Scaling for Sustainable Growth

Q1 2024 EARNINGS CONFERENCE CALL

April 23, 2024

HercRentals®



Herc Rentals Team and Agenda



Larry Silber
President & Chief Executive Officer



Aaron Birnbaum
Senior Vice President & Chief Operating Officer



Mark Humphrey
Senior Vice President & Chief Financial Officer



Leslie Hunziker
Senior Vice President Investor Relations, Communications & Sustainability

Agenda

- Safe Harbor
- Q1 2024 Overview
- Q1 Operations Review
- Q1 Financial Review
- 2024 Outlook
- Q&A

Safe Harbor Statements and Non-GAAP Financial Measures

Forward-Looking Statements

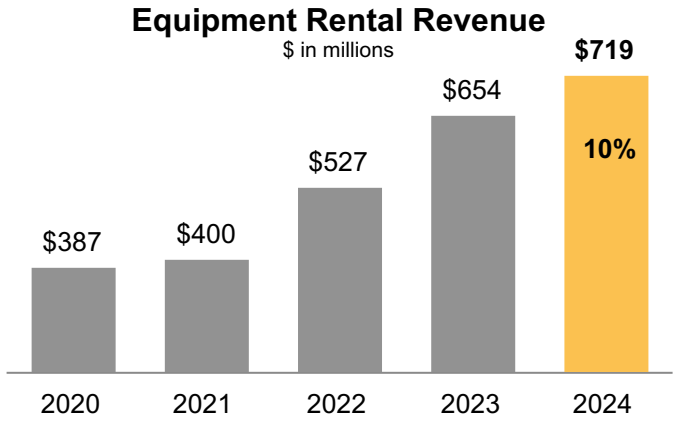
This presentation includes forward-looking statements as that term is defined by the federal securities laws, including statements concerning our business plans and strategy, projected profitability, performance or cash flows, future capital expenditures, our growth strategy, including our ability to grow organically and through M&A, anticipated financing needs, business trends, our capital allocation strategy, liquidity and capital management, exploring strategic alternatives for Cinelease, including the timing of the review process, the outcome of the process and the costs and benefits of the process, and other information that is not historical information. Forward looking statements are generally identified by the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "forecasts," "looks," and future or conditional verbs, such as "will," "should," "could" or "may," as well as variations of such words or similar expressions. 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. They are subject to future events, risks and uncertainties - many of which are beyond our control - as well as potentially inaccurate assumptions, that could cause actual results to differ materially from those in the forward-looking statements. Further information on the risks that may affect our business is included in filings we make with the Securities and Exchange Commission from time to time, including our most recent annual report on Form 10-K, subsequent quarterly reports on Form 10-Q, and in our other SEC filings. 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.

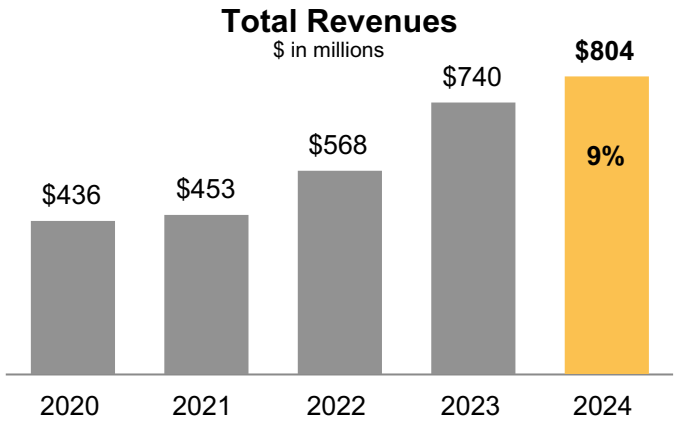
Information Regarding Non-GAAP Financial Measures

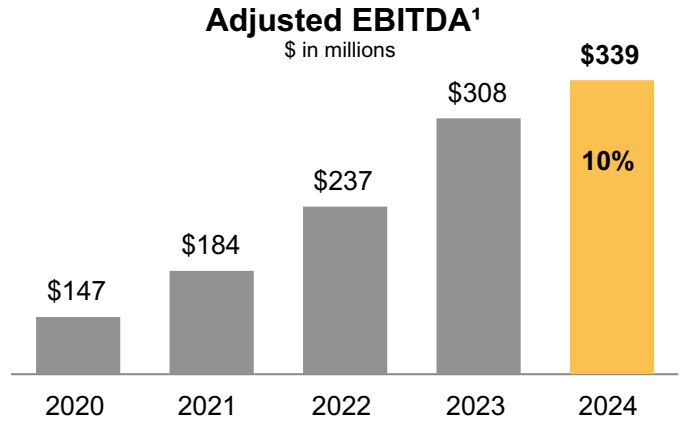
In addition to results calculated according to accounting principles generally accepted in the United States (“GAAP”), the Company has provided certain information in this presentation that is not calculated according to GAAP (“non-GAAP”), such as adjusted net income, adjusted earnings per diluted share, EBITDA, adjusted EBITDA, adjusted EBITDA margin, REBITDA, REBITDA margin, REBITDA flow-through and free cash flow. Additionally, certain results are presented excluding the Cinelease studio entertainment business. 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.

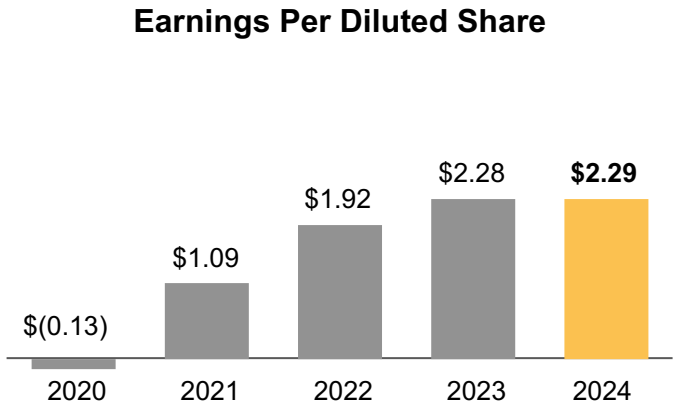
Non-GAAP measures should not be considered in isolation or as a substitute for our reported results prepared in accordance with GAAP and, as calculated, may not be comparable to similarly titled measures of other companies. For the definitions of these terms, further information about management’s use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

