



# Shifting Into High Gear

Q2 AND FIRST HALF 2023  
EARNINGS CONFERENCE CALL

July 25, 2023



# Herc Rentals Team & Agenda



**Larry Silber**  
President & Chief  
Executive Officer



**Mark Humphrey**  
Senior Vice President &  
Chief Financial Officer



**Aaron Birnbaum**  
Senior Vice President &  
Chief Operating Officer



**Leslie Hunziker**  
Senior Vice President  
Investor Relations &  
Communications

## Agenda

- Safe Harbor
- Q2 2023 Overview
- Q2 Operations Review
- Q2 Financial Review
- 2023 Outlook
- Q&A

# Safe Harbor Statements and Non-GAAP Financial Measures

---

## Forward-Looking Statements

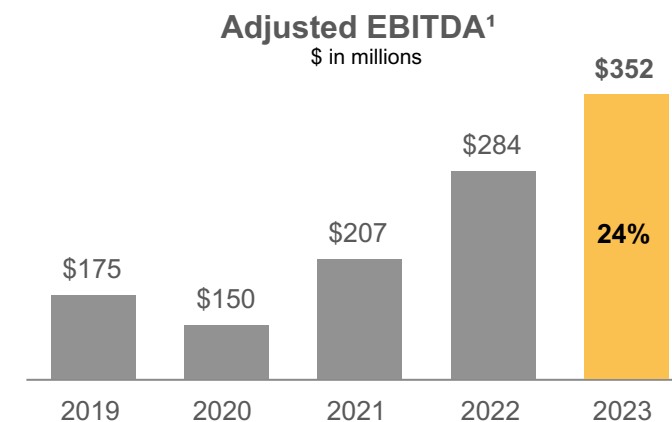
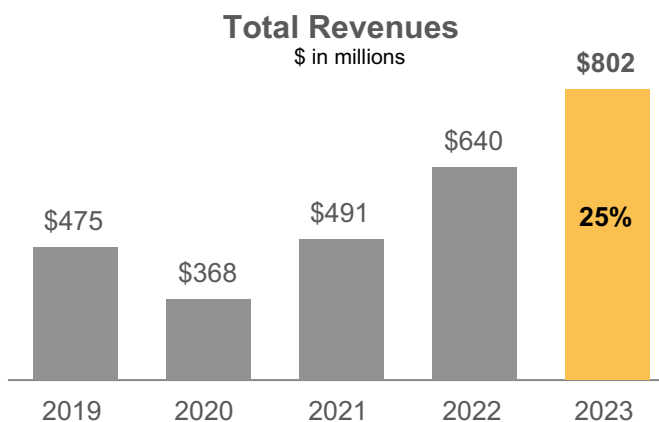
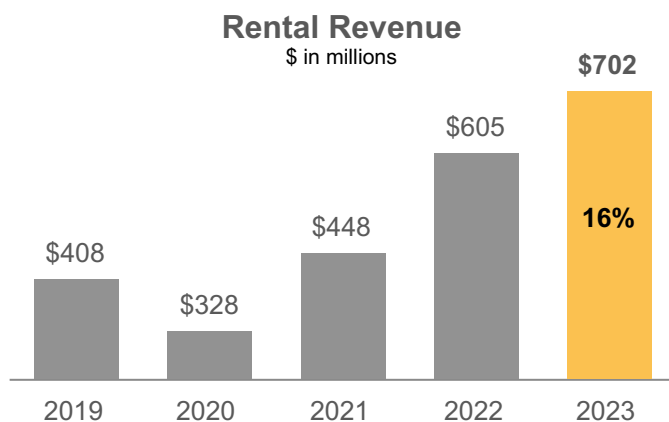
This presentation includes forward-looking statements as that term is defined by the federal securities laws, including statements concerning our business plans and strategy, projected profitability, performance or cash flows, future capital expenditures, our growth strategy, including our ability to grow organically and through M&A, anticipated financing needs, business trends, our capital allocation strategy, liquidity and capital management, 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

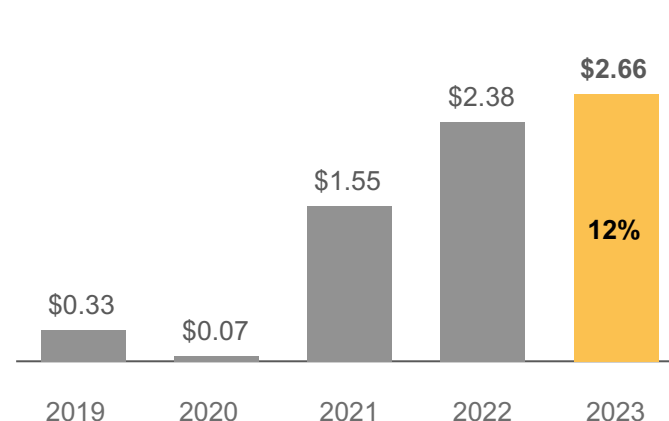
In addition to results calculated according to accounting principles generally accepted in the United States ("GAAP"), the Company has provided certain information in this presentation that is not calculated according to GAAP ("non-GAAP"), such as adjusted net income, adjusted earnings per diluted share,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

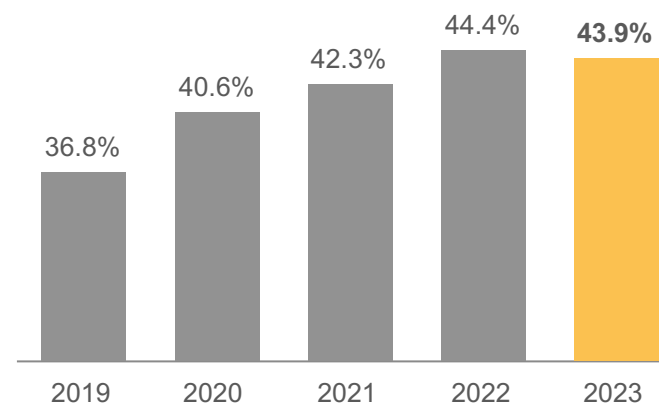
## Second Quarter Financial Highlights: Accelerating Performance



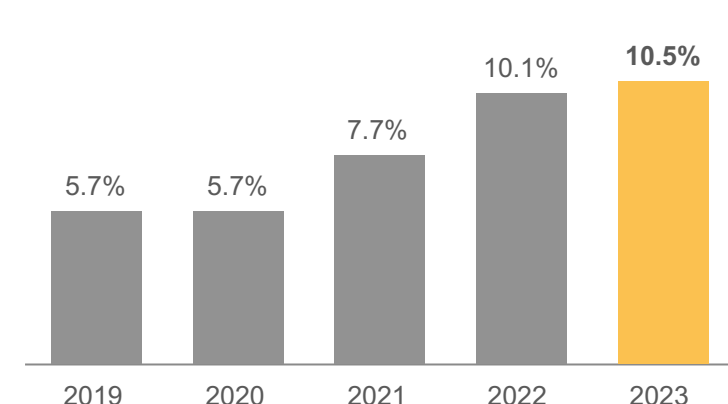
### Earnings Per Diluted Share



### Adjusted EBITDA Margin<sup>1</sup>



### ROIC<sup>2</sup>



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.

