

# H&E Equipment Services, Inc.

**Recommendation** BUY ★★★★★

**Price**  
\$34.73 [as of Nov 16, 2017 4:00 PM ET]

**12-Mo. Target Price**  
\$34.00

**Report Currency**  
USD

**Equity Analyst** Elizabeth Vermillion

**GICS Sector** Industrials

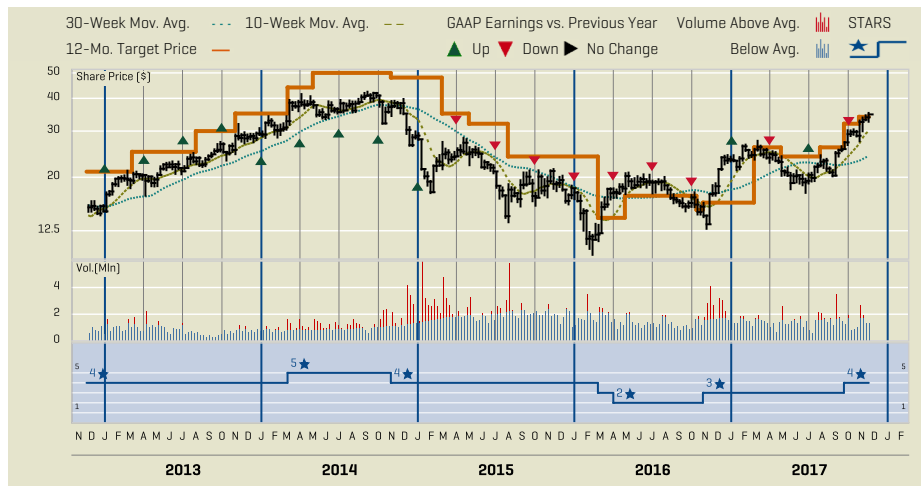
**Sub-Industry** Trading Companies & Distributors

**Summary** This company rents, sells and provides parts and service for construction and industrial equipment.

**Key Stock Statistics** [Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports]

52-Wk Range	<b>\$34.46 - 15.23</b>	Oper. EPS 2017E	<b>1.21</b>	Market Capitalization[B]	<b>\$1.238</b>	Beta	<b>2.87</b>
Trailing 12-Month EPS	<b>1.02</b>	Oper. EPS 2018E	<b>1.36</b>	Yield [%]	<b>3.17</b>	3-Yr Proj. EPS CAGR[%]	<b>12</b>
Trailing 12-Month P/E	<b>32.47</b>	P/E on Oper. EPS 2017E	<b>27.35</b>	Dividend Rate/Share	<b>\$1.10</b>	SPGMI's Quality Ranking	<b>B-</b>
\$10K Invested 5 Yrs Ago	<b>\$25,841</b>	Common Shares Outstg.[M]	<b>35.6</b>	Institutional Ownership [%]	<b>82</b>		

**Price Performance**



Source: CFRA, S&P Global Market Intelligence

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst Elizabeth Vermillion on Oct 26, 2017 07:01 PM, when the stock traded at \$29.93.

**Highlights**

- After a 6% decline in 2016, we expect revenues to rise 0.2% in 2017, reflecting rebounds in the oil industry and incremental revenues related to rebuilding efforts after recent Hurricanes Harvey and Irma. HEES has a large presence in rental equipment related to the oil industry, which saw sharp declines from 2015-16, but higher energy prices will likely support improved demand. Nonresidential construction markets continue to be the primary business driver, accounting for 63% of revenue over the last 12 months. We anticipate rental rates and revenues to continue gaining momentum in 2018.
- Improving rental margins in 2017 (49.7% vs. 49.5%) are aided by increasing sequential rental rates and strong rental demand. We see EBITDA margins of 31.3% in 2017 and 31.3% in 2018 versus 29.9% in 2016, citing improvement driven by operating performance and SG&A leverage. We anticipate continued improvement in gross margins for both new equipment sales and used equipment sales.
- We forecast 2017 EPS of \$1.21, up from 2016 operating EPS of \$1.05. For 2018, we see EPS rising to \$1.36. Q3 EPS of \$0.76 vs. \$0.33 beat our \$0.45 estimate.