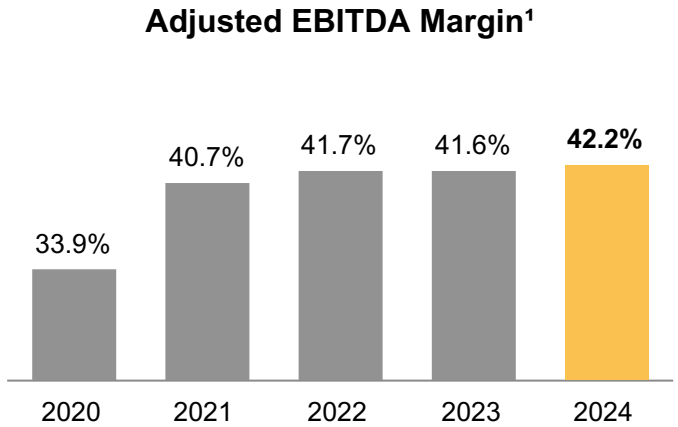
First Quarter 2024: Accelerating Performance

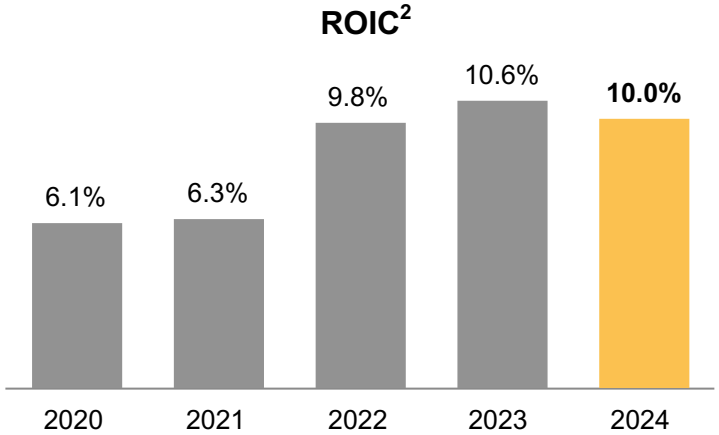












1. For a reconciliation to the most comparable GAAP financial measure, see the Appendix beginning on Slide 20
2. The company's ROIC metric uses after-tax operating income for the trailing 12 months divided by average stockholders' equity, debt and deferred taxes, net of average cash. To mitigate the volatility related to fluctuations in the company's tax rate from period to period, the U.S. federal corporate statutory tax rate of 21% was used to calculate after-tax operating income.

Q1 2024: Delivering on Growth Strategies

Strategies to Accelerate ROIC and Increase Shareholder Returns:

Grow the Core

Expand Specialty

Elevate Technology

Allocate Capital

Execute at Highest Level

Optimize branch network for fleet / operating efficiencies at scale
- Completed 4 acquisitions - 11 locations; opened 4 greenfield locations

Enhance fleet mix
- Expanded OEC specialty fleet YoY; completed largest trench shoring acquisition

Support customers' efficiency goals through data and telematics
- Advanced our industry leading digital capabilities: ProControl Next Gen™

Prioritize Capital and Invest Responsibly
- Continued disciplined investments in fleet and strategic M&A
- Raised quarterly dividend 5%

Lead through continuous improvement with E3OS
- Standardized processes
- Committed to superior customer experiences



Operations Review

Aaron Birnbaum
Senior Vice President and
Chief Operating Officer



Focusing on Safety

1Q 2024:

Continuing focus on Perfect Days

- All branches reported > 97% Perfect Days
- Perfect Days are those with no:
  - OSHA reportable incidents
  - At-fault moving vehicle accidents
  - DOT violations

Total Recordable Incident Rate Improved to 0.76
—below 1.0 industry standard

Proven safety record is a must-have for customers

Herc's Safety Program is integrated into all acquisitions

Think **Safety!**



Scaling for Sustainable Growth

Expanding Through Acquisitions and Greenfields

Adding locations increases density and share in urban markets

- 412 locations at March 31, 2024, +13% YoY

Targeting Top 100 metropolitan markets

- 1Q:24: 4 acquisitions - 11 locations; 4 greenfield locations
- 1Q:24: Invested $148 million YTD on M&A

Synergized multiple opportunity 3.5x - 4.5x through cross selling adjacent product lines, fleet efficiencies and rate improvement

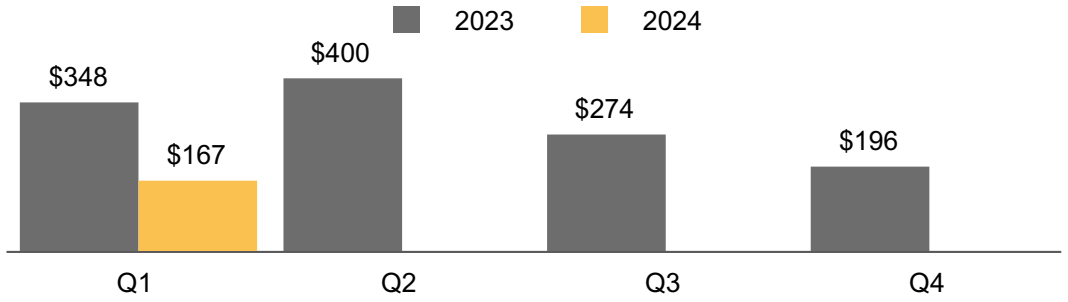
Strategic M&A Opportunity ~$500 million per year
Pipeline of acquisition opportunities remains strong



Optimizing Fleet Mix and Lifecycle Performance

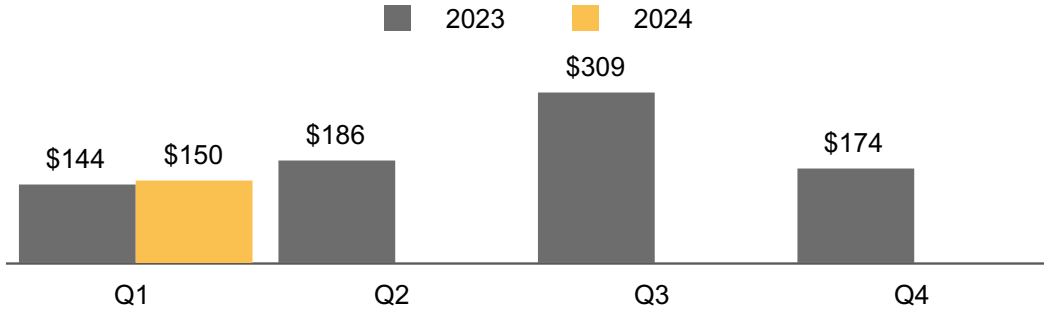
Fleet Expenditures at OEC[1]