## Second Quarter 2023 Highlights

### Equipment rental market in N.A. grew 8%<sup>1</sup> in Q2 2023

- Return to normal seasonal demand trends
- Supply chain recovering; constraints persist only in highest-demand categories
- Positive industry trends aided by stimulus, reshoring, electrification, energy efficiency
- Shift from equipment ownership to rental continues

### HRI equipment rental revenue grew 16% in Q2 2023

- Record Q2 rental rate growth at 7.8% YoY
- Strategic acquisitions contributed one-third of YoY growth
- Double-digit growth across core fleet categories and Pro-Solutions offerings
- Double-digit growth across local and national accounts
- Studio entertainment impacted by TV & film labor strikes

### HRI total revenues grew 25% in Q2 2023

- Strength in used equipment market continues
- Disposals increased with fleet life-cycle management and favorable sale proceeds
- Margin on fleet sales of 33%, a 620 bp increase from prior year



## Q2 2023: Delivering on Growth Strategies

### Strategies to Accelerate ROIC and Increase Shareholder Returns:

Grow the Core

Expand Specialty

Elevate Technology

Integrate ESG

Allocate Capital

#### Optimize branch network for fleet / operating efficiencies at scale

- Completed 3 acquisitions - 4 locations; opened 6 greenfield locations

#### Enhance fleet mix

- Expanded high-margin specialty fleet by 21% at OEC YoY

#### Support customers' efficiency goals through data and telematics

- Rolling out advanced customer-facing digital capabilities: ProControl Next Gen™

#### Commit to purposeful, integrated and evolving ESG goals

- Published 2023 Corporate Citizenship Report
- Recognized as one of America's Climate Leaders 2023 by USA Today
- MSCI 2023 rating elevated to "AA"

#### Prioritize Capital and Invest Responsibly

- Disciplined investment in fleet and strategic M&A
- Regular dividend declared; Repurchased ~520,000 shares in Q2

**Aaron Birnbaum**  
**Senior Vice President and**  
**Chief Operating Officer**



Industry leading Total Recordable Incident Rate of 0.54

Proven safety record is a must-have for customers

Herc's Safety Program integrated into all acquisitions

### 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



# Delivering on Growth Strategies - Increasing Branch Network Density

## Expanding Through Acquisitions

Adding locations through acquisitions increases density and market share in urban markets

- Q2: 3 acquisitions - 4 locations; 6 greenfield locations
- YTD: 6 acquisitions - 10 locations; 9 greenfield locations
  - Invested \$272 million through June 30 on M&A
- Acquisitions in top 50 MSAs in the U.S.

Synergies through cross selling of adjacent product lines, fleet efficiencies and rate improvement

Acquiring talented workforce and local customer relationships



**Average EBITDA Multiple to date ~5.5x**

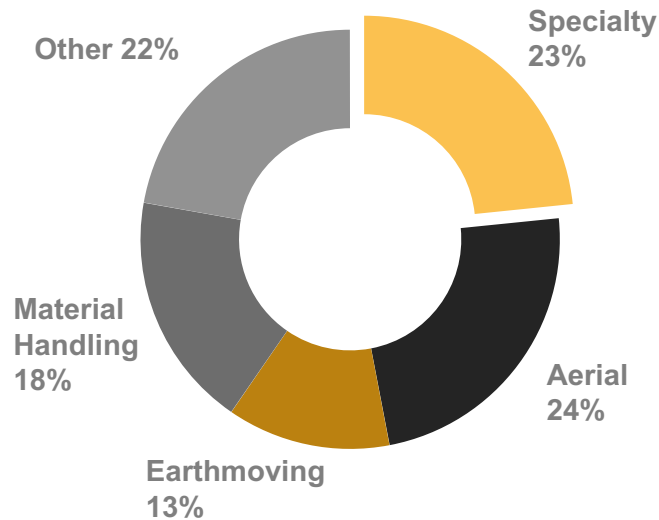
**Synergized Multiple Opportunity 3.5x - 4.5x**

**Strategic M&A Opportunity ~\$500 million per year**

**Pipeline of acquisition opportunities remains strong**

# Delivering on Growth Strategies — Enhancing Fleet Mix

## Fleet Composition \$6.2 billion at OEC<sup>1</sup>



**Dollar Utilization — 40.3%**

Equipment rental revenue +16%; Q2 record \$702 million

- Core business benefiting from solid operating performance and demand from megaprojects, onshoring, infrastructure projects
- ProSolutions contributing double digit revenue growth YoY
- Pricing tools support discipline and greater market insight
- Studio entertainment 2% of rental revenue vs. 5% 2Q:22
  - Television & film projects halted as labor strikes continue
  - Repositioning some fleet due to expected duration of shutdowns

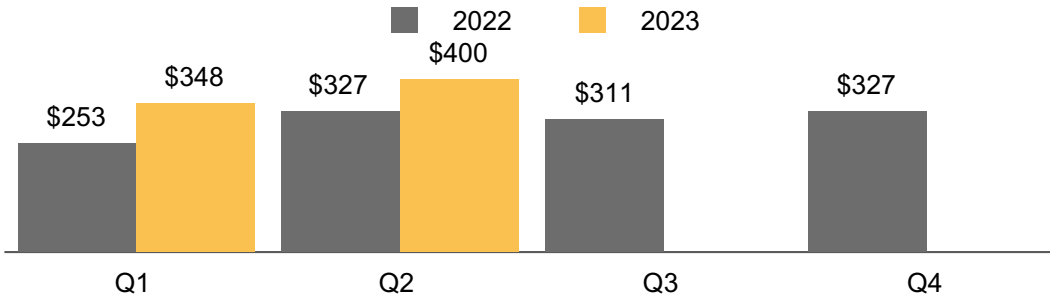
Average fleet at OEC increased 25% in 2Q:23

- As supply chain recovers, 1H:23 deliveries reflect a wave of 2023 orders and 2021/2022 backorders
- Supply still constrained for certain high-demand categories

# Managing Fleet for Enhanced Utilization

## Fleet Expenditures at OEC<sup>1</sup>

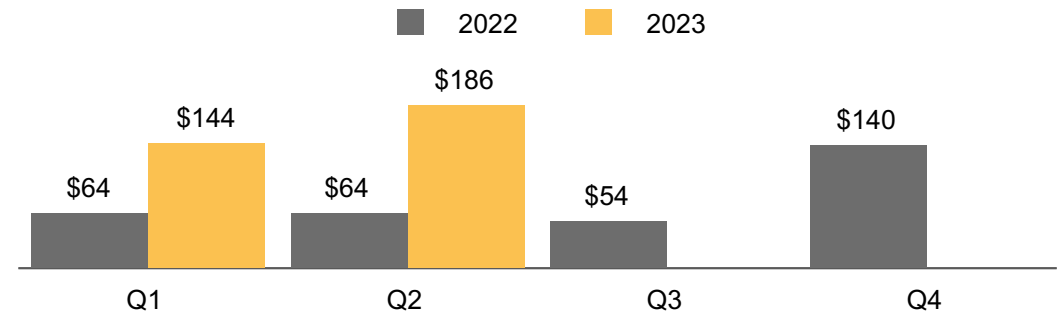
\$ in millions



- Q2 2023 fleet expenditures reflect 2021/2022 OEM catch-up orders and 2023 fleet build into the strength of the construction season
- Capital allocated for category classes that are still constrained will be re-allocated to 2024