**Investment Rationale/Risk**

- We see equipment rental markets strengthening in 2017 and into 2018, aided by improvement in areas exposed to the energy sector and hurricane recovery and rebuilding efforts. HEES is exposed to the crane market and earth-moving market through sales of new and used equipment. The crane market is beginning to see improvement in both new and used sales. Our Buy recommendation reflects our view that nonresidential construction markets are likely to continue gaining steam over the next twelve months, and rates and utilization should continue to improve over the next year as well.
- Risks to our recommendation and target price include a weaker-than-expected level of construction and industrial activity, slower strengthening of rental equipment utilization rates than we expect, lower sales prices, a lower level of economic stimulus benefits than anticipated and declining oil prices and related oil industry downturn.
- Our 12-month target price of \$34 values the stock at 25X our 2018 EPS estimate of \$1.36 and 28X our 2017 EPS of \$1.21, above HEES's historical P/E range over the past five years based on a positive view of demand drivers.

**Analyst's Risk Assessment**

LOW	MEDIUM	HIGH
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Our risk assessment for H&E Equipment reflects the highly cyclical nature of the equipment market and the company's relatively high level of financial leverage, offset by HEES's strong position in the rental industry and our positive view of rental industry demand drivers.

**Revenue/Earnings Data**

Revenue (Million U.S. \$)	1Q	2Q	3Q	4Q	Year
2018	--	--	--	--	--
2017	227	249	259	--	--
2016	247	242	245	244	978
2015	227	262	277	273	1,040
2014	237	280	275	298	1,090
2013	212	245	270	260	988

**Earnings Per Share (U.S. \$)**

	1Q	2Q	3Q	4Q	Year
2018	<b>E 0.17</b>	<b>E 0.34</b>	<b>E 0.43</b>	<b>E 0.40</b>	<b>E 1.36</b>
2017	0.15	0.28	0.24	<b>E 0.36</b>	<b>E 1.21</b>
2016	0.16	0.21	0.33	0.35	1.05
2015	0.17	0.33	0.42	0.33	1.25
2014	0.21	0.45	0.43	0.47	1.56
2013	0.14	0.31	0.40	0.42	1.26

Fiscal year ended Dec 31. Next earnings report expected: Late Feb. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

**Dividend Data**

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.275	Nov 10	Nov 17	Nov 21	Dec 09 '16
0.275	Feb 15	Feb 23	Feb 27	Mar 10 '17
0.275	May 22	May 31	Jun 02	Jun 16 '17
0.275	Aug 21	Aug 30	Sep 01	Sep 11 '17
0.275	Nov 08	Nov 17	Nov 20	Dec 11 '17

Past performance is not an indication of future performance and should not be relied upon as such.

Forecasts are not reliable indicator of future performance.

**Business Summary** October 26, 2017

**CORPORATE OVERVIEW.** H&E Equipment Services, Inc. rents, sells and provides parts and service for hi-lift aerial platform equipment; cranes; earth-moving equipment; and industrial lift trucks. As of February 23, 2017, the company operated 78 full-service facilities located throughout the West Coast, Intermountain, Southwest, Gulf Coast and Southeast regions of the U.S. The company organizes its business into five segments: equipment rentals; new equipment sales; used equipment sales; parts sales; and service support. The company's customers include a wide range of industrial and commercial companies, construction contractors, manufacturers, public utilities, municipalities, maintenance contractors and a variety of other large industrial accounts.

The equipment rentals segment [46% of revenues in 2016] rents heavy construction and industrial equipment to its customers on a daily, weekly and monthly basis. As of December 31, 2014, H&E's rental fleet consisted of 26,056 pieces of equipment having an original acquisition cost [which it defines as the cost originally paid to manufacturers or the original amount financed under operating leases] of about \$1.2 billion and an average age of about 31.7 months.

The new equipment sales segment [20%] distributes new heavy construction and industrial equipment for suppliers including JLG Industries, Gehl, Genie Industries [Terex], Komatsu, Bobcat, Yale, Grove and Manitowoc.

The used equipment sales segment [10%] sells used equipment from Manitowoc's rental fleet and inventoried equipment that is acquired through trade-ins from customers. During 2015, 84.1% of the company's used equipment revenues were derived from sales of rental fleet equipment.

The parts sales segment [11%] sells new and used parts to customers and also provides parts for HEES's own rental fleet.