$ in millions

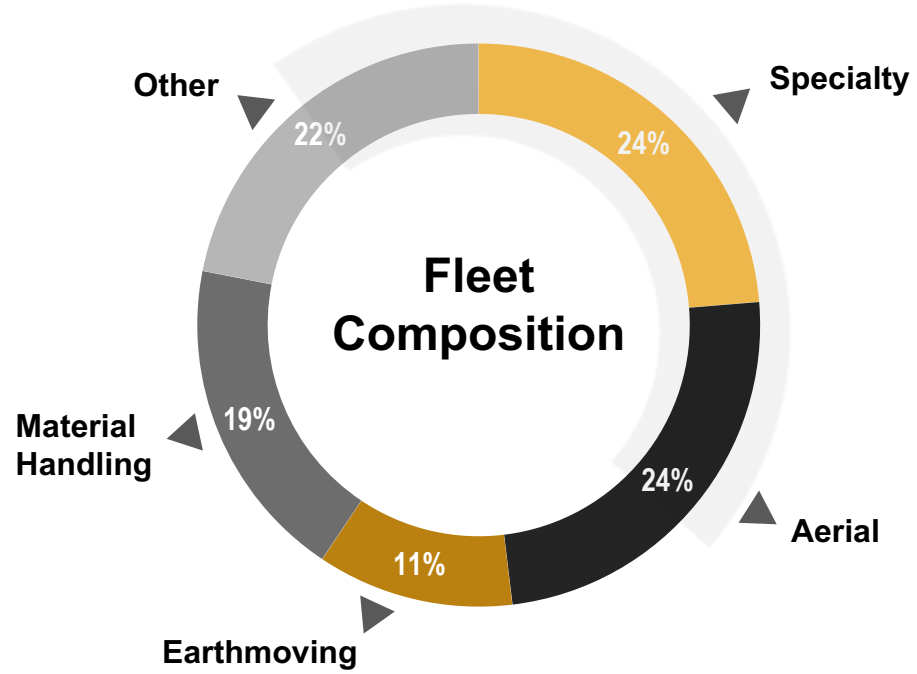


Fleet Disposals at OEC[1]

$ in millions



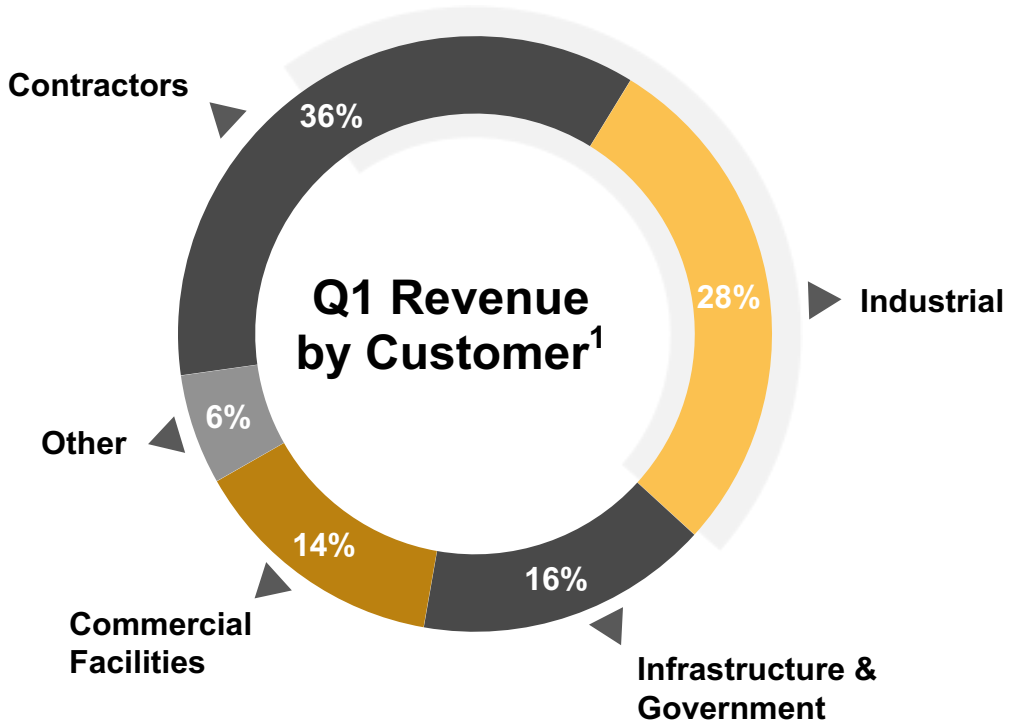
$6.4 billion at OEC[1,2]

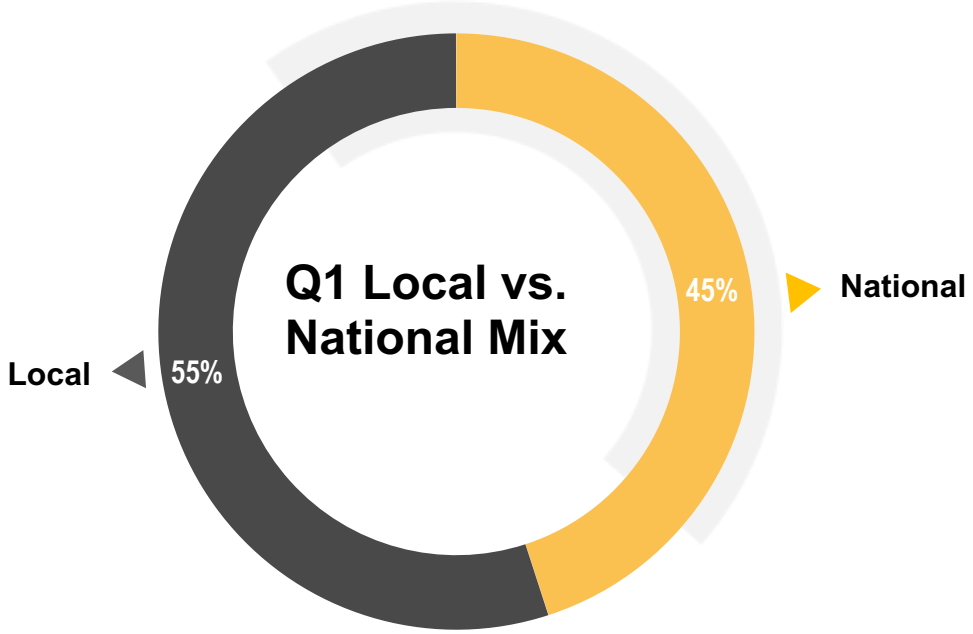


- 1Q YoY net fleet investment declined $187M, reflecting 2024 return to normal seasonal quarterly cadence of fleet rotation
  - Net investments ramp up 2Q, 3Q peaks, 4Q seasonal defleeting
- 1Q:24 disposals generated proceeds of ~50% of OEC
- Average age of disposals was 85 months in 1Q:24
- Average fleet age of 47 months at March 31, 2024