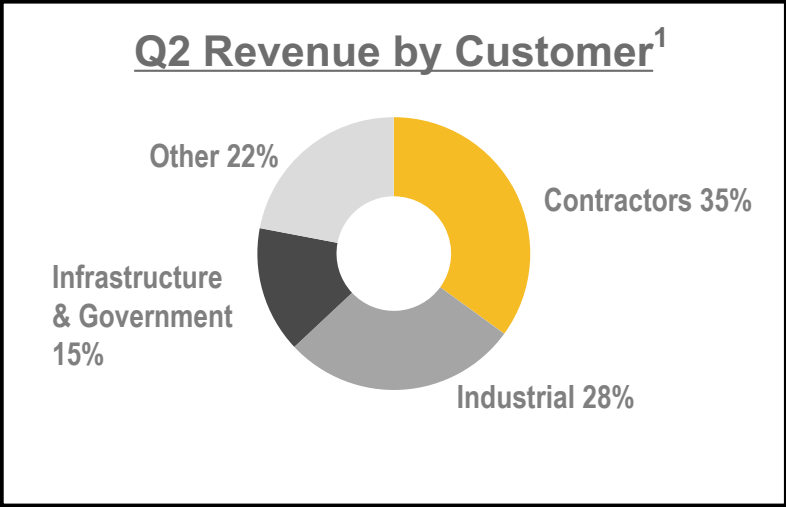
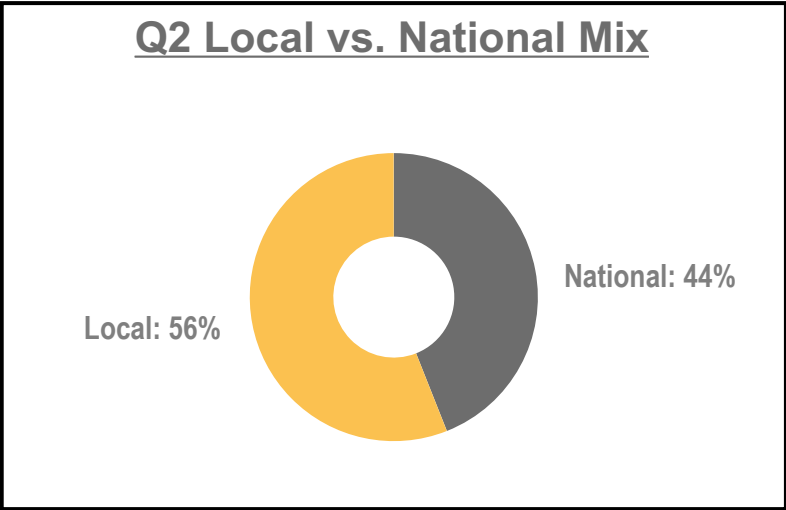
## Fleet Disposals at OEC<sup>1</sup>

\$ in millions



- Fleet disposals generated ~47% proceeds as a percent of OEC
- Margin on disposals was 33% in Q2 2023, a 620 bp improvement over prior year
- Average age of disposals was 90 months in Q2 2023
- Average fleet age of 46 months at June 30, 2023
- Refreshing fleet faster to adjust to higher OEM shipments and to take advantage of still-strong used equipment market

# Business Model Driving Growth



- Diverse customer mix and base of large national customers drives sales strategy and growth opportunities
  - 2Q:23 project pipeline remains strong
  - In early innings of federal-funding opportunities
- 2Q:23 new local-customer account revenue double-digit growth

Industrial	Infrastructure	Non-Residential
Chip manufacturing Electric vehicle/battery manufacturing Energy Petrochemical Industrial plant maintenance LNG investments	Airports Roads, bridges, tunnels Transmission & distribution Renewable energy Underground utilities Flood control High-speed rail Water systems	Commercial Data centers Education Facility maintenance Healthcare Disaster recovery Restoration

1. Refer to our 10-K for description of industries related to each customer classification. Other includes commercial and retail service, hospitality, healthcare, recreation, and entertainment and special events.

**Mark Humphrey**  
**Senior Vice President and**  
**Chief Financial Officer**



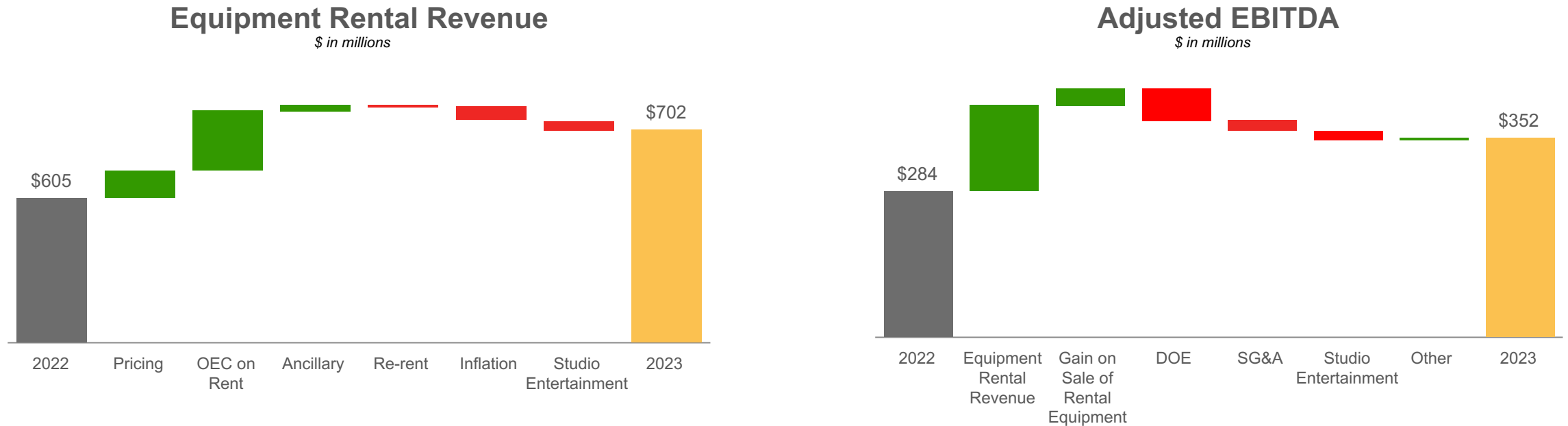
## Q2 2023 Financial Results

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	2023 vs 2022 % Change	2023	2022	2023 vs 2022 % Change
<i>\$ in millions, except per share data</i>						
<b>Equipment Rental Revenue</b>	\$702	\$605	16%	\$1,356	\$1,132	20%
<b>Total Revenues</b>	\$802	\$640	25%	\$1,542	\$1,208	28%
<b>Net Income</b>	\$76	\$73	4%	\$143	\$131	9%
<b>Earnings Per Diluted Share</b>	\$2.66	\$2.38	12%	\$4.93	\$4.30	15%
<b>Adjusted Net Income<sup>1</sup></b>	\$77	\$75	3%	\$146	\$134	9%
<b>Adjusted Earnings Per Diluted Share<sup>1</sup></b>	\$2.69	\$2.47	9%	\$5.03	\$4.41	14%
<b>Adjusted EBITDA<sup>1</sup></b>	\$352	\$284	24%	\$660	\$521	27%
<b>Adjusted EBITDA Margin<sup>1</sup></b>	43.9%	44.4%	(50) bps	42.8%	43.1%	(30) bps
<b>REBITDA Margin<sup>1,2</sup></b>	45.4%	45.0%	40 bps	43.9%	43.7%	20 bps
<b>REBITDA YoY Flow-Through<sup>1,2</sup></b>	48.5%	47.7%	80 bps	45.1%	43.2%	190 bps
<b>Average Fleet<sup>3</sup> (YoY)</b>	24.5%	32.1%	(760) bps	26.8%	27.8%	(100) bps
<b>Pricing<sup>3</sup> (YoY)</b>	7.8%	5.5%	230 bps	7.4%	4.9%	250 bps
<b>ROIC</b>				10.5%	10.1%	40 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

