UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2021

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 000-51759

H&E Equipment Services, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**81-0553291** **(I.R.S. Employer Identification No.)**
7500 Pecue Lane, **Baton Rouge, Louisiana** **(Address of Principal Executive Offices)**	**70809** **(ZIP Code)**

Registrant's Telephone Number, Including Area Code: (225) 298-5200

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	HEES	Nasdaq Global Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☑	Accelerated Filer	☐	Non-Accelerated Filer	☐
Smaller Reporting Company	☐	Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of April 20, 2021, there were 36,125,059 shares of H&E Equipment Services, Inc. common stock, $0.01 par value, outstanding.

H&E EQUIPMENT SERVICES, INC. AND SUBSIDIARIES
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Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words “may”, “could”, “would”, “should”, “believe”, “expect”, “anticipate”, “plan”, “estimate”, “target”, “project”, “intend”, “foresee” and similar expressions. These statements include, among others, statements regarding our expected business outlook, anticipated financial and operating results, our business strategy and means to implement the strategy, our objectives, the amount and timing of capital expenditures, the likelihood of our success in expanding our business, financing plans, budgets, working capital needs and sources of liquidity. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Forward-looking statements are only predictions and are not guarantees of performance. These statements are based on our management’s beliefs and assumptions, which in turn are based on currently available information. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products, the expansion of product offerings geographically or through new marketing applications, the timing and cost of planned capital expenditures, competitive conditions and general economic conditions. These assumptions could prove inaccurate. Forward-looking statements also involve known and unknown risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. In addition, even if our actual results are consistent with the forward-looking statements contained in this Quarterly Report on Form 10-Q, those results may not be indicative of results or developments in subsequent periods. Many of these factors are beyond our ability to control or predict. Such factors include, but are not limited to, the following:

- risks related to the impact of the COVID-19 global pandemic, such as the scope and duration of the outbreak, government actions and restrictive measures implemented in response, material delays and cancellations of construction or infrastructure projects, supply chain disruptions and other impacts to the business;
- general economic conditions and construction and industrial activity in the markets where we operate in North America;
- our ability to forecast trends in our business accurately, and the impact of economic downturns and economic uncertainty on the markets we serve (including as a result of current uncertainty due to COVID-19);
- the impact of conditions in the global credit and commodity markets (including as a result of current volatility and uncertainty in credit and commodity markets due to COVID-19) and their effect on construction spending and the economy in general;
- trends in oil and natural gas could adversely affect the demand for our services and products;
- relationships with equipment suppliers;
- increased maintenance and repair costs as we age our fleet and decreases in our equipment’s residual value;
- our indebtedness;
- risks associated with the expansion of our business and any potential acquisitions we may make, including any related capital expenditures, or our ability to consummate such acquisitions;
- our possible inability to integrate any businesses we acquire;
- competitive pressures;
- security breaches and other disruptions in our information technology systems;
- adverse weather events or natural disasters;
- compliance with laws and regulations, including those relating to environmental matters, corporate governance matters and tax matters, as well as any future changes to such laws and regulations; and
- other factors discussed under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020.

Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the Securities and Exchange Commission (“SEC”), we are under no obligation to publicly update or revise any forward-looking statements after we file this Quarterly Report on Form 10-Q, whether as a result of any new information, future events or otherwise. Investors, potential investors and other readers are urged to consider the above mentioned factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results or performance.

For a more detailed discussion of some of the foregoing risks and uncertainties, see Item 1A — “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020, as well as other reports and registration statements filed by us with the SEC. These factors should not be construed as exhaustive and should be read with other cautionary statements in this Quarterly Report on Form 10-Q and our other public filings. All of our annual, quarterly and current reports, and any amendments thereto, filed with or furnished to the SEC are available on our Internet website under the Investor Relations link. For more information about us and the announcements we make from time to time, visit our Internet website at www.he-equipment.com.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

H&E EQUIPMENT SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share amounts)