1. Original equipment cost based on ARA guidelines.
2. End fleet as of March 31, 2024

Delivering Growth and Resiliency through Diversification





- Local account revenue increased due to acquisitions and greenfields, and a focus on growth markets
- National account revenue continues to benefit from general growth and mega project activity
  - Vertical sales strategy provides for end-market expertise and creates more diverse revenue mix
  - Project pipeline remains strong; still in early innings of federal-funding opportunities
- Long-term, balanced target of 60% local / 40% national accounts

1. Refer to our 10-K for description of industries related to each customer classification.

Capitalizing on Growth Trends Across Diverse Customer and Project Base

Contractors (36%)

- Electrical
- General Contractors
- Mechanical
- Remediation & Environmental
- Residential
- ***Restoration***
- ***Specialty Contractors***

Industrial (28%)

- Agriculture
- Chemical Processing
- Industrial Manufacturing
- Metals & Minerals
- Oil & Gas Production
- Oil & Gas Pipeline
- Oil & Gas Refineries
- Pharmaceutical
- Power
- Pulp. Paper & Wood
- Shipbuilding/Yards
- ***Aerospace***
- ***Alternative Automotive/EV***
- ***Energy/ Renewables***
- ***Food & Beverage***

Infrastructure & Gov. Direct (16%)

- Airports
- Bridge
- Federal Government
- Local & State Government
- Military Base
- Prisons
- Railroad & Mass Transportation
- Streets, Road &Highway
- Sewer & Waste Disposal
- Water Supply & Distribution
- ***Utilities***

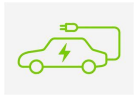
Commercial Facilities (14%)

- Banks
- Casinos
- Hospitality (hotel & motel)
- Parking Garages
- Religious Building
- Retail Facilities
- ***Commercial Warehousing***
- ***Education***
- ***Facility Maintenance***
- ***Healthcare***
- ***Data Centers***

Other (6%)

- Sporting Events
- Theater
- TV, Film & Radio
- Homeowners
- ***Live Events***

Herc Rentals is Well Positioned with Current Trending Opportunities



EV/Battery



Chip Plants



Data Centers



Renewables



Utilities



Healthcare



Infrastructure



LNG Plant

Pipeline of new construction and maintenance projects offers wide spectrum of growth opportunities

New verticals since 2016 in **bold**.

Financial Review

Mark Humphrey
Senior Vice President and
Chief Financial Officer



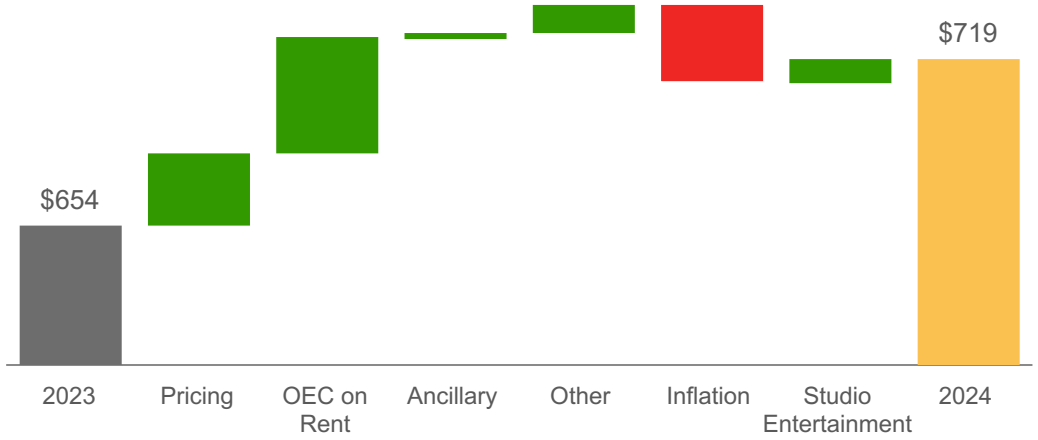
Q1 2024 Financial Results

$ in millions, except per share data	Three Months Ended March 31, 2024	2023	*2024 vs 2023 % Change*
Equipment Rental Revenue	$719	$654	*10%*
Total Revenues	$804	$740	*9%*
Net Income	$65	$67	*(3)%*
Earnings Per Diluted Share	$2.29	$2.28	*—%*
Adjusted Net Income[1]	$67	$69	*(3)%*
Adjusted Earnings Per Diluted Share[1]	$2.36	$2.35	*—%*
Adjusted EBITDA[1]	$339	$308	*10%*
Adjusted EBITDA Margin[1]	42.2%	41.6%	*60 bps*
REBITDA[1,2]	$313	$280	*12%*
REBITDA Margin[1,2]	43.1%	42.4%	*70 bps*
REBITDA YoY Flow-Through[1,2]	50.8%	42.6%	*820 bps*
Average Fleet[3] (YoY)	10.1%	29.3%	
Pricing[3] (YoY)	5.1%	7.0%	
ROIC	10.0%	10.6%	*(60) bps*