The service support segment [6%] provides maintenance and repair services for customers' owned equipment and for Manitowoc's rental fleet. It also provides ongoing preventive maintenance services and warranty repairs for customers. HEES derives the remaining portion of its revenues from non-segmented equipment support activities [7%].

**PRIMARY BUSINESS DYNAMICS.** The U.S. construction and industrial equipment market is highly fragmented and consists of many relatively small, independently-owned businesses serving local markets, and a small number of national operators. Non-residential construction activity, economic growth and end users' access to capital are key drivers of demand for construction and industrial equipment.

Construction equipment is largely distributed to end users through two channels: equipment rental companies and equipment dealers. While most in the industry focus on one channel of distribution, HEES has operations in both. Rental equipment companies include United Rentals, Hertz Equipment Rental and Rental Service Corp., while equipment dealers include Finning and Toromont.

**CORPORATE STRATEGY.** The company focuses on offering a one-stop solution in the primary categories of heavy construction and industrial equipment; managing the size, quality, age and composition of its rental fleet via a "cradle through grave" approach; growing its parts and services operations to maintain what has proven to be a relatively stable high-margin revenue source; strategically expanding its network to solidify its presence in the contiguous regions where it operates; and making selective acquisitions among the large number of relatively small, independent businesses in construction equipment markets.

HEES continues to evaluate and pursue acquisitions opportunities on an opportunistic basis when they meet the company's selection criteria. Its most recent transaction was its \$144.1 million purchase of J.W. Burrell in September 2007. Burrell, a construction equipment distributor that serves the mid-Atlantic market, added 12 locations to H&E's site base.

**FINANCIAL TRENDS.** In the 10 years through 2016, HEES recorded a compound annual growth rate [CAGR] of -0.2% for revenue. Revenues fell 6% in 2016 and declined 5% in 2015, after rising 10% in 2014 and rising 18% in 2013.

**Corporate Information****Investor Contact**

Leslie S. Magee [225-298-5200]

**Office**

7500 Pecue Lane, Baton Rouge, Louisiana 70809

**Telephone**

225-298-5200

**E-mail**

lmagee@he-equipment.com

**Website**

www.he-equipment.com

**Officers**

<b>Chrmn</b>	<b>CEO</b>
G.W. Bagley	J.M. Engquist
<b>Pres &amp; COO</b>	<b>CFO, Chief Acctg Officer, Secy &amp; Investor Contact</b>
B.W. Barber	L.S. Magee

**Board Members**

P.N. Arnold	J.M. Engquist
G.W. Bagley	T.J. Galligan, III
B.C. Bruckmann	L.C. Karlson
P.L. Edsell	J.T. Sawyer

**Domicile**

Delaware

**Founded**

1961

**Employees**

1,996

**Stockholders**

145

# H&E Equipment Services, Inc.

Quantitative Evaluations						
<b>Fair Value Rank</b>	2	1	2	3	4	5
		LOWEST				HIGHEST
		Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].				
<b>Fair Value Calculation</b>	<b>\$29.11</b>	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that HEES is overvalued by \$5.62 or 16.2%.				
<b>Volatility</b>		LOW	AVERAGE	HIGH		
<b>Technical Evaluation</b>	<b>BULLISH</b>	Since October, 2017, the technical indicators for HEES have been BULLISH.				
<b>Insider Activity</b>		UNFAVORABLE	NEUTRAL	FAVORABLE		

Expanded Ratio Analysis				
	2016	2015	2014	2013
Price/Sales	0.84	0.59	0.91	1.05
Price/EBITDA	6.12	4.12	6.12	8.03
Price/Pretax Income	13.97	8.16	10.68	15.99
P/E Ratio	22.14	13.98	18.01	23.52
Avg. Diluted Shares Outsg. (M)	35.48	35.34	35.25	35.15

Figures based on fiscal year-end price

Key Growth Rates and Averages				
Past Growth Rate [%]	1 Year	3 Years	5 Years	
Sales	-5.93	-0.33	6.30	
Net Income	-16.10	-5.57	33.02	
Ratio Analysis [Annual Avg.]				
Net Margin [%]		NM	NM	
% LT Debt to Capitalization	82.97	85.56	87.81	
Return on Equity [%]	26.05	35.50	37.29	