	Balances at	
	March 31, 2021 (Unaudited)	December 31, 2020
ASSETS		
Cash	$ 322,545	$ 310,882
Receivables, net of allowance for doubtful accounts of $4,926 and $4,741, respectively	155,835	178,858
Inventories, net of reserves for obsolescence of $272 and $350, respectively	156,115	72,488
Prepaid expenses and other assets	17,562	10,379
Rental equipment, net of accumulated depreciation of $703,178 and $701,588, respectively	1,019,462	1,028,745
Property and equipment, net of accumulated depreciation and amortization of $165,405 and $158,803, respectively	117,005	116,740
Operating lease right-of-use assets, net of accumulated amortization of $27,500 and $23,920, respectively	166,995	162,220
Finance lease right-of-use assets, net of accumulated amortization of $2,254 and $2,213, respectively	162	203
Deferred financing costs, net of accumulated amortization of $15,294 and $15,119, respectively	1,983	2,157
Intangible assets, net of accumulated amortization of $11,732 and $10,939, respectively	27,968	28,961
Goodwill	68,851	68,851
Total assets	$ 2,054,483	$ 1,980,484
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable	$ 151,713	$ 89,295
Manufacturer flooring plans payable	10,524	9,615
Accrued expenses payable and other liabilities	76,720	67,290
Dividends payable	77	155
Senior unsecured notes, net of unaccreted discount of $9,030 and $9,323 and deferred financing costs of $2,085 and $2,017, respectively	1,238,885	1,238,660
Operating lease right-of-use liabilities	170,827	165,921
Finance lease right-of-use liabilities	242	305
Deferred income taxes	171,799	171,010
Total liabilities	1,820,787	1,742,251
Commitments and Contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value, 25,000,000 shares authorized; no shares issued	—	—
Common stock, $0.01 par value, 175,000,000 shares authorized; 40,288,138 and 40,242,711 shares issued at March 31, 2021 and December 31, 2020, respectively, and 36,125,358 and 36,092,555 shares outstanding at March 31, 2021 and December 31, 2020, respectively	401	401
Additional paid-in capital	241,807	240,206
Treasury stock at cost, 4,162,780 and 4,150,156 shares of common stock held at March 31, 2021 and December 31, 2020, respectively	(66,623)	(66,188)
Retained earnings	58,111	63,814
Total stockholders' equity	233,696	238,233
Total liabilities and stockholders' equity	$ 2,054,483	$ 1,980,484

The accompanying notes are an integral part of these condensed consolidated financial statements.

H&E EQUIPMENT SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Amounts in thousands, except per share amounts)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Revenues:		
Equipment rentals	$ 156,224	$ 174,519
New equipment sales	37,745	30,873
Used equipment sales	41,766	31,218
Parts sales	25,612	29,769
Services revenues	14,510	16,822
Other	2,588	2,721
Total revenues	278,445	285,922
Cost of revenues:		
Rental depreciation	55,349	59,986
Rental expense	25,688	25,569
Rental other	16,723	16,805
	97,760	102,360
New equipment sales	33,442	27,426
Used equipment sales	28,365	20,438
Parts sales	18,747	21,903
Services revenues	4,697	5,540
Other	2,431	2,772
Total cost of revenues	185,442	180,439
Gross profit	93,003	105,483
Selling, general and administrative expenses	73,953	79,624
Impairment of goodwill	—	61,994
Merger and other	737	40
Gain on sales of property and equipment, net	154	4,264
Income (loss) from operations	18,467	(31,911)
Other income (expense):		
Interest expense	(13,443)	(16,030)
Other, net	667	630
Total other expense, net	(12,776)	(15,400)
Income (loss) before provision (benefit) for income taxes	5,691	(47,311)
Provision (benefit) for income taxes	1,540	(10,343)
Net income (loss)	$ 4,151	$ (36,968)
Net income (loss) per common share:		
Basic	$ 0.11	$ (1.03)
Diluted	$ 0.11	$ (1.03)
Weighted average common shares outstanding:		
Basic	36,185	35,965
Diluted	36,387	35,965
Dividends declared per common share outstanding	$ 0.275	$ 0.275

The accompanying notes are an integral part of these condensed consolidated financial statements.

