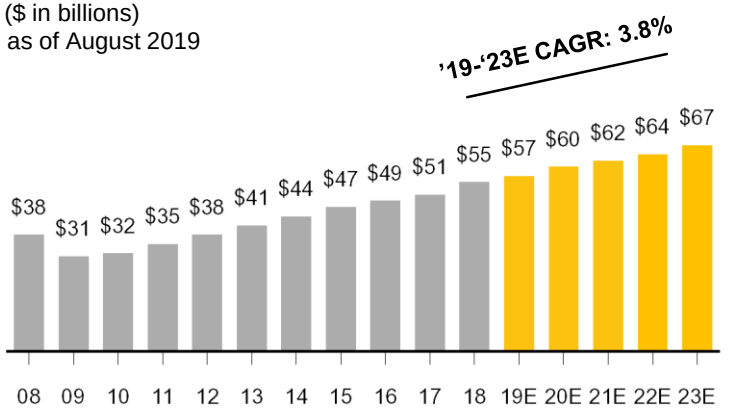
ARCHITECTURE BILLINGS INDEX[1]

as of September 2019



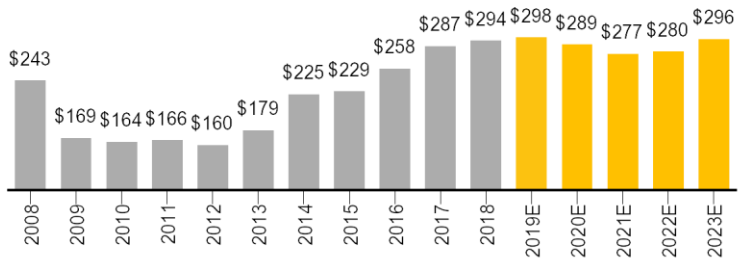
N.A. EQUIPMENT RENTAL MARKET[2]

($ in billions)
as of August 2019



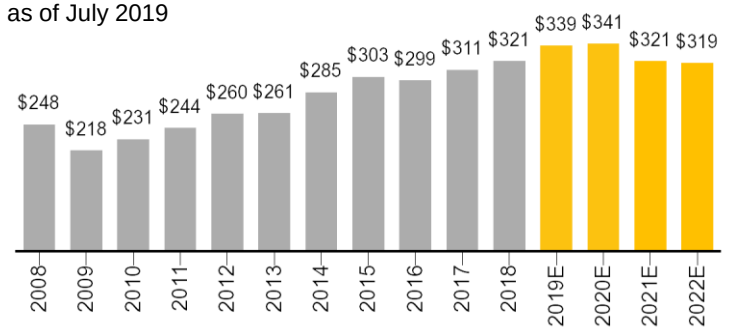
NON-RESIDENTIAL STARTS[3]

($ in billions)
as of August 2019



INDUSTRIAL SPENDING[4]