## Company Financials Fiscal year ending Dec. 31

Per Share Data [U.S. \$]	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Tangible Book Value	3.17	3.17	2.91	1.82	0.47	6.61	6.33	7.04	7.11	5.96
Free Cash Flow	1.66	2.85	-4.04	-1.25	-4.99	-0.63	-0.36	3.16	2.62	0.39
Earnings	1.05	1.25	1.56	1.26	0.82	0.26	-0.73	-0.35	1.22	1.70
Earnings (Normalized)	0.98	1.29	1.60	1.11	0.95	0.20	-0.74	-0.17	1.61	1.73
Dividends	1.10	1.05	0.50	NA	NA	NA	NA	NA	NA	NA
Payout Ratio [%]	105	84	33	2	NA	NA	NA	NA	NA	NA
P/E Ratio: High	23.1	22.8	27.2	25.3	25.6	79.4	NM	NM	16.0	18.0
P/E Ratio: Low	9.6	10.8	16.9	11.7	14.0	26.5	NM	NM	3.8	8.8

Income Statement Analysis [Million U.S. \$]	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenue	978	1,040	1,090	988	837	721	574	680	1,069	1,003
Operating Income	107	126	141	113	88	39	-12	21	129	141
Depreciation + Amortization	27.3	24.4	20.5	17.0	13.5	12.6	13.7	11.4	13.4	10.1
Interest Expense	53.6	54.0	52.4	51.4	35.5	28.7	29.1	31.3	38.3	36.8
Pretax Income	59.0	75.7	92.7	65.1	44.4	12.1	-40.4	-18.1	69.4	105.4
Effective Tax Rate	37.0	41.5	40.5	32.2	35.1	26.5	36.9	34.1	37.6	38.7
Net Income	37.2	44.3	55.1	44.1	28.8	8.9	-25.5	-11.9	43.3	64.6
Net Income (Normalized)	34.8	45.6	56.5	39.1	33.1	7.1	-25.5	-6.1	57.3	65.8

Balance Sheet and Other Financial Data [Million U.S. \$]	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Cash	7.7	7.2	15.9	17.6	8.9	24.2	29.1	45.3	11.3	14.8
Current Assets	209	261	323	267	236	200	209	219	303	316
Total Assets	1,242	1,300	1,359	1,090	942	753	734	763	967	1,013
Current Liabilities	116	122	114	123	88	95	89	60	132	123
Long Term Debt	801	875	982	780	730	324	325	344	456	535
Total Capital	966	1,019	1,118	877	781	591	582	626	748	826
Capital Expenditures	118	106	300	182	215	82	30	36	27	89
Cash from Operations	177	207	158	139	41	60	18	73	120	104
Current Ratio	1.80	2.14	2.84	2.18	2.67	2.11	2.36	3.65	2.30	2.56
% Long Term Debt of Capitalization	83.0	85.8	87.9	88.9	93.5	54.9	55.8	55.0	60.9	64.8
% Net Income of Revenue	3.80	4.26	5.06	4.47	3.44	1.24	-4.43	-1.76	4.05	6.44
% Return on Assets	5.29	5.90	7.22	6.93	6.46	3.31	-1.03	1.52	8.15	9.94
% Return on Equity	26.1	32.1	48.3	61.5	18.4	3.4	-9.6	-4.2	15.0	24.7

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

**Sub-Industry Outlook**

Our neutral fundamental outlook for the trading companies and distributors sub-industry reflects our view of somewhat better market trends for maintenance, repair and operating products in the U.S., Canada and some emerging markets, offset by slower growth in China.

--Jim Corridore

Historically, sales for this group tend to correlate with manufacturing output and non-farm payrolls. We think some distributors, such as W.W. Grainger [GWW 175 Hold] will boost market share by maintaining adequate inventory levels to meet demand, ramping up the sales force and e-commerce business, and distributing new products and expansion overseas. Fastenal [FAST 43 Hold] and GWW combine for more than 40% of this group's market share.