## Q2 2023 Adjusted EBITDA and Rental Revenue Bridge



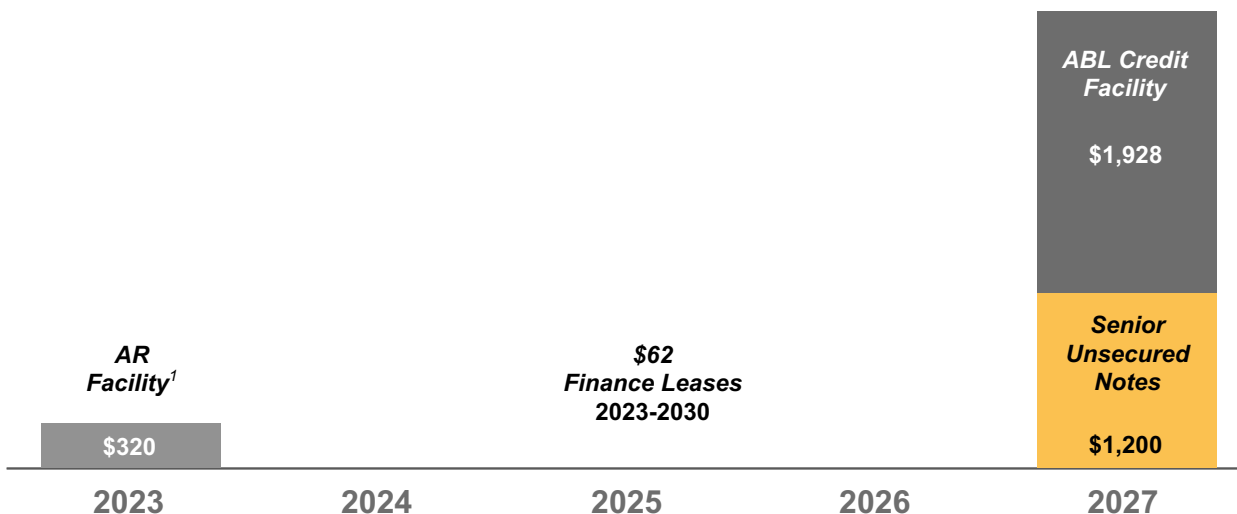
### Adjusted EBITDA Margin drivers:

- ↑ DOE and SG&A were positive contributors as both declined as a percent of rental revenue
- ↓ Negative impact from higher sales of used equipment, which has a lower margin than equipment rental
- ↓ Studio entertainment industry shutdown reduced revenue on a fixed cost basis
  - Excluding studio entertainment, 2Q:23 Adjusted EBITDA margin increased 30 bps to 44.9%
  - Excluding studio entertainment, 2Q:23 Adjusted REBITDA<sup>1</sup> margin increased 130 bps to 46.6%

# Disciplined Capital Management

## Maturities

As of June 30, 2023  
\$ in millions



**Credit Ratings:** Moody's CFR Ba2  
S&P BB-/Positive

**No near-term maturities and ample liquidity<sup>2</sup> of \$1.5 billion** provide financial flexibility

**Net capital expenditures** outpaced cash flow from operations due to investments in growth, resulting in free cash outflow of \$142 million for the first half

**Net leverage<sup>3</sup>** of 2.5x, compared with 2.4x in December 2022, within **target range of 2.0x to 3.0x**

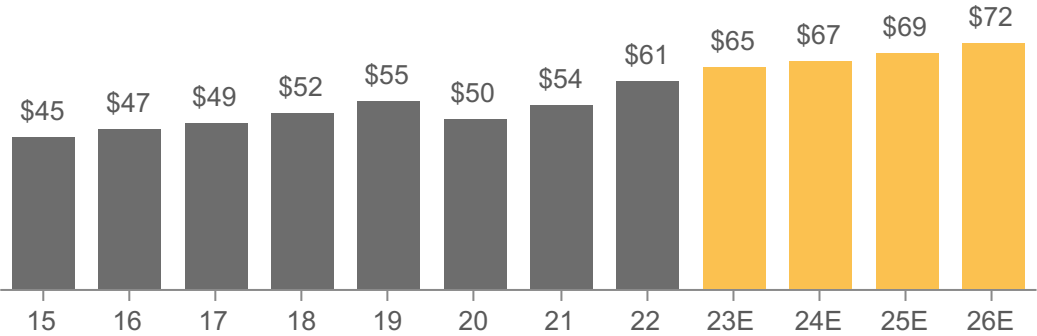
**Quarterly dividend** of \$0.6325 per share, paid on June 9, 2023 to shareholders of record as of May 26, 2023

**Q2 share repurchases** of ~520,000 shares for \$55 million

# Continued Strength in Key End Markets

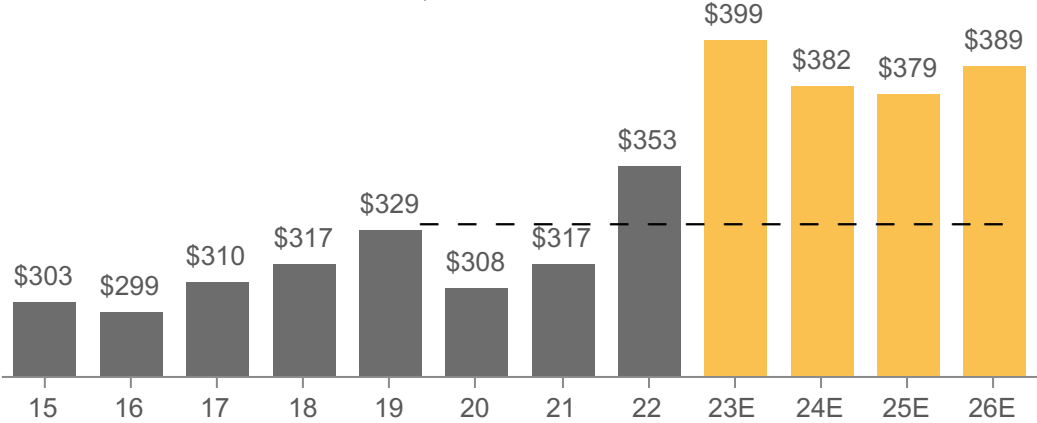
## N.A. Equipment Rental Market<sup>1</sup>