($ in billions)
as of July 2019

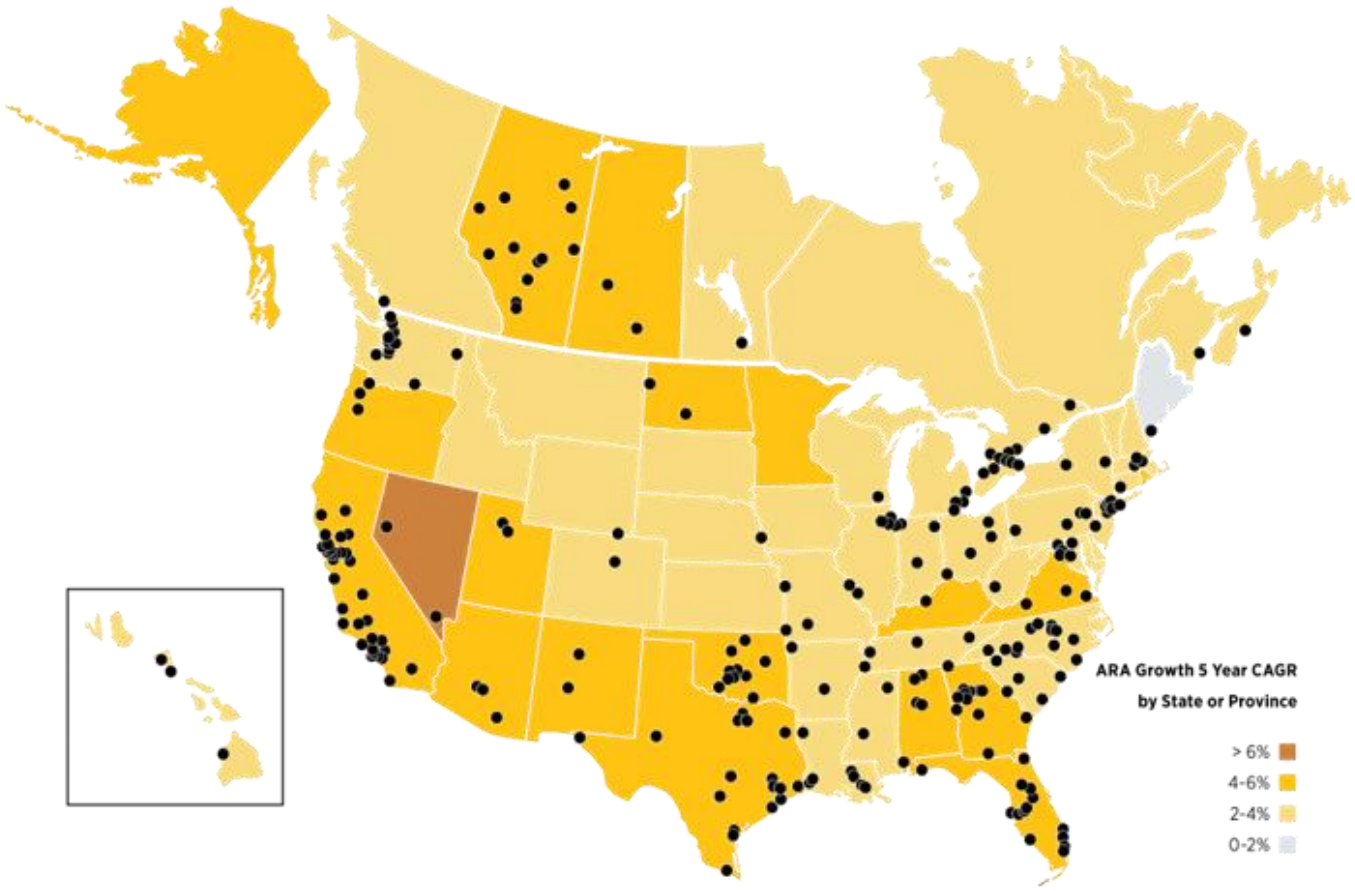


1. Source: The American Institute of Architects (AIA)
2. Source: ARA / IHS Global Insight as of August 2019, excludes Party & Event data
3. Source: Dodge Analytics U.S.
4. Source: Industrial information resources U.S.

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Focusing on High Growth Urban Markets



Strong geographic footprint in high growth markets

Approximately 270 locations, principally in North America[1]

- 39 states
- 7 provinces

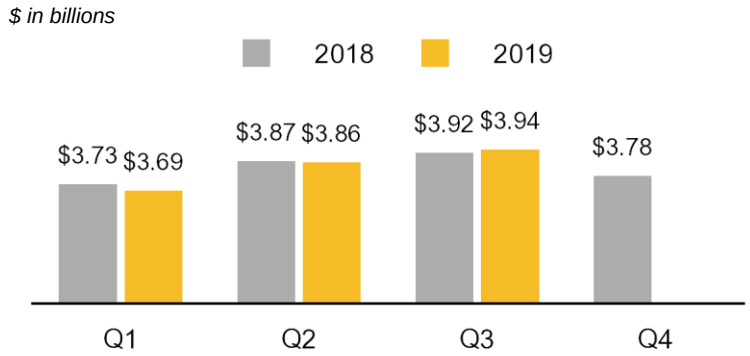
Targeting four to six greenfield locations in 2019

Source: ARA IHS Global Insights August 2019
1. Locations as of September 30, 2019

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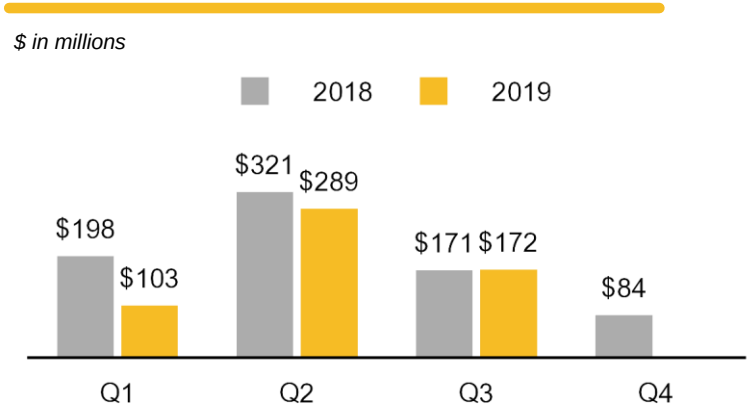
Managing Fleet at OEC[1] to Improve Utilization

FLEET ENDING BALANCE AT OEC

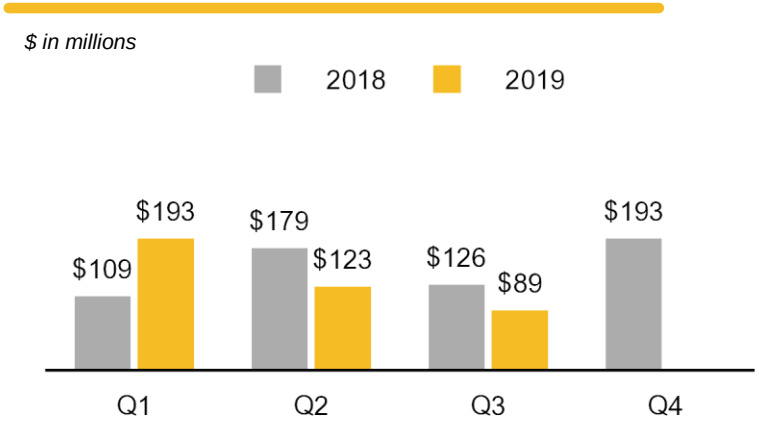


- Average fleet at OEC increased 0.4% in Q3 2019 over the prior-year quarter and increased 0.3% for the nine months
- Fleet expenditures at OEC in Q3 2019 were $172 million with disposals of $89 million at average age of 80 months
- On a cash basis, net fleet capex was $349.8 million compared with $428.4 million in the prior year
- Average fleet age improved to 44 months in Q3 2019 compared with 46 months in Q3 2018