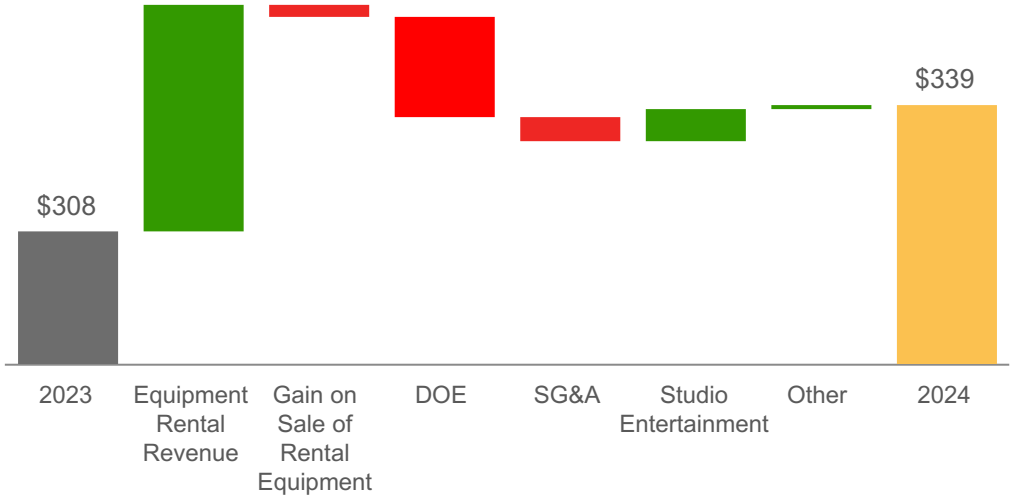
1. For a reconciliation to the most comparable GAAP financial measure, see the Appendix beginning on Slide 20
2. REBITDA measures contribution from our core rental business without impact of sales of equipment, parts and supplies
3. Based on ARA guidelines

Q1 2024 Equipment Rental Revenue and Adjusted EBITDA Bridge

Equipment Rental Revenue



Adjusted EBITDA



Adjusted EBITDA Margin drivers:

- DOE and SG&A were positive contributors as both declined as a percent of rental revenue
- Pricing offset impact from fleet inflation within equipment rental revenue

Q1 2024 Financial Results Excluding Cinelease Studio Entertainment

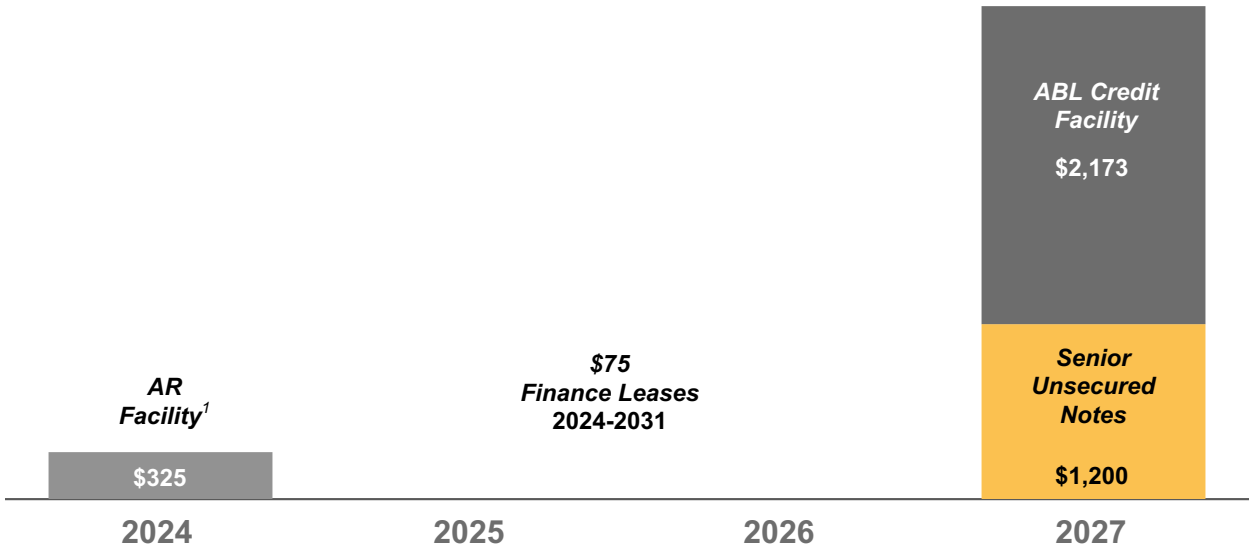
$ in millions	Three Months Ended March 31, 2024	2023	*2024 vs 2023 % Change*
Core Equipment Rental Revenue	$690	$635	*9%*
Core Total Revenues	$774	$720	*8%*
Core Net Income	$58	$73	*(21)%*
Core Adjusted EBITDA[1]	$329	$306	*8%*
Core Adjusted EBITDA Margin[1]	42.5%	42.5%	*— bps*
Core REBITDA[1,2]	$304	$278	*9%*
Core REBITDA Margin[1,2]	43.6%	43.4%	*20 bps*
Core REBITDA YoY Flow-Through[1,2]	46.4%	47.7%	*(130) bps*
Core Average Fleet[3] **(YoY)**	11.3%	29.3%	
Core ROIC	10.9%	11.2%	*(30) bps*

1. For a reconciliation to the most comparable GAAP financial measure, see the Appendix beginning on Slide 20
2. REBITDA measures contribution from our core rental business without impact of sales of equipment, parts and supplies
3. Based on ARA guidelines

Disciplined Capital Management

Maturities

As of March 31, 2024
$ in millions



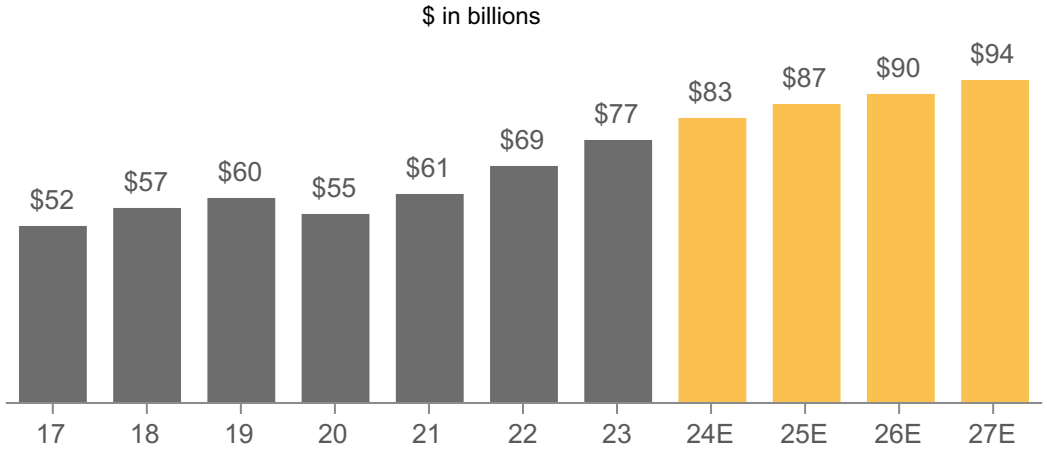
Credit Ratings: Moody's CFR Ba2
S&P BB/Stable