Industrial production was unchanged in May 2017 at 105.0 after a large increase in April and up from 102.8 a year earlier. Total capacity utilization was 76.6%, down 0.1% from April vs. 75.6% a year earlier, but was still 2.34 below its 30-year average and below the 80% rate considered normal. However, the rate well exceeded the all-time low of 67.3% in June 2009. Nonfarm payrolls added 138,000 jobs in May, versus 174,000 jobs added in the prior month. The unemployment rate was 4.3% in May, a 16 year low, and compared with 6.2% in July 2014. Existing home sales rose 1.1% in May, to a seasonally adjusted annual rate of 5.62 million units. Meanwhile, housing starts fell 5.5% in May to a seasonally adjusted annual rate of 1.09 million units.

Year to date through June 16, the S&P Trading Companies and Distributors Index fell 7.6%, versus an 8.2% increase for the S&P 1500 Index. In 2016, the S&P Trading Companies and Distributors index rose 27.0% versus a 10.6% increase for the S&P 1500 index. In the past 13 weeks, the group rose 21.9%, versus a 7.2% increase for the broader market.

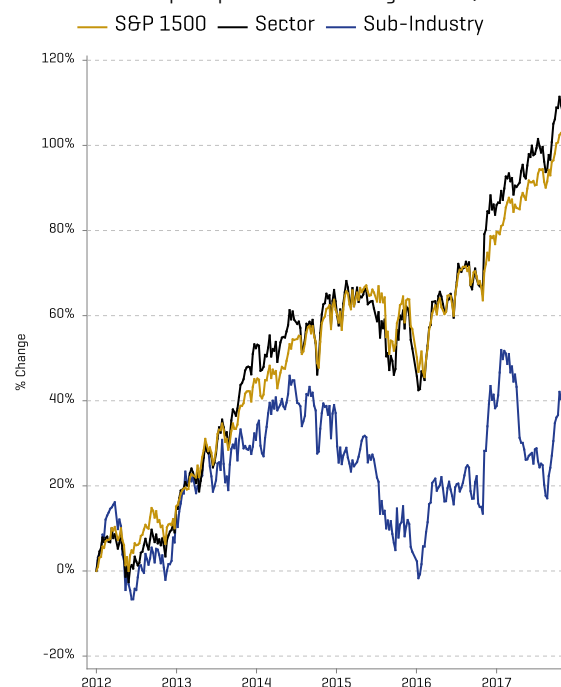
**Industry Performance**

**GICS Sector: Industrials**

**Sub-Industry: Trading Companies & Distributors**

Based on S&P 1500 Indexes

Five-Year market price performance through Nov 18, 2017



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: S&P Global Market Intelligence

**Sub-Industry: Trading Companies & Distributors Peer Group\*: Trading Companies & Distributors**

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price [\$]	Stk. Mkt. Cap. (M \$)	30-Day Price Chg. [%]	1-Year Price Chg. [%]	P/E Ratio	Yield [%]	Return on Equity [%]	LTD to Cap [%]
<b>H&amp;E Equipment Services, Inc.</b>	<b>HEES</b>	<b>NasdaqGS</b>	<b>USD</b>	<b>34.73</b>	<b>1,238</b>	<b>17.6</b>	<b>95.6</b>	<b>34</b>	<b>3.2</b>	<b>26.1</b>	<b>83.0</b>
BMC Stock Holdings, Inc.	BMCH	NasdaqGS	USD	22.65	1,518	11.0	21.4	31	Nil	4.7	32.6
CAI International, Inc.	CAI	NYSE	USD	36.02	694	18.3	298.5	19	Nil	1.3	71.4
Fortress Transportation and Infrastructure Investors LLC	FTAI	NYSE	USD	17.98	1,362	-2.1	35.2	NM	7.3	-3.3	17.6
GMS Inc.	GMS	NYSE	USD	34.56	1,416	-1.5	39.8	26	Nil	11.8	51.7
Herc Holdings Inc.	HRI	NYSE	USD	56.27	1,596	15.1	46.1	NM	Nil	-1.5	86.7
Kaman Corporation	KAMN	NYSE	USD	56.04	1,559	1.4	15.5	31	1.4	10.6	30.1
MRC Global Inc.	MRC	NYSE	USD	14.55	1,375	-19.6	-22.8	NM	Nil	-6.8	26.5
NOW Inc.	DNOW	NYSE	USD	10.19	1,099	-23.2	-48.6	NM	Nil	-18.1	5.2
Russel Metals Inc.	RUSM.F	OTCPK	USD	22.43	1,379	0.9	17.3	15	5.3	7.4	25.6
Textainer Group Holdings Limited	TGH	NYSE	USD	22.95	1,305	26.8	148.1	NM	Nil	-4.6	67.1