FLEET EXPENDITURES AT OEC



FLEET DISPOSALS AT OEC



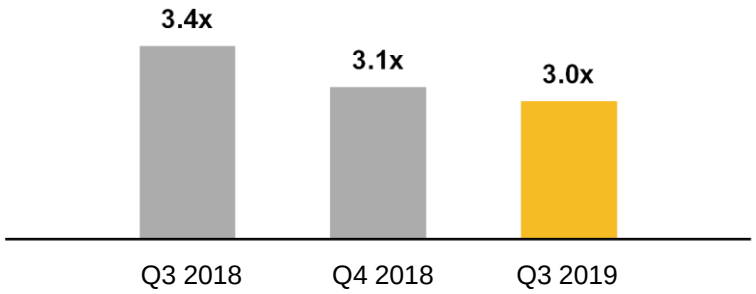
1. Original equipment cost based on ARA guidelines.

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Disciplined Capital Management

NET LEVERAGE[1]



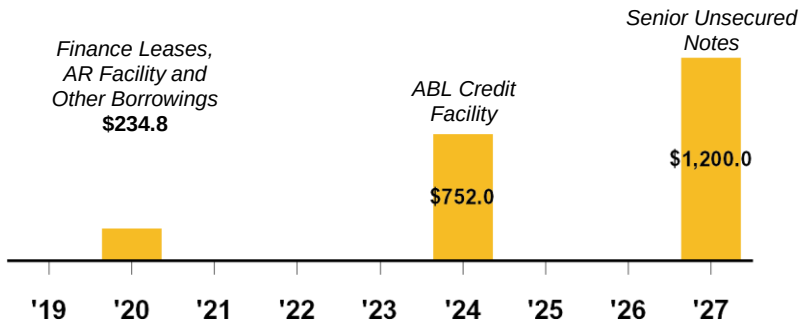
LIQUIDITY

$ in millions	September 30, 2019
ABL and AR Facility	$1,925.0
Outstanding	(927.0)
Letters of Credit	(21.5)
Availability from ABL and AR Facility	$976.5
Cash & Cash Equivalents	34.5
Total Liquidity	**$1,011.0**

- Net leverage of ~3.0x[1]
  - Stable debt of ~$2.2 billion
- Ample liquidity and long-dated maturities provide financial flexibility
  - $1.0 billion of liquidity
  - No near-term maturities
- Net cash from operating activities totaled $441.2 million, with net fleet capex[1] of $349.8 million
- Positive YTD free cash flow[1] of $65.5 million compared with negative free cash flow of 108.0 million in 2018

MATURITIES

$ in millions, as of 09/30/2019



1. For a definition and reconciliation to the most comparable GAAP financial measure, see the Appendix beginning on Slide 16

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Our Strategic Initiatives are Delivering Results



Our strategic initiatives continued to drive growth in rental revenues and $ utilization in our latest quarter

- We improved adjusted EBITDA margin 220 basis points to 41.2%
- We increased $ utilization 160 basis points to 40.8%
- We improved YTD free cash flow from negative $108.0 million to positive $65.5 million
- We expect strong REBITDA flowthrough for the full year
- Net leverage is expected to be at the lower end of our targeted range of 2.5x to 3.5x by year end

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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.

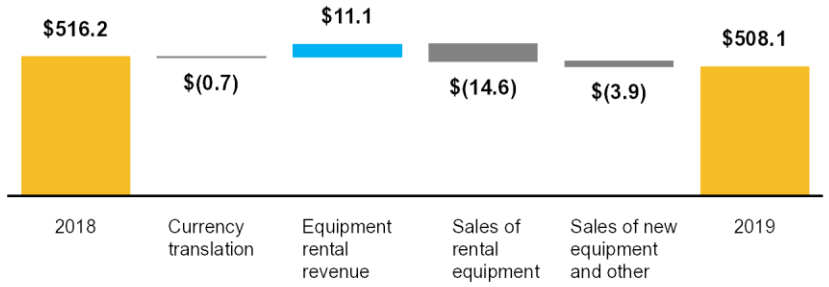
Pricing: Change in pure pricing achieved in one period versus another period. This is applied both to year-over-year and sequential comparisons. Rental rates are based on ARA guidelines and are calculated based on the category class rate variance achieved either year-over-year or sequentially for any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

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Q3 and Nine Months Total Revenues

Q3 BRIDGE

$ in millions



NINE MONTHS BRIDGE

$ in millions



Q3 TOTAL REVENUES

- Total revenues decreased 1.6%, or $8.1 million, in Q3 2019
- Equipment rental revenue increased 2.4% in Q3 2019
  - Improvements in pricing and mix
  - Strategic reductions in re-rent revenue
- Pricing[1] improved 4.5% and OEC on rent[1] decreased 1.6% in Q3 2019
- Sales of rental equipment decreased 29.3% in Q3 2019
  - Total OEC[1] of $89 million was sold and generated ~40% proceeds as a % of OEC[1] in Q3 2019