- No near-term maturities and ample liquidity[2] of $1.4 billion provide financial flexibility
- Free cash flow of $92 million for the first quarter
- Net leverage[3] of 2.5x, unchanged from December 2023 and within target range of 2.0x to 3.0x
- Quarterly dividend increased by 5% to $0.665 per share, paid on March 7, 2024 to shareholders of record as of February 21, 2024
- Credit Ratings: S&P Upgraded HRI to BB

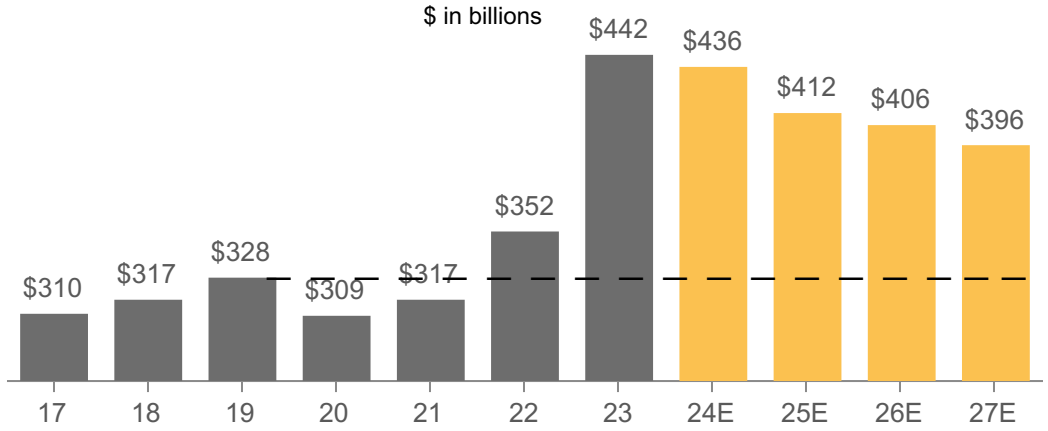
1. The AR Facility is excluded from current maturities of long-term debt as the Company has the intent and ability to consummate refinancing and extend the term of the agreement
2. Total liquidity includes cash and cash equivalents and the unused commitments under the ABL Credit Facility and AR Facility
3. For a definition and calculation, see the Appendix beginning on Slide 20

Continued Strength in Key End Markets

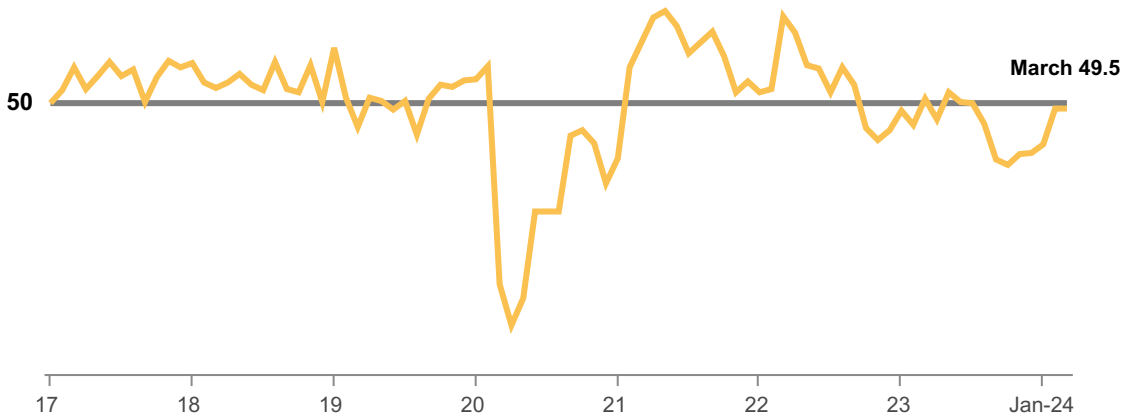
N.A. Equipment Rental Market[1]



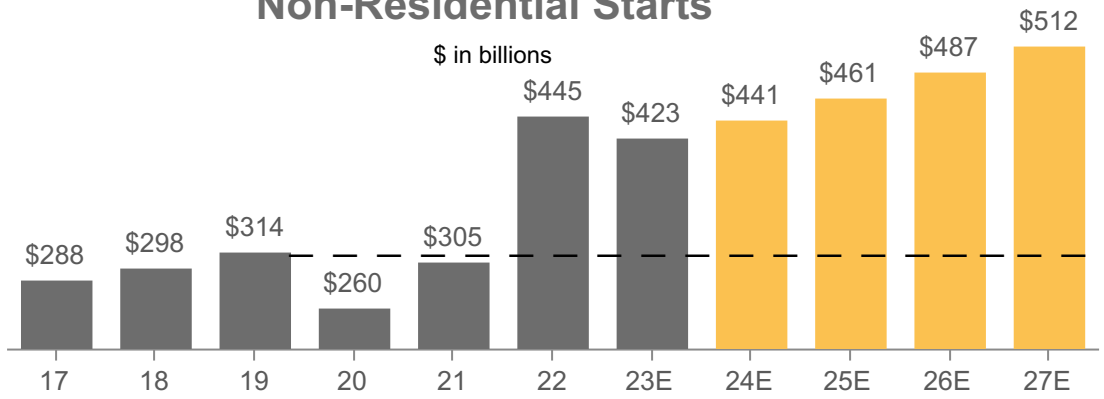
Industrial Spending[2]



Architecture Billings Index[3]



Non-Residential Starts[4]



1. Source: ARA / IHS Global Insights as of February 2024
2. Source: IIR as of February 2024
3. Source: American Institute of Architects (AIA) as of March 2024
4. Source: Dodge Analytics U.S. as of March 2024

Affirming 2024 Guidance Excluding Cinelease

Metric	2023 Excluding Cinelease	2024 Full Year Guidance
Equipment Rental Revenue	$2,820 million	+7% to 10%
Adjusted EBITDA	$1,462 million	$1.55 billion to $1.60 billion
Net Rental Equipment Expenditures after Gross Capex	$995 million	$500 to $700 million after gross capex of $750 million to $1 billion

Key Assumptions Full-Year 2024 excluding Cinelease:

- Adjusted EBITDA assumption includes $550 to $650 million used fleet dispositions at OEC; 20-30% less YoY
- Return to normal seasonal trend for used fleet dispositions
- Mega projects continue to ramp through year
- Strategic pricing expected to offset equipment inflation
- Focusing on fleet efficiency
- Beginning fleet of $6.0 billion at OEC
- Shift to higher-return used-equipment retail and wholesale channels
- Continued focus on operating leverage to improve margins
- REBITDA Flow Through of ~50% expected
- Tax rate ~25%

Purpose, Vision, Mission and Values

We equip our customers and communities to build a brighter future



Appendix


JLG ULTRA BOOM
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Justin
Herc Rentals
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Think Safety!
USDOT 372163
MC-897170

Glossary of Terms Commonly Use 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 equipment rental revenue (excluding re-rent, delivery, pick-up and other ancillary 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.