`H&E EQUIPMENT SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Amounts in thousands)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Cash flows from operating activities:		
Net income (loss)	$ 4,151	$ (36,968)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	6,904	7,398
Depreciation of rental equipment	55,349	59,986
Amortization of finance lease right-of-use assets	41	40
Amortization of intangible assets	993	1,010
Amortization of deferred financing costs	242	251
Accretion of note discount, net of premium amortization	293	120
Non-cash operating lease expense	3,580	2,821
Provision for losses on accounts receivable	331	1,673
Provision for inventory obsolescence	26	12
Change in deferred income taxes	789	(9,798)
Stock-based compensation expense	1,601	1,652
Impairment of goodwill	—	61,994
Gain from sales of property and equipment, net	(154)	(4,264)
Gain from sales of rental equipment, net	(13,194)	(10,567)
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	22,692	21,116
Inventories	(99,013)	(33,371)
Prepaid expenses and other assets	(7,249)	(7,118)
Accounts payable	62,418	9,533
Manufacturer flooring plans payable	909	(7,440)
Accrued expenses payable and other liabilities	6,206	(23,643)
Deferred compensation payable	—	25
Net cash provided by operating activities	46,915	34,462
Cash flows from investing activities:		
Purchases of property and equipment	(7,329)	(10,069)
Purchases of rental equipment	(56,313)	(19,785)
Proceeds from sales of property and equipment	156	6,880
Proceeds from sales of rental equipment	38,801	29,056
Net cash provided by (used in) investing activities	(24,685)	6,082
Cash flows from financing activities:		
Borrowings on senior secured credit facility	307,341	299,524
Payments on senior secured credit facility	(307,341)	(331,482)
Dividends paid	(9,933)	(9,863)
Purchases of treasury stock	(435)	(470)
Payments of deferred financing costs	(136)	—
Payments of finance lease obligations	(63)	(60)
Net cash used in financing activities	(10,567)	(42,351)
Net increase (decrease) in cash	11,663	(1,807)
Cash, beginning of period	310,882	14,247
Cash, end of period	$ 322,545	$ 12,440

H&E EQUIPMENT SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)
(Amounts in thousands)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Supplemental schedule of noncash investing and financing activities:		
Noncash asset purchases:		
Assets transferred from new and used inventory to rental fleet	$ 15,360	$ 12,680
Purchases of property and equipment included in accrued expenses payable and other liabilities	$ 158	$ 5
Operating lease assets obtained in exchange for new operating lease liabilities	$ 8,355	$ 15,906
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 807	$ 29,305
Income taxes paid (net of refunds received)	$ (60)	$ (99)

The accompanying notes are an integral part of these condensed consolidated financial statements.

(1) Organization and Nature of Operations

Basis of Presentation

Our condensed consolidated financial statements include the financial position and results of operations of H&E Equipment Services, Inc. and its wholly-owned subsidiaries H&E Finance Corp., GNE Investments, Inc., Great Northern Equipment, Inc., H&E California Holding, Inc., H&E Equipment Services (California), LLC and H&E Equipment Services (Mid-Atlantic), Inc., collectively referred to herein as "we" or "us" or "our" or the "Company."

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such regulations. In the opinion of management, all adjustments (consisting of all normal and recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021, and therefore, the results and trends in these interim condensed consolidated financial statements may not be the same for the entire year. These interim condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and related notes in our Annual Report on Form 10-K for the year ended December 31, 2020, from which the consolidated balance sheet amounts as of December 31, 2020 were derived. All significant intercompany accounts and transactions have been eliminated in these condensed consolidated financial statements.

The nature of our business is such that short-term obligations are typically met by cash flows generated from long-term assets. Consequently, and consistent with industry practice, the accompanying condensed consolidated balance sheets are presented on an unclassified basis.