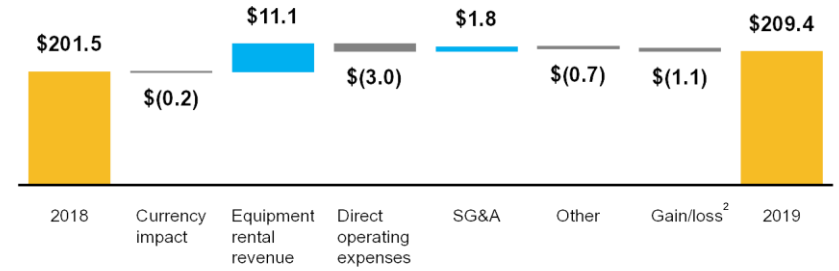
1. Based on ARA guidelines.

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Q3 and Nine Months Adjusted EBITDA[1]

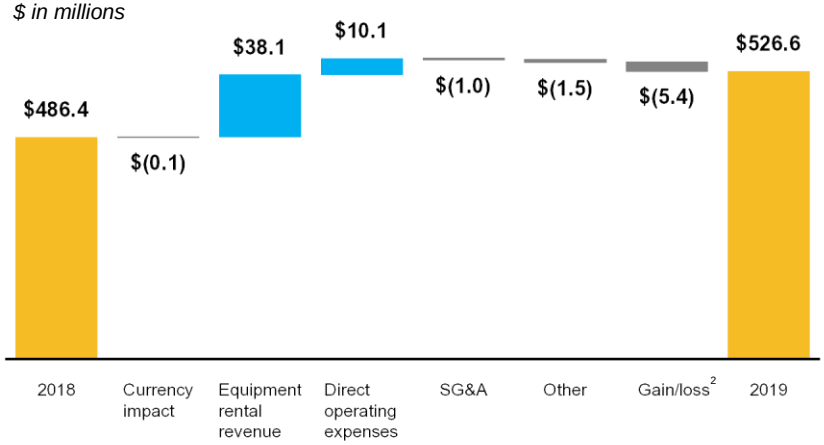
Q3 BRIDGE

$ in millions



NINE MONTHS BRIDGE

$ in millions



Q3 ADJUSTED EBITDA[1]

- YoY adjusted EBITDA increased $7.9 million or 3.9% in Q3 2019
- Higher equipment rental revenue of $11.1 million was the largest contributor to the improvement
- DOE increased $3.0 million primarily due to higher facilities costs, personnel and personnel-related expenses, offset primarily by strategic reductions in re-rent expense and lower delivery and freight costs
- SG&A was impacted primarily by reductions in consulting fees, partially offset by increased selling expense

Q3 REBITDA[1]

- Measures contribution from our core rental business without impact of sales of equipment, parts and supplies
- Strong flow-through of 83.3% drove REBITDA margin of 44.9%, an increase of 90 bps from Q3 2018

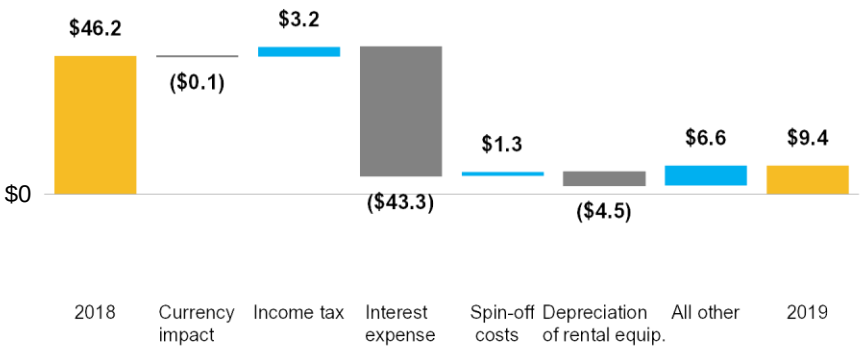
1. For a reconciliation to the most comparable GAAP financial measure, see Slides 22-24
2. Gain / loss on sales of new and rental equipment, parts, and supplies

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Q3 and Nine Months Net Results

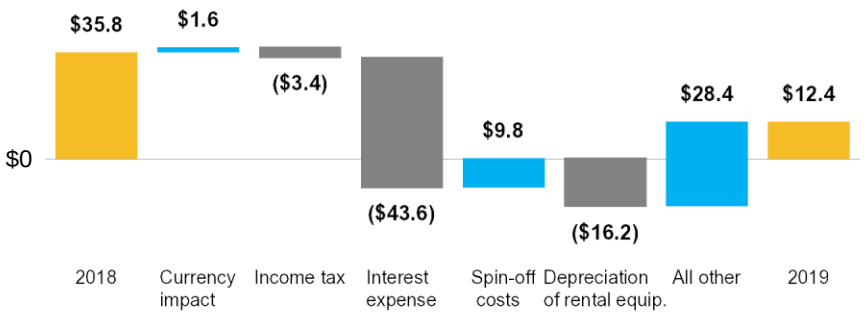
Q3 BRIDGE

$ in millions



NINE MONTHS BRIDGE

$ in millions



Q3 NET RESULTS

- Net income was $9.4 million in Q3 2019 compared to $46.2 million in the prior year
- Interest expense increased in Q3 2019 primarily due to costs related to the redemption of the company's notes and ABL during the quarter
- Spin-off related costs declined $1.3 million YoY in Q3 2019
- Depreciation of rental equipment increased $4.5 million YoY due to a reduction in fleet age
- All other includes the positive impact of our improved operating results (See Slide 28 for additional details)