Cinelease Studio Entertainment Assets Held for Sale

Cinelease is Herc's studio management and lighting and grip business

- Market preference for lighting and grip equipment to be part of studio ownership
- Owning studio real estate does not align with Herc strategy
- Lighting and grip equipment represents ~5% of OEC

Cinelease sale process underway



Cinelease assets held for sale

Herc Entertainment Services (HES) will continue to provide rentals to entertainment industry

Equipment Types

- aerial equipment,
- forklifts,
- carts,
- generators,
- climate solutions

Project Types

- in-studio TV & Film productions
- off-location TV & Film productions
- live entertainment venues



HES to continue to service market

Reconciliation of Net Income to Adj. EBITDA and Adj. EBITDA Margin, Rental Adj. EBITDA (REBITDA), REBITDA Margin and Flow-Through

EBITDA, Adjusted EBITDA, and REBITDA - EBITDA represents the sum of net income, 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 transaction 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 (loss) 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. 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. 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.

EBITDA, Adjusted EBITDA, REBITDA, Adjusted EBITDA Margin, REBITDA Margin and REBITDA Flow-Through Excluding Studio Entertainment - On slide 25, each metric has been adjusted to exclude the studio entertainment business due to the intent to sell that business and provides the operating performance of the remaining business.

Reconciliation of Net Income to Adj. EBITDA and Adj. EBITDA Margin, Rental Adj. EBITDA (REBITDA), REBITDA Margin and Flow-Through

$ in millions	Three Months Ended March 31, 2024	2023
Net income	**$65**	**$67**
Income tax provision	16	8
Interest expense, net	61	48
Depreciation of rental equipment	160	152
Non-rental depreciation and amortization	29	26
EBITDA	**331**	**301**
Non-cash stock-based compensation charges	5	4
Transaction related costs	3	2
Other	—	1
Adjusted EBITDA	**339**	**308**
Less: Gain (loss) on sales of rental equipment	23	25
Less: Gain (loss) on sales of new equipment, parts and supplies	3	3
Rental Adjusted EBITDA (REBITDA)	**$313**	**$280**
Total revenues	$804	$740
Less: Sales of rental equipment	69	71
Less: Sales of new equipment, parts and supplies	9	8
Equipment rental, service and other revenues	$726	$661
Total revenues	$804	$740
Adjusted EBITDA	$339	$308
Adjusted EBITDA Margin	**42.2 %**	**41.6 %**
Equipment rental, service and other revenues	$726	$661
REBITDA	$313	$280
REBITDA Margin	**43.1 %**	**42.4 %**
YOY Change in REBITDA	$33	
YOY Change in Equipment rental, service and other revenues	$65	
YOY REBITDA Flow-Through	**50.8 %**	

Reconciliation of Net Income to Adj. EBITDA and Adj. EBITDA Margin, Rental Adj. EBITDA (REBITDA), REBITDA Margin and Flow-Through, Excluding Studio Entertainment

$ in millions

	Three Months Ended March 31, 2024					
	2024			2023		
	Herc	Studio Entertainment	Herc, excl Studio	Herc	Studio Entertainment	Herc, excl Studio
Equipment rental revenue	$719	$29	$690	$654	$19	$635
Total revenues	804	30	774	740	20	720
Total expenses	723	21	702	665	28	637
Income (loss) before income taxes	81	9	72	75	(8)	83
Income tax (provision) benefit	(16)	(2)	(14)	(8)	2	(10)
Net income	**$65**	**$7**	**$58**	**$67**	**($6)**	**$73**
Income tax provision	16	2	14	8	(2)	10
Interest expense, net	61	—	61	48	—	48
Depreciation of rental equipment	160	—	160	152	8	144
Non-rental depreciation and amortization	29	—	29	26	1	25
EBITDA	**331**	**9**	**322**	**301**	**1**	**300**
Non-cash stock-based compensation charges	5	—	5	4	—	4
Transaction related costs	3	1	2	2	—	2
Other	—	—	—	1	1	—
Adjusted EBITDA	**339**	**10**	**329**	**308**	**2**	**306**
Less: Gain (loss) on sales of rental equipment	23	—	23	25	—	25
Less: Gain (loss) on sales of new equipment, parts and supplies	3	1	2	3	—	3
Rental Adjusted EBITDA (REBITDA)	**$313**	**$9**	**$304**	**$280**	**$2**	**$278**
Total revenues	$804	$30	$774	$740	$20	$720
Less: Sales of rental equipment	69	—	69	71	—	71
Less: Sales of new equipment, parts and supplies	9	1	8	8	—	8
Equipment rental, service and other revenues	$726	$29	$697	$661	$20	$641
Total revenues	$804	$30	$774	$740	$20	$720
Adjusted EBITDA	$339	$10	$329	$308	$2	$306
Adjusted EBITDA Margin	**42.2 %**	**33.3 %**	**42.5 %**	**41.6 %**	**10.0 %**	**42.5 %**
Equipment rental, service and other revenues	$726	$29	$697	$661	$20	$641
REBITDA	$313	$9	$304	$280	$2	$278
REBITDA Margin	**43.1 %**	**31.0 %**	**43.6 %**	**42.4 %**	**10.0 %**	**43.4 %**
YOY Change in REBITDA	$33	$7	$26	$55	($8)	$63
YOY Change in Equipment rental, service and other revenues	$65	$9	$56	$129	($3)	$132
YOY REBITDA Flow-Through	**50.8 %**	**77.8 %**	**46.4 %**	**42.6 %**	**266.7 %**	**47.7 %**