\$ in billions



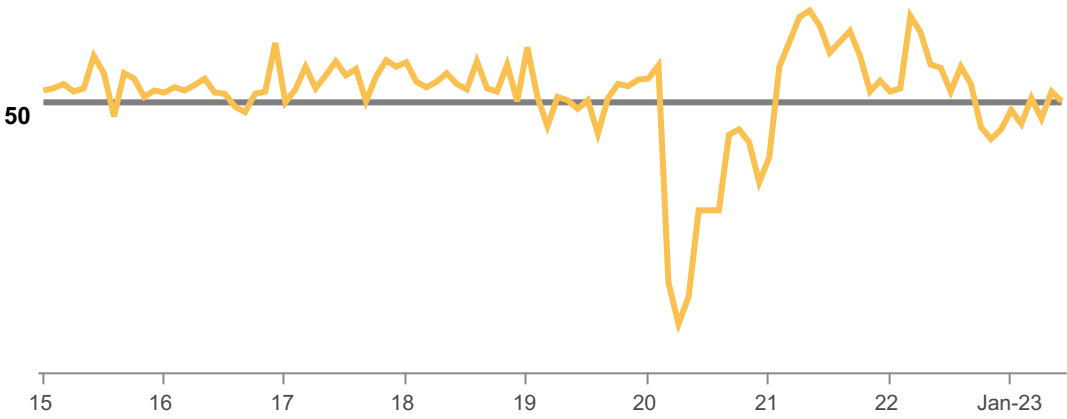
## Industrial Spending<sup>2</sup>

\$ in billions



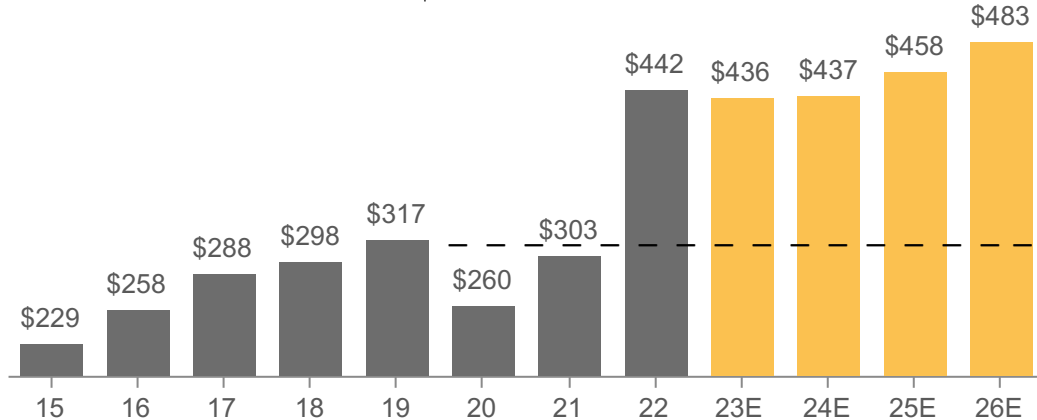
## Architecture Billings Index<sup>3</sup>

June 50.1



## Non-Residential Starts<sup>4</sup>

\$ in billions



1. Source: ARA / IHS Global Insights as of May 2023  
 2. Source: IIR as of June 2023

3. Source: American Institute of Architects (AIA) as of June 2023  
 4. Source: Dodge Analytics U.S. as of June 2023

## Reaffirming 2023 Guidance

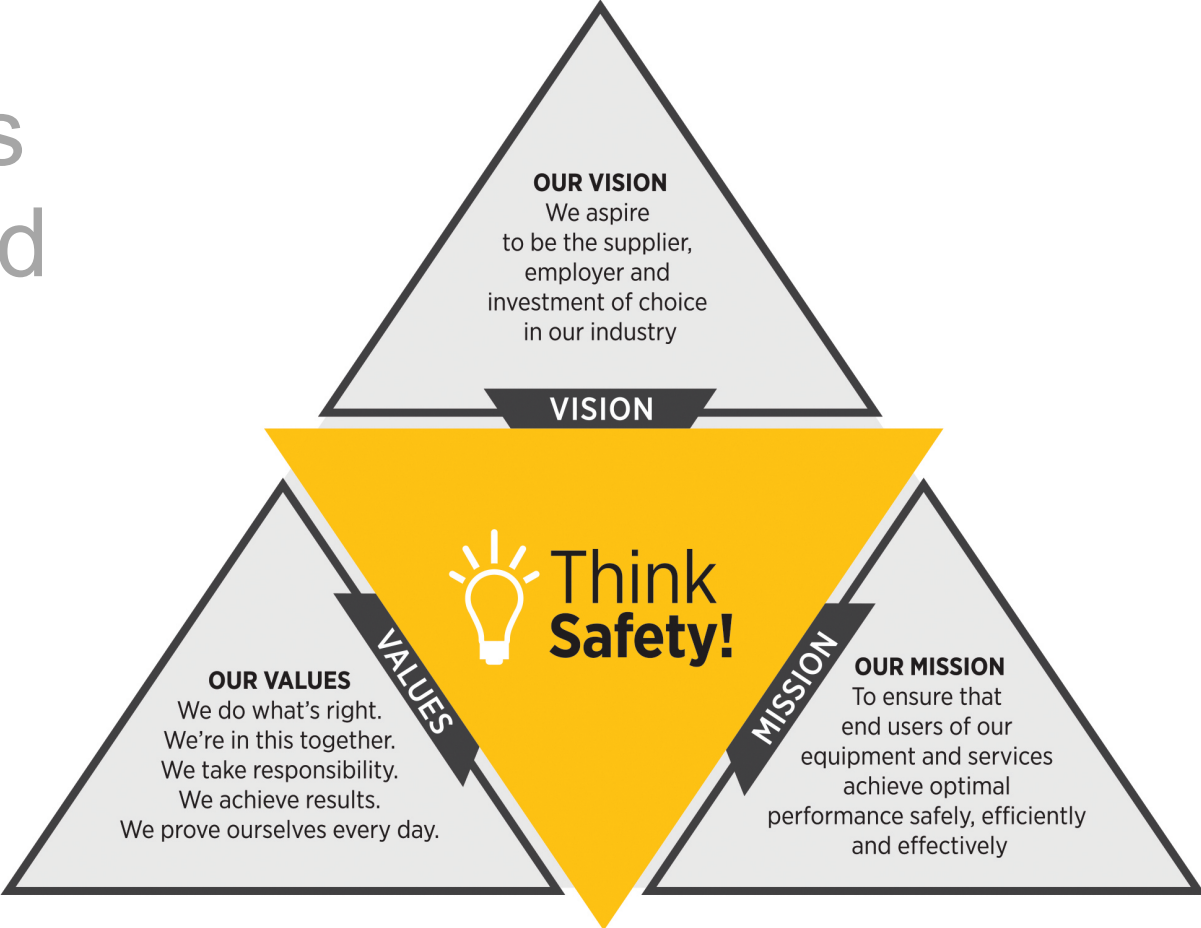
Metric	2022 Actual	2023 Guidance	% Change over 2022
<b>Adjusted EBITDA</b>	\$1,227 million	\$1.45 billion to \$1.55 billion	18% to 26%
<b>Net Rental Equipment Expenditures</b>	\$1,047 million	\$1.0 billion to \$1.2 billion	(4)% to 15%