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Reconciliation of Adjusted Net Income and Adjusted Earnings Per Diluted Common Share

Adjusted Net Income and Adjusted Earnings Per Diluted Share - Adjusted Net Income represents the sum of net income (loss), restructuring and restructuring related charges, spin-off costs, loss on extinguishment of debt, impairment charges, gain on the disposal of a business and certain other items. Adjusted Earnings per Diluted Share represents Adjusted Net Income divided by diluted shares outstanding. Adjusted Net Income and Adjusted Earnings Per Diluted Share are important measures to evaluate our results of operations between periods on a more comparable basis and to help investors analyze underlying trends in our business, evaluate the performance of our business both on an absolute basis and relative to our peers and the broader market, provide useful information to both management and investors by excluding certain items that may not be indicative of our core operating results and operational strength of our business. Such measurements are not prepared in accordance with U.S. GAAP and should not be construed as an alternative to reported results determined in accordance with U.S. GAAP. The non-GAAP information provided is unique to our Company and may not be consistent with methodologies used by other companies.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	$ 9.4	$ 46.2	$ 12.4	$ 35.8
Loss on extinguishment of debt	53.6	5.4	53.6	5.4
Restructuring	—	—	7.8	1.0
Spin-Off costs	0.4	1.7	0.7	10.5
Other[(1)]	—	0.1	0.7	1.1
Tax impact of adjustments[(2)]	(20.2)	(16.7)	(22.4)	(19.4)
Adjusted net income	$ 43.2	$ 36.7	$ 52.8	$ 34.4
Diluted common shares	29.1	28.9	29.1	28.9
Adjusted earnings per diluted common share	$ 1.48	$ 1.27	$ 1.81	$ 1.19

(1) Comprised primarily of a one-time cash separation benefit paid to our former Chief Financial Officer as part of a Retirement and Separation Agreement for the nine months ended September 30, 2018.

(2)The tax rate applied for adjustments is 25.7% and reflects the statutory rates in the applicable entities. Additionally, the tax benefit of $6.3 million recognized in the three and nine month periods of 2019 related to the debt transactions and the tax benefit of $14.8 million recognized in the three and nine month periods of 2018 related to the Tax Cuts and Jobs Act of 2017, were also adjusted.

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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) are useful operating profitability ratios to management and investors. 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	**$9.4**	**$46.2**	**$12.4**	**$35.8**
Income tax provision (benefit)	(4.2)	(1.0)	(2.0)	(5.3)
Interest expense, net	81.9	38.6	146.4	103.0
Depreciation of rental equipment	102.7	98.3	303.6	288.6
Non-rental depreciation and amortization	14.9	14.3	44.5	41.8
EBITDA	**204.7**	**196.4**	**504.9**	**463.9**
Restructuring	—	—	7.8	1.0
Spin-off costs	0.4	1.7	0.7	10.5
Non-cash stock-based compensation charges	4.3	3.3	12.5	9.9
Other	—	0.1	0.7	1.1
Adjusted EBITDA	**$209.4**	**$201.5**	**$526.6**	**$486.4**
Less: Gain (loss) on sales of rental equipment	(1.3)	(1.0)	1.6	6.7
Less: Gain (loss) on sales of new equipment, parts and supplies	2.8	3.6	8.3	8.7
Rental Adjusted EBITDA (REBITDA)	**$207.9**	**$198.9**	**$516.7**	**$471.0**

Total Revenues	**$508.1**	**$516.2**	**$1,458.9**	**$1,433.0**
Less: Sales of rental equipment	35.4	50.1	171.8	175.6
Less: Sales of new equipment, parts and supplies	10.0	14.2	34.1	36.4
Equipment rental, service and other revenues	**$462.7**	**$451.9**	**$1,253.0**	**$1,221.0**

Total Revenues	$508.1	$516.2	$1,458.9	$1,433.0
Adjusted EBITDA	$209.4	$201.5	$526.6	$486.4
Adjusted EBITDA Margin	**41.2%**	**39.0%**	**36.1%**	**33.9%**

Equipment rental, service and other revenues	$462.7	$451.9	$1,253.0	$1,221.0
REBITDA	$207.9	$198.9	$516.7	$471.0
REBITDA Margin	**44.9%**	**44.0%**	**41.2%**	**38.6%**

YOY Change in REBITDA	$9.0		$45.7	
YOY Change in Equipment Rental, service and other revenues	$10.8		$32.0	
YOY REBITDA Flow-Through	**83.3%**		**142.8%**	