\*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

**Analyst Research Notes and other Company News****October 26, 2017**

03:31 pm ET... CFRA MAINTAINS BUY ON SHARES OF H&E EQUIPMENT SERVICES, INC. (HEES 30\*\*\*\*): We raise our 12-month target price to \$34 from \$32, 25X our '18 EPS of \$1.36 [lowered today from \$1.37], above HEES' 5-year average based on a positive view of demand drivers. We raise our '17 EPS to \$1.21 from \$1.20. Q3 EPS of \$0.76 vs. \$0.33 beat our \$0.45 estimate. Rental revenues increased 6%, driving a rental margin increase to 49.7% vs. 49.5%. Both new equipment sales and used equipment sales increased (9.3% and 7.9%). We anticipate nonresidential construction markets to continue to drive revenue growth, citing hurricane recovery efforts and a positive construction market. /Elizabeth Vermillion

**September 21, 2017**

09:42 am ET... CFRA RAISES VIEW ON SHARES OF H&E EQUIPMENT SERVICES TO BUY FROM HOLD (HEES 26.9\*\*\*\*): We raise our 12-month target price to \$32 from \$26, 23.4X our '18 EPS estimate of \$1.37 [raised today from \$1.13]. toward the higher end of HEES' ten year range. We raise our '17 EPS estimate to \$1.20 [from \$1.14]. We expect rebuilding efforts after Hurricane Harvey to help drive improved utilization and rental rates over the next couple of years. This storm, likely to be the most costly in U.S. history, will drive need for all kinds of rental equipment for both cleanup and rebuilding efforts. We see potential upside to consensus EPS estimates over the next couple of quarters. /Jim Corridore

**July 27, 2017**

04:03 pm ET... CFRA KEEPS HOLD OPINION ON SHARES OF H&E EQUIPMENT SERVICES (HEES 23.43\*\*\*\*): We raise our 12-month target price to \$26 from \$24, 23X our '18 EPS estimate of \$1.13 [unchanged today], above HEES' 5-year average to reflect our view that the equipment rental market is likely to continue to see robust demand. However, we expect new and used equipment sales to lag improvement in equipment rentals. We raise our '17 EPS estimate to \$1.14 from \$1.03, after HEES posts Q2 EPS of \$0.28 vs. \$0.21 beat our \$0.21 estimate, with revenue growth of 3% better than we expected. Utilization improved nicely and rates improved modestly, an encouraging sign. /J. Corridore

**April 27, 2017**

03:55 pm ET... CFRA KEEPS HOLD OPINION ON SHARES OF H&E EQUIPMENT SERVICES (HEES 20.84\*\*\*\*): We trim our 12-month target price to \$24 from \$26, 23.3X our '17 EPS estimate of \$1.03 [cut today from \$1.11], above HEES' five-year average of 20X to reflect an improving rental demand environment, offset by weaker equipment sales. We start our '18 EPS estimate at \$1.13. Q1 EPS of \$0.15 vs. \$0.16 was a penny off our estimate but a penny higher than the S;P Capital IQ consensus, with revenues weaker than we expected driven by less sales activity. We think underlying rental demand is likely to improve as we move through 2017, but crane sales are likely to weigh on HEES shares. /J. Corridore

**February 23, 2017**

09:31 am ET... S&P CAPITAL IQ KEEPS HOLD OPINION ON SHARES OF H&E EQUIPMENT SERVICES (HEES 24.44\*\*\*\*): We raise our 12-month target price by \$10 to \$26, 23.4X our '17 EPS estimate of \$1.11 [raised from \$1.06] above peers, and toward the higher end of HEES' ten-year range, since we think fundamentals are likely to improve. HEES Q4 EPS of \$0.35 vs. \$0.34 beat our \$0.31 estimate, despite worse revenues than we were expecting. Strength in equipment rental was offset by a decline in sales of new and used equipment. Energy related equipment rental demand improved. We expect HEES to benefit from rising nonresidential construction, and infrastructure spending could support growth. /J. Corridore