Nature of Operations

As one of the largest integrated equipment services companies in the United States focused on heavy construction and industrial equipment, we rent, sell and provide parts and services support for four core categories of specialized equipment: (1) hi-lift or aerial work platform equipment; (2) cranes; (3) earthmoving equipment; and (4) material handling equipment. We offer a full-service approach by providing equipment rental, sales, on-site parts, repair and maintenance functions under one roof for our customers' varied equipment needs. This full service approach provides us with multiple points of customer contact, enables us to maintain our rental fleet, as well as a distribution channel for fleet disposal, and provides cross-selling opportunities among our new and used equipment sales, rental, parts sales and services operations.

COVID-19

The novel coronavirus ("COVID-19") was first identified in late 2019. COVID-19 spread rapidly throughout the world and, in March 2020, the World Health Organization characterized COVID-19 as a pandemic and recommended containment and mitigation measures worldwide. COVID-19 is a pandemic of respiratory disease spreading from person-to-person that poses a serious public health risk. The subsequent spread of COVID-19 during 2020 and the resulting economic contraction resulted in increased business uncertainty in our industry. As the impact of COVID-19 became more widespread in March 2020, our equipment rental utilization and sales volumes began to decline from February 2020 levels and this decline continued through mid-April 2020, where we began to see utilization and sales levels stabilize and improve for the remainder of 2020. We continued to see overall improvements during the first quarter of 2021 with utilization levels in March 2021 surpassing 2020 pre-COVID utilization levels. The impact of COVID-19 on our future financial results and liquidity will depend largely on any subsequent developments, including the duration of the spread of the COVID-19 outbreak within the U.S. and globally, the speed and effectiveness of vaccine and treatment deployment, the impact on capital and financial markets, and the related impact on our customers.

(2) Significant Accounting Policies

We describe our significant accounting policies in note 2 of the notes to consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2020. During the three month period ended March 31, 2021, there were no significant changes to those accounting policies.

Use of Estimates

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, which requires management to use its judgment to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. These assumptions and estimates could have a material effect on our condensed consolidated financial statements. Actual results may differ materially from those estimates. We review our estimates on an ongoing basis based on information currently available, and changes in facts and circumstances may cause us to revise these estimates.

Revenue Recognition

We recognize revenue in accordance with two different accounting standards: 1) Topic 606 and 2) Topic 842.

Under Topic 606, *Revenue from Contracts with Customers*, revenue is recognized when control of the promised goods or services are transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

Under Topic 606, revenue from contracts with customers is measured based on the consideration specified in the contract with the customer, and excludes any sales incentives and amounts collected on behalf of third parties. A performance obligation is a promise in a contract to transfer a distinct good or service to a customer. Our contracts with customers generally do not include multiple performance obligations. We recognize revenue when we satisfy a performance obligation by transferring control over a product or service to a customer. The amount of revenue recognized reflects the consideration we expect to be entitled to in exchange for such products or services.

Under Topic 842, *Leases*, we account for equipment rental contracts as operating leases. We recognize revenue from equipment rentals in the period earned, regardless of the timing of billing to customers. A rental contract includes rates for daily, weekly or monthly use, and rental revenues are earned on a daily basis as rental contracts remain outstanding. Because the rental contracts can extend across multiple reporting periods, we record unbilled rental revenues and deferred rental revenues at the end of reporting periods so rental revenues earned is appropriately stated for the periods presented.

For additional information related to our revenue recognition policies pursuant to Topic 606 and Topic 842, please see Significant Accounting Policies in note 2 to our Form 10-K for the year ended December 31, 2020. In the table below, revenues as presented in our condensed consolidated statements of operations for the three month period ended March 31, 2021 and 2020 are summarized by type and by the applicable accounting standard.