### Key Assumptions:

- Net rental equipment expenditures now expected at low end of guidance
- Fleet disposals of \$700 million or more at OEC; used equipment market remains historically strong
- No recovery of studio entertainment business expected in 2023
- Above-market revenue growth on strong project pipeline, geographic expansion, cross-selling, and accelerating opportunities from megaprojects, federal infrastructure funding
- Disciplined focus supports YoY pricing improvements; 2H:23 rate growth mid-single digits
- Continued focus on operating leverage to improve margins
- REBITDA Flow Through in 50%-60% range
- Interest expense rises to reflect Fed rate increases and continued M&A funding
- Tax rate ~25%

# Purpose, Vision, Mission and Values

We equip our customers and communities to build a brighter future





# Appendix

## 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.

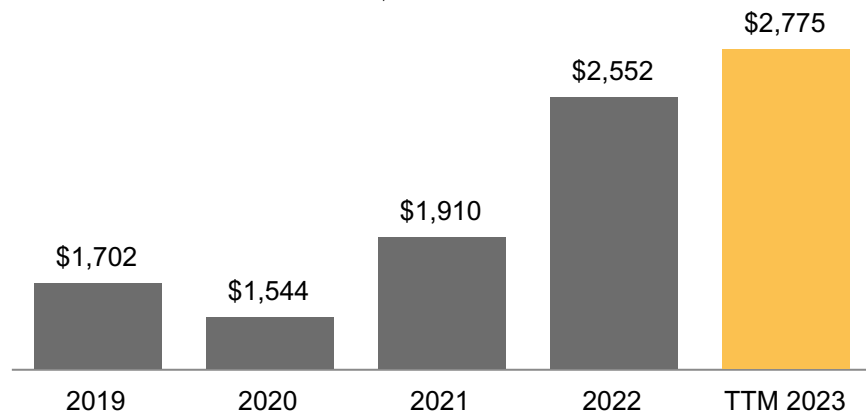
**Dollar Utilization (\$ UT):** Dollar utilization is an operating measure calculated by dividing equipment rental revenue (excluding re-rent, delivery, pick-up and other ancillary revenue) by the average OEC of the equipment fleet for the relevant time period, based on ARA guidelines.

**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.

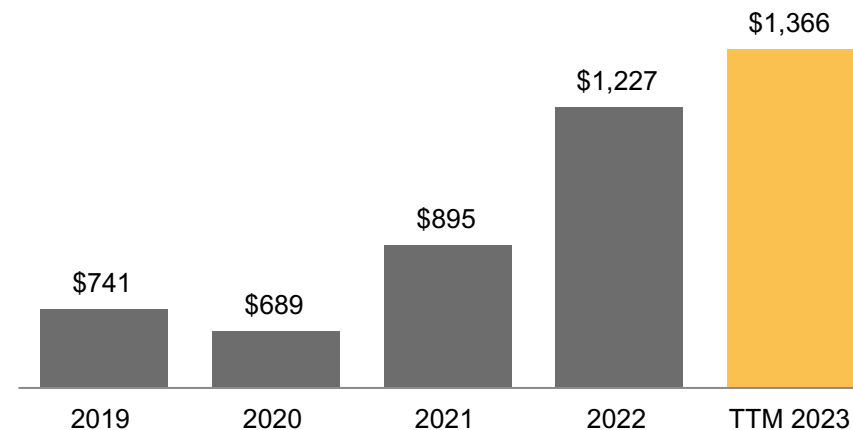
# Our Strategy is Delivering Results

## Equipment Rental Revenue

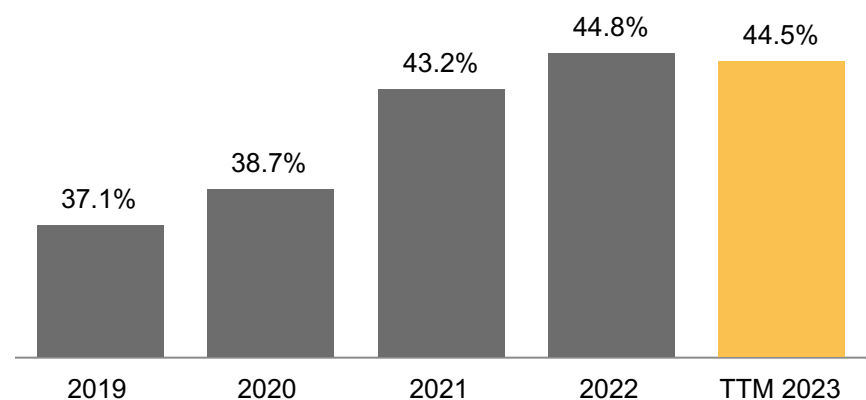
\$ in millions



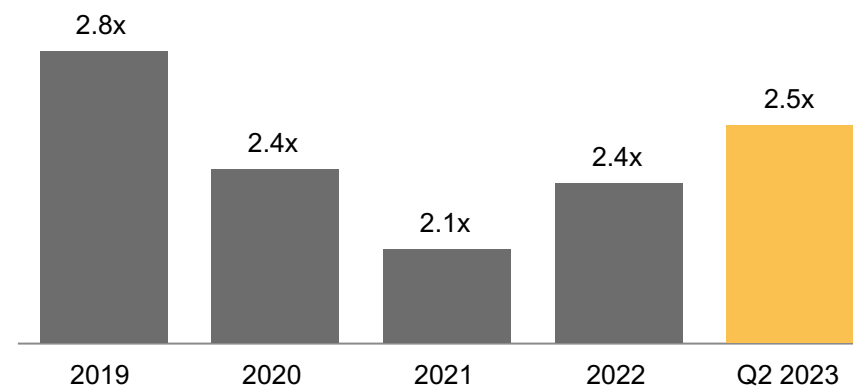
## Adjusted EBITDA<sup>1</sup>



## Adjusted EBITDA Margin<sup>1</sup>



## Net Leverage<sup>2</sup>



## 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, merger and acquisition 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income	\$76	\$73	\$143	\$131
Merger and acquisition related costs	1	2	3	3
Other	—	1	1	1
Tax impact of adjustments <sup>(1)</sup>	—	(1)	(1)	(1)
<b>Adjusted net income</b>	<b>\$77</b>	<b>\$75</b>	<b>\$146</b>	<b>\$134</b>
<b>Diluted common shares</b>	<b>28.6</b>	<b>30.3</b>	<b>29.0</b>	<b>30.4</b>
<b>Adjusted earnings per diluted share</b>	<b>\$2.69</b>	<b>\$2.47</b>	<b>\$5.03</b>	<b>\$4.41</b>

(1) The tax rate applied for adjustments is 25.7% and reflects the statutory rates in the applicable entities