**October 27, 2016**

02:08 pm ET... S&P CAPITAL IQ LIFTS VIEW ON SHARES OF H&E EQUIPMENT SERVICES TO HOLD FROM SELL (HEES 15.17\*\*\*\*): We raise our 12-month target price by \$1 to \$16, valuing the shares at 15.1X our '17 EPS estimate of \$1.06 [unchanged today]. We trim our '16 EPS estimate by two cents to \$1.01 after Q3 EPS of \$0.33 vs. \$0.42 missed our \$0.35 estimate. Rates and utilization were down modestly, but used and new equipment sales were down sharply, on much lower demand for cranes, related to the energy sector downturn. However, we think nonresidential construction growth should help rental rates

and utilization next year, and energy markets could benefit from recent improvement in oil prices. /J. Corridore

**October 12, 2016**

10:21 am ET... S&P GLOBAL KEEPS SELL OPINION ON SHARES OF H&E EQUIPMENT SERVICES (HEES 15.57\*\*\*\*): We cut our 12-month target price by \$2 to \$15, 14X our '17 EPS estimate of \$1.06 [lowered today from \$1.27]. This is in the middle of the company's ten year range, and below industrial peers to reflect HEES' exposure to the energy space, which we think is likely to continue to face equipment rental challenges over the next year. With oil prices remaining in the \$50/bbl range, we expect continued challenges for equipment rental rates and utilization. Industrial space is likely to be better, but still somewhat sluggish too. We also cut our '16 EPS estimate to \$1.03 from \$1.08. /J. Corridore

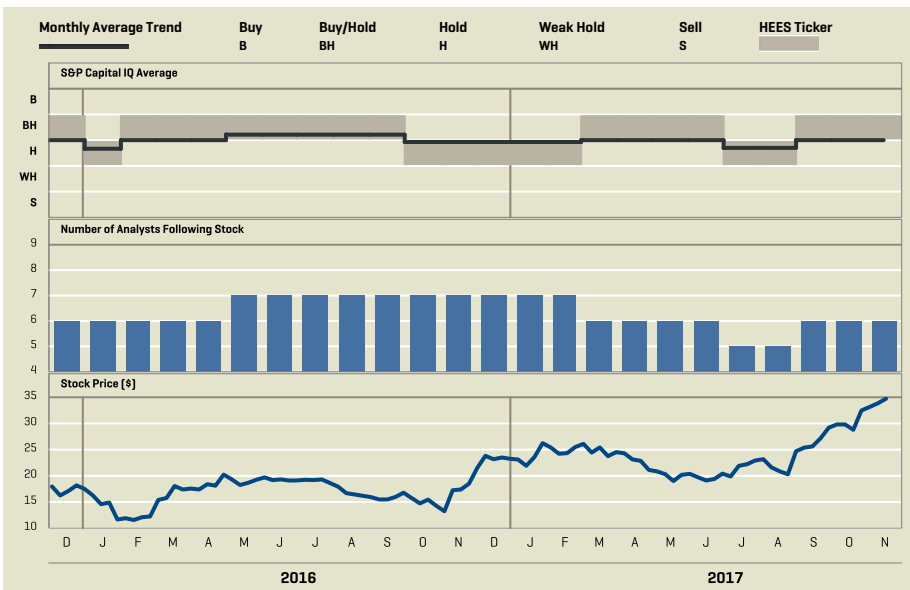
**July 28, 2016**

12:05 pm ET... S&P GLOBAL KEEPS SELL OPINION ON SHARES OF H&E EQUIPMENT SERVICES (HEES 18.85\*\*\*\*): We keep our 12-month target price at \$17, valuing the shares at 13.4X our '17 EPS estimate of \$1.27 [unchanged today], below HEES' five year average to reflect current negative environment related to the company's exposure to the U.S. energy sector. We cut our '16 EPS estimate to \$1.08 from \$1.17 after Q2 EPS of \$0.21 vs. \$0.33 missed our \$0.26 estimate on lower revenues than we were expecting. We expect nonresidential construction to remain robust, offset by weakness related to energy. Rental rates, utilization and used equipment sales were all lower in the quarter. /J. Corridore

Note: Research notes reflect S&P Global Market Intelligence's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect S&P Global Market Intelligence's current view on the company.