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REBITDA Margin Trend

$ in millions	Q1 2018	Q2 2018	Q3 2018	Q4 2018	*FY 2018*	Q1 2019	Q2 2019	Q3 2019
Total Revenues	**$431.3**	**$485.5**	**$516.2**	**$543.7**	**$1,976.7**	**$475.7**	**$475.1**	**$508.1**
Less: Sales of rental equipment	47.3	78.2	50.1	80.6	256.2	85.1	51.3	35.4
Less: Sales of new equipment, parts and supplies	11.4	10.8	14.2	12.9	49.3	10.9	13.2	10.0
Equipment rental, service and other revenues	**$372.6**	**$396.5**	**$451.9**	**$450.2**	**$1,671.2**	**$379.7**	**$410.6**	**$462.7**
Net income (loss)	**($10.1)**	**($0.3)**	**$46.2**	**$33.3**	**$69.1**	**($6.7)**	**$9.7**	**$9.4**
Income tax provision (benefit)	(5.1)	0.8	(1.0)	5.0	(0.3)	(3.1)	5.3	(4.2)
Interest expense, net	32.0	32.4	38.6	34.0	137.0	32.9	31.6	81.9
Depreciation of rental equipment	93.3	97.0	98.3	98.9	387.5	100.0	100.9	102.7
Non-rental depreciation and amortization	13.8	13.7	14.3	15.5	57.3	15.0	14.6	14.9
EBITDA	**$123.9**	**$143.6**	**$196.4**	**$186.7**	**$650.6**	**$138.1**	**$162.1**	**$204.7**
Restructuring	1.0	—	—	4.3	5.3	—	7.8	—
Spin-off costs	4.9	3.9	1.7	3.9	14.4	—	0.3	0.4
Non-cash stock-based compensation charges	2.8	3.8	3.3	3.5	13.4	3.9	4.3	4.3
Impairment	—	0.1	—	—	0.1	—	—	—
Other[1]	0.1	0.8	0.1	—	1.0	0.3	0.4	—
Adjusted EBITDA	**$132.7**	**$152.2**	**$201.5**	**$198.4**	**$684.8**	**$142.3**	**$174.9**	**$209.4**
Less: Gain (loss) on sales of rental equipment	5.3	2.4	(1.0)	5.2	11.9	1.6	1.3	(1.3)
Less: Gain on sales of new equipment, parts and supplies	2.4	2.7	3.6	2.9	11.6	2.7	2.8	2.8
Rental Adjusted EBITDA (REBITDA)	**$125.0**	**$147.1**	**$198.9**	**$190.3**	**$661.3**	**$138.0**	**$170.8**	**$207.9**
REBITDA Margin	**33.5%**	**37.1%**	**44.0%**	**42.3%**	**39.6%**	**36.3%**	**41.6%**	**44.9%**
YOY REBITDA Flow-Through	**60.7%**	**30.5%**	**68.0%**	**62.5%**	**54.8%**	**183.1%**	**168.1%**	**83.3%**

1. For the second quarter of 2018 and 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	Q3 2019	Q4 2018	Q3 2018
Long-Term Debt, Net	$2,149.1	$2,129.9	$2,229.0
(Plus) Current maturities of long-term debt	29.6	26.9	26.1
(Plus) Unamortized debt issuance costs	8.1	10.6	11.0
(Less) Cash and Cash Equivalents	(34.5)	(27.8)	(18.0)
Net Debt	**$2,152.3**	**$2,139.6**	**$2,248.1**
Trailing Twelve-Month Adjusted EBITDA	**$725.0**	**$684.8**	**$664.2**
Net Leverage	**3.0x**	**3.1x**	**3.4x**

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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	Nine Months Ended September 30,	
	2019	**2018**
Net cash provided by operating activities	$441.2	$375.0
Rental equipment expenditures	(506.7)	(617.5)
Proceeds from disposal of rental equipment	156.9	189.1
Net Fleet Capital Expenditures	**(349.8)**	**(428.4)**
Non-rental capital expenditures	(34.9)	(58.5)
Proceeds from disposal of property and equipment	5.0	3.9
Other investing activities	4.0	—
Free Cash Flow	**$ 65.5**	**$ (108.0)**

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Historical Fleet at OEC[1]

$ in millions	Q1 2018	Q2 2018	Q3 2018	Q4 2018	*FY 2018*	Q1 2019	Q2 2019	Q3 2019
Beginning Balance	$3,651	$3,732	$3,873	$3,922	**$3,651**	$3,777	$3,694	$3,859
Expenditures	$198	$321	$171	$84	**$774**	$103	$289	$172
Disposals	($109)	($179)	($126)	($193)	**($607)**	($193)	($123)	($89)
Foreign Currency / Other	($8)	($1)	$4	($36)	**($41)**	$7	($1)	$1
Ending Balance	$3,732	$3,873	$3,922	$3,777	$3,777	$3,694	$3,859	$3,943

1. Original equipment cost based on ARA guidelines

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Q3 and Nine Months Net Results Bridge