## 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 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 (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 26, each metric has been adjusted to exclude the studio entertainment business due to the recent impact of labor disruptions in the television and film industry 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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Net income</b>	<b>\$76</b>	<b>\$73</b>	<b>\$143</b>	<b>\$131</b>
Income tax provision	27	25	\$35	\$34
Interest expense, net	54	25	102	48
Depreciation of rental equipment	161	130	313	249
Non-rental depreciation and amortization	28	23	54	44
<b>EBITDA</b>	<b>346</b>	<b>276</b>	<b>647</b>	<b>506</b>
Non-cash stock-based compensation charges	5	5	9	11
Merger and acquisition related costs	1	2	3	3
Other	—	1	1	1
<b>Adjusted EBITDA</b>	<b>352</b>	<b>284</b>	<b>660</b>	<b>521</b>
Less: Gain (loss) on sales of rental equipment	27	5	52	14
Less: Gain (loss) on sales of new equipment, parts and supplies	3	4	6	7
<b>Rental Adjusted EBITDA (REBITDA)</b>	<b>\$322</b>	<b>\$275</b>	<b>\$602</b>	<b>\$500</b>
Total revenues	\$802	\$640	\$1,542	\$1,208
Less: Sales of rental equipment	83	19	\$154	\$47
Less: Sales of new equipment, parts and supplies	10	9	18	17
<b>Equipment rental, service and other revenues</b>	<b>\$709</b>	<b>\$612</b>	<b>\$1,370</b>	<b>\$1,144</b>
Total revenues	\$802	\$640	\$1,542	\$1,208
Adjusted EBITDA	\$352	\$284	\$660	\$521
<b>Adjusted EBITDA Margin</b>	<b>43.9 %</b>	<b>44.4 %</b>	<b>42.8 %</b>	<b>43.1 %</b>
Equipment rental, service and other revenues	\$709	\$612	\$1,370	\$1,144
REBITDA	\$322	\$275	\$602	\$500
<b>REBITDA Margin</b>	<b>45.4 %</b>	<b>45.0 %</b>	<b>43.9 %</b>	<b>43.7 %</b>
YOY Change in REBITDA	\$47		\$102	
YOY Change in Equipment rental, service and other revenues	\$97		\$226	
<b>YOY REBITDA Flow-Through</b>	<b>48.5 %</b>		<b>45.1 %</b>	

# 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 June 30,					
	2023			2022		
	Herc	Studio Entertainment	Herc, excl Studio	Herc	Studio Entertainment	Herc, excl Studio
<b>Net income</b>	<b>\$76</b>	<b>(\$9)</b>	<b>\$85</b>	<b>\$73</b>	<b>\$6</b>	<b>\$67</b>
Income tax provision	27	—	27	25	—	25
Interest expense, net	54	—	54	25	—	25
Depreciation of rental equipment	161	8	153	130	6	124
Non-rental depreciation and amortization	28	1	27	23	1	22
<b>EBITDA</b>	<b>346</b>	<b>—</b>	<b>346</b>	<b>276</b>	<b>13</b>	<b>263</b>
Non-cash stock-based compensation charges	5	—	5	5	—	5
Merger and acquisition related costs	1	—	1	2	—	2
Other	—	—	—	1	—	1
<b>Adjusted EBITDA</b>	<b>352</b>	<b>—</b>	<b>352</b>	<b>284</b>	<b>13</b>	<b>271</b>
Less: Gain (loss) on sales of rental equipment	27	—	27	5	—	5
Less: Gain (loss) on sales of new equipment, parts and supplies	3	—	3	4	1	3
<b>Rental Adjusted EBITDA (REBITDA)</b>	<b>\$322</b>	<b>\$—</b>	<b>\$322</b>	<b>\$275</b>	<b>\$12</b>	<b>\$263</b>
Total revenues	\$802	\$18	\$784	\$640	\$33	\$607
Less: Sales of rental equipment	83	—	83	19	—	19
Less: Sales of new equipment, parts and supplies	10	—	10	9	1	8
<b>Equipment rental, service and other revenues</b>	<b>\$709</b>	<b>\$18</b>	<b>\$691</b>	<b>\$612</b>	<b>\$32</b>	<b>\$580</b>
Total revenues	\$802	\$18	\$784	\$640	\$33	\$607
Adjusted EBITDA	\$352	\$—	\$352	\$284	\$13	\$271
<b>Adjusted EBITDA Margin</b>	<b>43.9 %</b>	<b>— %</b>	<b>44.9 %</b>	<b>44.4 %</b>	<b>39.4 %</b>	<b>44.6 %</b>
Equipment rental, service and other revenues	\$709	\$18	\$691	\$612	\$32	\$580
REBITDA	\$322	\$—	\$322	\$275	\$12	\$263
<b>REBITDA Margin</b>	<b>45.4 %</b>	<b>— %</b>	<b>46.6 %</b>	<b>45.0 %</b>	<b>37.5 %</b>	<b>45.3 %</b>
YOY Change in REBITDA	\$47	(\$12)	\$59	76	(4)	80
YOY Change in Equipment rental, service and other revenues	\$97	(\$14)	\$111	159	(2)	161
<b>YOY REBITDA Flow-Through</b>	<b>48.5 %</b>	<b>(85.7)%</b>	<b>53.2 %</b>	<b>47.7 %</b>	<b>(200.0)%</b>	<b>49.7 %</b>

## REBITDA Margin Quarterly Trend

<i>\$ in millions</i>	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022	Q1 2023	Q2 2023
<b>Total Revenues</b>	<b>\$568</b>	<b>\$640</b>	<b>\$745</b>	<b>\$786</b>	<b>\$2,740</b>	<b>\$740</b>	<b>\$802</b>
Less: Sales of rental equipment	28	19	21	57	125	71	83
Less: Sales of new equipment, parts and supplies	8	9	10	9	36	8	10
<b>Equipment rental, service and other revenues</b>	<b>\$532</b>	<b>\$612</b>	<b>\$714</b>	<b>\$720</b>	<b>\$2,579</b>	<b>\$661</b>	<b>\$709</b>
<b>Net income</b>	<b>\$58</b>	<b>\$73</b>	<b>\$101</b>	<b>\$98</b>	<b>\$330</b>	<b>\$67</b>	<b>\$76</b>
Income tax provision	9	25	34	35	104	8	27
Interest expense, net	23	25	33	41	122	48	54
Depreciation of rental equipment	119	130	140	147	536	152	161
Non-rental depreciation and amortization	21	23	25	26	95	26	28
<b>EBITDA</b>	<b>\$230</b>	<b>\$276</b>	<b>\$333</b>	<b>\$347</b>	<b>\$1,187</b>	<b>\$301</b>	<b>\$346</b>
Non-cash stock-based compensation charges	6	5	9	7	27	4	5
Merger and acquisition related costs	1	2	3	2	7	2	1
Other <sup>(1)</sup>	—	1	—	5	6	1	—
<b>Adjusted EBITDA</b>	<b>\$237</b>	<b>\$284</b>	<b>\$345</b>	<b>\$361</b>	<b>\$1,227</b>	<b>\$308</b>	<b>\$352</b>
Less: Gain on sales of rental equipment	9	5	5	17	36	25	27
Less: Gain on sales of new equipment, parts and supplies	3	4	4	4	15	3	3
<b>Rental Adjusted EBITDA (REBITDA)</b>	<b>\$225</b>	<b>\$275</b>	<b>\$336</b>	<b>\$340</b>	<b>\$1,176</b>	<b>\$280</b>	<b>\$322</b>
<b>REBITDA Margin</b>	<b>42.3 %</b>	<b>45.0 %</b>	<b>47.1 %</b>	<b>47.3 %</b>	<b>45.7 %</b>	<b>42.4 %</b>	<b>45.4 %</b>
<b>YOY REBITDA Flow-Through</b>	<b>37.6 %</b>	<b>47.7 %</b>	<b>50.5 %</b>	<b>53.9 %</b>	<b>48.1 %</b>	<b>42.6 %</b>	<b>48.5 %</b>

(1) Pension settlement, impairment, and spin-off costs are included in Other.