REBITDA Margin and Flow-Through Quarterly Trend

$ in millions	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2024
Net income	**$67**	**$76**	**$113**	**$91**	**$347**	**$65**
Income tax provision	8	27	33	32	100	16
Interest expense, net	48	54	60	62	224	61
Depreciation of rental equipment	152	161	167	163	643	160
Non-rental depreciation and amortization	26	28	29	29	112	29
EBITDA	**301**	**346**	**402**	**377**	**1,426**	**331**
Non-cash stock-based compensation charges	4	5	6	3	18	5
Transaction related costs	2	1	2	3	8	3
Other	1	—	—	(1)	—	—
Adjusted EBITDA	**308**	**352**	**410**	**382**	**1,452**	**339**
Less: Gain (loss) on sales of rental equipment	25	27	25	17	94	23
Less: Gain (loss) on sales of new equipment, parts and supplies	3	3	4	3	13	3
Rental Adjusted EBITDA (REBITDA)	**$280**	**$322**	**$381**	**$362**	**$1,345**	**$313**
Total revenues	$740	$802	$908	$831	$3,282	$804
Less: Sales of rental equipment	71	83	124	68	346	69
Less: Sales of new equipment, parts and supplies	8	10	11	9	38	9
Equipment rental, service and other revenues	$661	$709	$773	$754	$2,898	$726
REBITDA Margin	**42.4 %**	**45.4 %**	**49.3 %**	**48.0 %**	**46.4 %**	**43.1 %**
YOY REBITDA Flow-Through	**42.6 %**	**48.5 %**	**76.3 %**	**64.7 %**	**53.0 %**	**50.8 %**

REBITDA Margin and Flow-Through Annual Trend

$ in millions	2019	2020	2021	2022	2023
Net income	**$47**	**$74**	**$224**	**$330**	**$347**
Income tax provision	16	20	67	104	100
Interest expense, net	174	93	86	122	224
Depreciation of rental equipment	410	403	420	536	643
Non-rental depreciation and amortization	62	63	68	95	112
EBITDA	**709**	**653**	**865**	**1,187**	**1,426**
Non-cash stock-based compensation charges	19	16	23	27	18
Restructuring	8	1	—	—	—
Impairment	4	15	3	3	—
Transaction related costs	—	—	4	7	8
Loss on disposal of business	—	3	—	—	—
Other	1	1	—	3	—
Adjusted EBITDA	**741**	**689**	**895**	**1,227**	**1,452**
Less: Gain (loss) on sales of rental equipment	(1)	(5)	19	36	94
Less: Gain (loss) on sales of new equipment, parts and supplies	11	8	10	15	13
Rental Adjusted EBITDA (REBITDA)	**$731**	**$686**	**$866**	**$1,176**	**$1,345**
Total revenues	$1,999	$1,780	$2,073	$2,740	$3,282
Less: Sales of rental equipment	243	198	113	125	346
Less: Sales of new equipment, parts and supplies	44	28	31	36	38
Equipment rental, service and other revenues	$1,712	$1,554	$1,929	$2,579	$2,898
REBITDA Margin	**42.7 %**	**44.2 %**	**44.8 %**	**45.7 %**	**46.4 %**
YOY REBITDA Flow-Through	**169.3 %**	**27.9 %**	**47.5 %**	**48.1 %**	**53.0 %**

Reconciliation of Net Income and Adjusted Earnings Per Diluted Share

Adjusted Net Income and Adjusted Earnings Per Diluted Share - Adjusted Net Income represents the sum of net income, transaction related costs, restructuring and restructuring related charges, spin-off costs, loss on extinguishment of debt, impairment charges, gain (loss) 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.

$ in millions	Three Months Ended March 31,	
	2024	**2023**
Net income	**$65**	**$67**
Transaction related costs	3	2
Other	—	1
Tax impact of adjustments[(1)]	(1)	(1)
Adjusted net income	**$67**	**$69**
Diluted common shares	28.4	29.4
Adjusted earnings per diluted share	**$2.36**	**$2.35**

(1) The tax rate applied for adjustments is 25.5% in the three months ended March 31, 2024 and 25.7% in the three months ended March 31, 2023 and reflects the statutory rates in the applicable entities.

Calculation 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 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Long-Term Debt, Net	**$3,215**	**$3,493**	**$3,665**	**$3,673**	**$3,753**
(Plus) Current maturities of long-term debt	12	12	14	15	15
(Plus) Unamortized debt issuance costs	5	5	5	5	5
(Less) Cash and Cash Equivalents	(40)	(37)	(71)	(71)	(63)
Net Debt	**3,192**	**3,473**	**3,613**	**3,622**	**3,710**
Trailing Twelve-Month Adjusted EBITDA	1,298	1,366	1,431	1,452	1,483
Net Leverage	**2.5 x**	**2.5 x**	**2.5 x**	**2.5 x**	**2.5 x**

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, fund potential acquisitions 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.

	Three Months Ended March 31,		Year Ended December 31,		
$ in millions	2024	2023	2023	2022	2021
Net cash provided by operating activities	**$240**	**$235**	**$1,086**	**$917**	**$743**
Rental equipment expenditures	(181)	(332)	(1,320)	(1,168)	(594)
Proceeds from disposal of rental equipment	61	49	325	121	107
Net Fleet Capital Expenditures	**(120)**	**(283)**	**(995)**	**(1,047)**	**(487)**
Non-rental capital expenditures	(30)	(33)	(156)	(104)	(47)
Proceeds from disposal of property and equipment	2	3	15	7	5
Other	—	—	(15)	(23)	—
Free Cash Flow	**92**	**(78)**	**(65)**	**(250)**	**214**
Acquisitions, net of cash acquired	(148)	(138)	(430)	(515)	(431)
(Increase) decrease in Net Debt, excluding financing activities	**($56)**	**($216)**	**($495)**	**($765)**	**($217)**

Historical Fleet at OEC[1]

$ in millions	FY 2019	FY 2020	FY 2021	FY 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2024
Beginning Balance	**$3,777**	**$3,822**	**$3,589**	**$4,381**	**$5,637**	**$5,915**	**$6,211**	**$6,217**	**$5,637**	**$6,328**
Expenditures	627	348	725	1,218	348	400	274	196	1,218	167
Disposals	(593)	(552)	(281)	(322)	(144)	(186)	(309)	(174)	(813)	(150)
Acquisitions	—	28	346	395	77	88	55	83	303	76
Foreign Currency / Other	11	(57)	2	(35)	(3)	(6)	(14)	6	(17)	(5)
Ending Balance	**$3,822**	**$3,589**	**$4,381**	**$5,637**	**$5,915**	**$6,211**	**$6,217**	**$6,328**	**$6,328**	**$6,416**
Proceeds as a percent of OEC	**40.9 %**	**37.0 %**	**41.8 %**	**44.4 %**	**51.5 %**	**47.0 %**	**39.4 %**	**44.3 %**	**44.2 %**	**49.5 %**

1. Original equipment cost based on ARA guidelines.

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