	Three Months Ended September 30,			Elements of Net Income (Loss) Bridge					
$ in millions	2019	2018	*$ Change*	*Currency[1] impact*	*Income tax*	*Spin-off costs*	*Depreciation of rental equip.*	*Interest expense*	*All other*
Total revenues	**$508.1**	**$516.2**	***($8.1)***	**($0.7)**	**$—**	**$—**	**$—**	**$—**	**($7.4)**
Direct operating	197.7	194.4	*3.3*	(0.3)	—	—	—	—	3.6
Depreciation of rental equipment	102.7	98.3	*4.4*	(0.1)	—	—	4.5	—	—
Cost of sales of rental equipment	36.7	51.1	*(14.4)*	(0.1)		—	—	—	(14.3)
Cost of sales of new equipment, parts and supplies	7.2	10.6	*(3.4)*	—	—	—	—	—	(3.4)
Selling, general and administrative	76.2	78.4	*(2.2)*	(0.1)	—	(1.3)	—	—	(0.8)
Interest expense, net	81.9	38.6	*43.3*	—	—	—	—	43.3	—
Other expense (income), net	0.5	(0.4)	*0.9*	—	—	—	—	—	0.9
Income (loss) before income taxes	**5.2**	**45.2**	***(40.0)***	**(0.1)**	**—**	**1.3**	**(4.5)**	**(43.3)**	**6.6**
Income tax benefit (provision)	4.2	1.0	*3.2*	—	3.2	—	—	—	—
Net income (loss)	**$9.4**	**$46.2**	***($36.8)***	**($0.1)**	**$3.2**	**$1.3**	**($4.5)**	**($43.3)**	**$6.6**

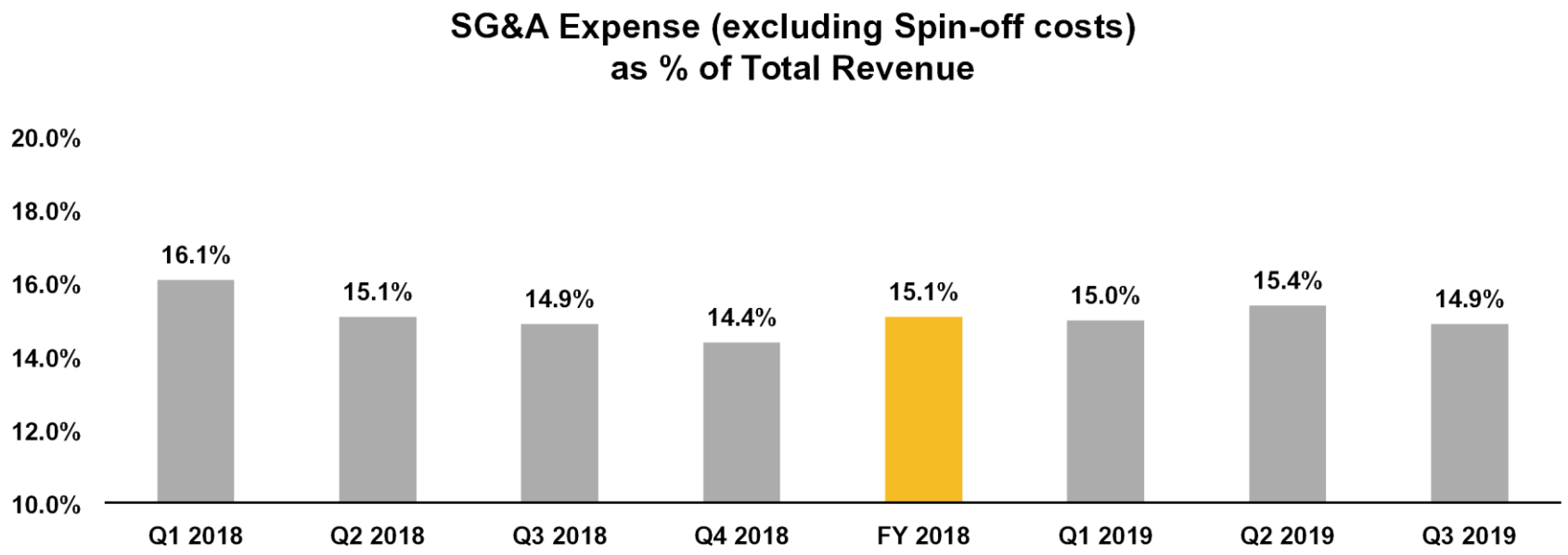
	Nine Months Ended September 30,			Elements of Net Income (Loss) Bridge					
$ in millions	2019	2018	*$ Change*	*Currency[1] impact*	*Income tax*	*Spin-off costs*	*Depreciation of rental equip.*	*Interest expense*	*All other*
Total revenues	**$1,458.9**	**$1,433.0**	***$25.9***	**($5.3)**	**$—**	**$—**	**$—**	**$—**	**$31.2**
Direct operating	575.3	584.9	*(9.6)*	(2.3)	—	—	—	—	(7.3)
Depreciation of rental equipment	303.6	288.6	*15.0*	(1.2)	—	—	16.2	—	—
Cost of sales of rental equipment	170.2	168.9	*1.3*	(1.1)		—	—	—	2.4
Cost of sales of new equipment, parts and supplies	25.8	27.7	*(1.9)*	(0.1)	—	—	—	—	(1.8)
Selling, general and administrative	221.2	229.2	*(8.0)*	(1.9)	—	(9.8)	—	—	3.7
Restructuring	7.8	1.0	*6.8*	—	—	—	—	—	6.8
Interest expense, net	146.4	103.0	*43.4*	(0.2)	—	—	—	43.6	—
Other expense (income), net	(1.8)	(0.8)	*(1.0)*	—	—	—	—	—	(1.0)
Income (loss) before income taxes	**10.4**	**30.5**	***(20.1)***	**1.5**	**—**	**9.8**	**(16.2)**	**(43.6)**	**28.4**
Income tax benefit (provision)	2.0	5.3	*(3.3)*	0.1	(3.4)	—	—	—	—
Net income (loss)	**$12.4**	**$35.8**	***($23.4)***	**$1.6**	**($3.4)**	**$9.8**	**($16.2)**	**($43.6)**	**$28.4**