# H&E Equipment Services, Inc.

## Analysts' Recommendations



## Wall Street Consensus Opinion

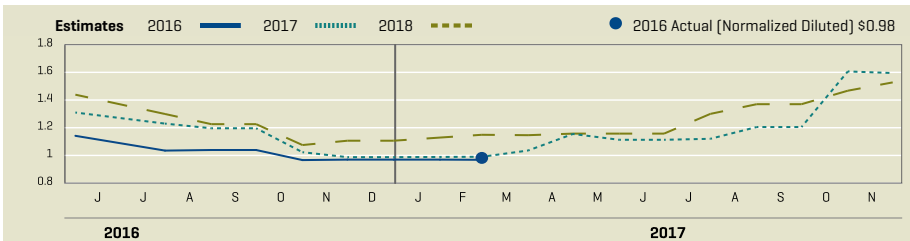
### BUY/HOLD

### Wall Street Consensus vs. Performance

For fiscal year 2017, analysts estimate that HEES will earn USD \$1.59. For the 3rd quarter of fiscal year 2017, HEES announced earnings per share of USD \$0.24, representing 15.1% of the total revenue estimate. For fiscal year 2018, analysts estimate that HEES's earnings per share will decline by 4% to USD \$1.53.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	2	33	2	1
Buy/Hold	1	17	1	1
Hold	2	33	2	2
Weak Hold	0	0	0	0
Sell	1	17	1	1
No Opinion	0	0	0	0
<b>Total</b>	<b>6</b>	<b>100</b>	<b>6</b>	<b>5</b>

## Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2018	1.53	1.72	1.45	4	22.7
2017	1.59	1.63	1.56	4	21.8
<b>2018 vs. 2017</b>	<b>▼ -4%</b>	<b>▲ 6%</b>	<b>▼ -7%</b>	<b>0%</b>	<b>▲ 4%</b>
Q4'18	0.42	0.42	0.42	2	82.7
Q4'17	0.40	0.43	0.37	4	87.4
<b>Q4'18 vs. Q4'17</b>	<b>▲ 5%</b>	<b>▼ -2%</b>	<b>▲ 14%</b>	<b>▼ -50%</b>	<b>▼ -5%</b>

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

**Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.**



**Glossary****STARS**

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index [S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index]), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

**S&P Global Market Intelligence's Quality Ranking**

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

**EPS Estimates**

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

**12-Month Target Price**

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

**CFRA Equity Research**

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**Abbreviations Used in Equity Research Reports**

CAGR	- Compound Annual Growth Rate
CAPEX	- Capital Expenditures
CY	- Calendar Year
DCF	- Discounted Cash Flow
DDM	- Dividend Discount Model
EBIT	- Earnings Before Interest and Taxes
EBITDA	- Earnings Before Interest, Taxes, Depreciation & Amortization
EPS	- Earnings Per Share
EV	- Enterprise Value
FCF	- Free Cash Flow
FFO	- Funds From Operations

FY	- Fiscal Year
P/E	- Price/Earnings
P/NAV	- Price to Net Asset Value PEG Ratio - P/E-to-Growth Ratio PV - Present Value
R&D	- Research & Development ROCE - Return on Capital Employed ROE - Return on Equity
ROI	- Return on Investment
ROIC	- Return on Invested Capital
ROA	- Return on Assets
SG&A	- Selling, General & Administrative Expenses
SOTP	- Sum-of-The-Parts
WACC	- Weighted Average Cost of Capital

**Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).**

**Qualitative Risk Assessment**

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

**STARS Ranking system and definition:****★★★★★ 5-STARs (Strong Buy):**

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

**★★★★★ 4-STARs (Buy):**

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

**★★★★★ 3-STARs (Hold):**

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

**★★★★★ 2-STARs (Sell):**

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

**★★★★★ 1-STAR (Strong Sell):**

Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

**Relevant benchmarks:**

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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Qualitative STARS recommendations are determined and assigned by equity analysts. For reports containing STARS recommendations refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

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Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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**STARS Stock Reports:**

Global STARS Distribution as of June 30, 2017

Ranking	North America	Europe	Asia	Global
Buy	37.4%	25.9%	36.6%	35.4%
Hold	55.1%	56.1%	39.4%	53.5%
Sell	7.5%	18.0%	24.0%	11.1%
Total	100.0%	100.0%	100.0%	100.0%

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