## REBITDA Margin Annual Trend

*\$ in millions*

	2018	2019	2020	2021	2022
<b>Total Revenues</b>	<b>\$1,978</b>	<b>\$1,999</b>	<b>\$1,780</b>	<b>\$2,073</b>	<b>\$2,740</b>
Less: Sales of rental equipment	256	243	198	113	125
Less: Sales of new equipment, parts and supplies	49	44	28	31	36
<b>Equipment rental, service and other revenues</b>	<b>\$1,673</b>	<b>\$1,712</b>	<b>\$1,554</b>	<b>\$1,929</b>	<b>\$2,579</b>
<b>Net income</b>	<b>\$69</b>	<b>\$47</b>	<b>\$74</b>	<b>\$224</b>	<b>\$330</b>
Income tax provision (benefit)	—	16	20	67	104
Interest expense, net	137	174	93	86	122
Depreciation of rental equipment	387	410	403	420	536
Non-rental depreciation and amortization	58	62	63	68	95
<b>EBITDA</b>	<b>\$651</b>	<b>\$709</b>	<b>\$653</b>	<b>\$865</b>	<b>\$1,187</b>
Restructuring	5	8	1	—	—
Spin-off costs	15	—	—	—	—
Non-cash stock-based compensation charges	14	19	16	23	27
Impairment	—	4	15	3	3
Merger and acquisition related costs	—	—	—	4	7
Loss on disposal of business	—	—	3	—	—
Other	1	1	1	—	3
<b>Adjusted EBITDA</b>	<b>\$686</b>	<b>\$741</b>	<b>\$689</b>	<b>\$895</b>	<b>\$1,227</b>
Less: Gain (loss) on sales of rental equipment	12	(1)	(5)	19	36
Less: Gain on sales of new equipment, parts and supplies	11	11	8	10	15
<b>Rental Adjusted EBITDA (REBITDA)</b>	<b>\$663</b>	<b>\$731</b>	<b>\$686</b>	<b>\$866</b>	<b>\$1,176</b>
<b>REBITDA Margin</b>	<b>39.6 %</b>	<b>42.7 %</b>	<b>44.2 %</b>	<b>44.8 %</b>	<b>45.7 %</b>
<b>YOY REBITDA Flow-Through</b>	<b>54.8 %</b>	<b>169.3 %</b>	<b>27.9 %</b>	<b>47.5 %</b>	<b>48.1 %</b>

## 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.

<i>\$ in millions</i>	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Long-Term Debt, Net	\$2,142	\$2,503	\$2,762	\$2,922	\$3,215	\$3,493
(Plus) Current maturities of long-term debt	11	11	11	12	12	12
(Plus) Unamortized debt issuance costs	6	6	5	5	5	5
(Less) Cash and Cash Equivalents	(23)	(52)	(57)	(54)	(40)	(37)
<b>Net Debt</b>	<b>\$2,136</b>	<b>\$2,468</b>	<b>\$2,721</b>	<b>\$2,885</b>	<b>\$3,192</b>	<b>\$3,473</b>
Trailing Twelve-Month Adjusted EBITDA	\$947	\$1,024	\$1,123	\$1,227	\$1,298	\$1,366
<b>Net Leverage</b>	<b>2.3x</b>	<b>2.4x</b>	<b>2.4x</b>	<b>2.4x</b>	<b>2.5x</b>	<b>2.5x</b>

## 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.

*\$ in millions*

	Six Months Ended June 30,		Year Ended December 31,		
	2023	2022	2022	2021	2020
<b>Net cash provided by operating activities</b>	<b>\$516</b>	<b>\$359</b>	<b>\$917</b>	<b>\$743</b>	<b>\$611</b>
Rental equipment expenditures	(703)	(556)	(1,168)	(594)	(345)
Proceeds from disposal of rental equipment	131	47	121	107	192
<b>Net Fleet Capital Expenditures</b>	<b>(572)</b>	<b>(509)</b>	<b>(1,047)</b>	<b>(487)</b>	<b>(153)</b>
Non-rental capital expenditures	(77)	(28)	(104)	(47)	(41)
Proceeds from disposal of property and equipment	6	3	7	5	7
Other	(15)	(23)	(23)	—	—
<b>Free Cash Flow</b>	<b>(142)</b>	<b>(198)</b>	<b>(250)</b>	<b>214</b>	<b>424</b>
Acquisitions, net of cash acquired	(272)	(317)	(515)	(431)	(45)
Proceeds from disposal of business	—	—	—	—	24
<b>(Increase) decrease in Net Debt, excluding financing activities</b>	<b>(\$414)</b>	<b>(\$515)</b>	<b>(\$765)</b>	<b>(\$217)</b>	<b>\$403</b>

## Historical Fleet at OEC<sup>1</sup>

<i>\$ in millions</i>	FY 2018	FY 2019	FY 2020	FY 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022	Q1 2023	Q2 2023
Beginning Balance	\$3,651	\$3,777	\$3,822	\$3,589	\$4,381	\$4,593	\$5,097	\$5,421	\$4,381	\$5,637	\$5,915
Expenditures	\$774	\$627	\$348	\$725	\$253	\$327	\$311	\$327	\$1,218	\$348	\$400
Disposals	(\$607)	(\$593)	(\$552)	(\$281)	(\$64)	(\$64)	(\$54)	(\$140)	(\$322)	(\$144)	(\$186)
Acquisitions	\$—	\$—	\$28	\$346	\$18	\$251	\$86	\$40	\$395	\$77	\$88
Foreign Currency / Other	(\$41)	\$11	(\$57)	\$2	\$5	(\$10)	(\$19)	(\$11)	(\$35)	(\$3)	(\$6)
<b>Ending Balance</b>	<b>\$3,777</b>	<b>\$3,822</b>	<b>\$3,589</b>	<b>\$4,381</b>	<b>\$4,593</b>	<b>\$5,097</b>	<b>\$5,421</b>	<b>\$5,637</b>	<b>\$5,637</b>	<b>\$5,915</b>	<b>\$6,211</b>
<b>Proceeds as a percent of OEC</b>	<b>37.8 %</b>	<b>40.9 %</b>	<b>37.0 %</b>	<b>41.8 %</b>	<b>45.0 %</b>	<b>46.6 %</b>	<b>42.5 %</b>	<b>44.2 %</b>	<b>44.4 %</b>	<b>51.5 %</b>	<b>47.0 %</b>

(1) Original equipment cost based on ARA guidelines

**For additional information, please contact:**

Leslie Hunziker  
SVP Investor Relations  
leslie.hunziker@hercrentals.com  
239-301-1675