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

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SG&A Excluding Spin-off Costs

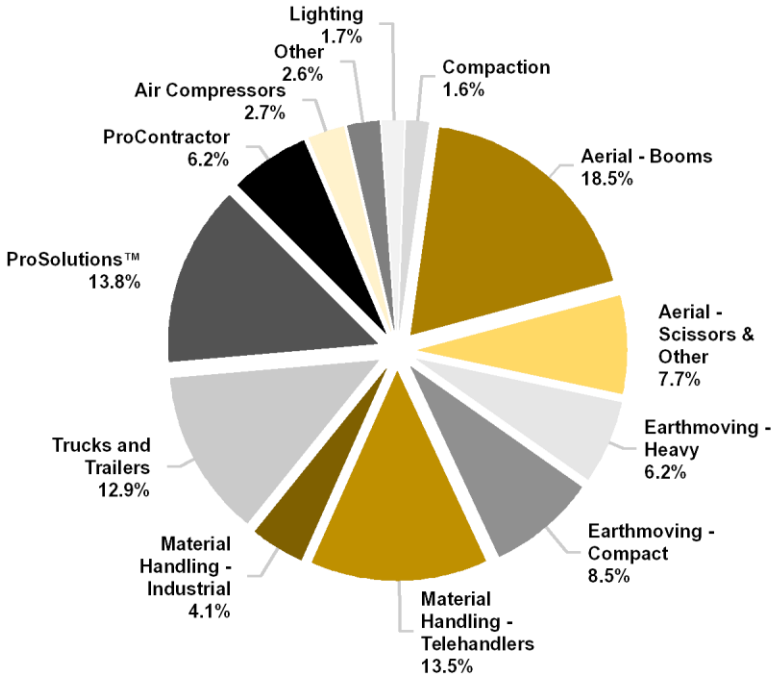
$ in millions	Q1 2018	Q2 2018	Q3 2018	Q4 2018	*FY 2018*	Q1 2019	Q2 2019	Q3 2019
SG&A	$74.5	$77.3	$78.4	$82.4	$312.6	$71.5	$73.5	$76.2
Spin-off costs	($4.9)	($3.9)	($1.7)	($3.9)	($14.4)	$—	($0.3)	($0.4)
SG&A excluding Spin-off costs	**$69.6**	**$73.4**	**$76.7**	**$78.5**	**$298.2**	**$71.5**	**$73.2**	**$75.8**
% of Total Revenue	**16.1%**	**15.1%**	**14.9%**	**14.4%**	**15.1%**	**15.0%**	**15.4%**	**14.9%**



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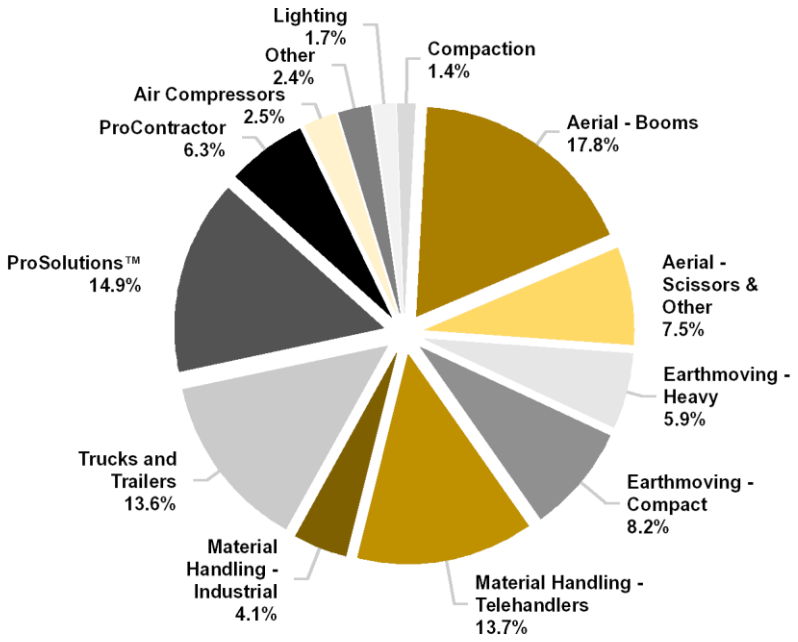
Fleet Mix: Driving $ Utilization

OEC AS OF 09/30/18[1]



$3.92 billion

OEC AS OF 09/30/19[1]



$3.94 billion

1. Original equipment cost based on ARA guidelines

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