	Three Month Period Ended March 31,					
	2021			2020		
	Topic 842	Topic 606	Total	Topic 842	Topic 606	Total
Revenues:						
Rental revenues						
Owned equipment rentals	$ 132,060	$ 187	$ 132,247	$ 153,670	$ 258	$ 153,928
Re-rent revenue	7,694	—	7,694	4,690	—	4,690
Ancillary and other rental revenues:						
Delivery and pick-up	—	8,396	8,396	—	9,126	9,126
Other	7,887	—	7,887	6,775	—	6,775
Total ancillary rental revenues	7,887	8,396	16,283	6,775	9,126	15,901
Total equipment rental revenues	147,641	8,583	156,224	165,135	9,384	174,519
New equipment sales	—	37,745	37,745	—	30,873	30,873
Used equipment sales	—	41,766	41,766	—	31,218	31,218
Parts sales	—	25,612	25,612	—	29,769	29,769
Service revenues	—	14,510	14,510	—	16,822	16,822
Other	—	2,588	2,588	—	2,721	2,721
Total revenues	$ 147,641	$ 130,804	$ 278,445	$ 165,135	$ 120,787	$ 285,922

Revenues by reporting segment are presented in note 10 of our condensed consolidated financial statements, using the revenue captions reflected in our consolidated statements of operations. We believe that the disaggregation of our revenues from contracts to customers as reflected above, coupled with further discussion below and the reporting segments in note 10, depict how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by economic factors. For further information related to our accounting for revenues pursuant to Topic 606 and Topic 842, see Significant Accounting Policies in note 2 to our Annual Report on Form 10-K for the year ended December 31, 2020.

Receivables and contract assets and liabilities

We manage credit risk associated with our accounts receivables at the customer level. Because the same customers typically generate the revenues that are accounted for under both Topic 606 and Topic 842, the discussions below on credit risk and our allowance for doubtful accounts address our total revenues from Topic 606 and Topic 842.

We believe concentration of credit risk with respect to our receivables is limited because our customer base is comprised of a large number of geographically diverse customers. No single customer accounted for more than 10% of our revenues on an overall or segment basis for any of the periods presented in this Quarterly Report on Form 10-Q. We manage credit risk through credit approvals, credit limits and other monitoring procedures.

Pursuant to Topic 842 and Topic 326 for rental and non-rental receivables, respectively, we maintain an allowance for doubtful accounts that reflects our estimate of our expected credit losses. Our allowance is estimated using a loss rate model based on delinquency. The estimated loss rate is based on our historical experience with specific customers, our understanding of our current economic circumstances, reasonable and supportable forecasts, and our own judgment as to the likelihood of ultimate payment based upon available data. Our largest exposure to doubtful accounts is in our rental operations. We perform credit evaluations of customers and establish credit limits based on reviews of our customers' current credit information and payment histories. We believe our credit risk is somewhat mitigated by our geographically diverse customer base and our credit evaluation procedures. The actual rate of future credit losses, however, may not be similar to past experience. Our estimate of doubtful accounts could change based on changing circumstances, including changes in the economy or in the particular circumstances of individual customers. Accordingly, we may be required to increase or decrease our allowance for doubtful accounts.

We do not have material contract assets, impairment losses associated therewith, or material contract liabilities associated with contracts with customers. Our contracts with customers do not generally result in material amounts billed to customers in excess of recognizable revenue. We did not recognize material revenues during the three month periods ended March 31, 2021 or 2020 that was included in the contract liability balance as of the beginning of such periods.

Goodwill

Based on our evaluation of the impact to our business in the first quarter of 2020 from the COVID-19 pandemic, we identified triggering events requiring an interim impairment test as of March 31, 2020, resulting in a $62.0 million impairment charge to our Equipment Rental Component 2 reporting unit. For additional information related to our goodwill impairment charge in the first quarter of 2020, please see footnote 2 to the Company's consolidated financial statements included as Item 8 in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Recent Accounting Pronouncements

Pronouncements Not Yet Adopted

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04"), which provides optional guidance for a limited time to ease the potential burden in accounting for or recognizing the effects of reference rate reform, particularly, the risk of cessation of the London Interbank Offered Rate ("LIBOR") on financial reporting. The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments are elective and are effective upon issuance for all entities through December 31, 2022. The amendments of this ASU should be applied on a prospective basis. We intend to continue to monitor the developments with respect to the planned phase-out out of LIBOR after 2021 and work with our lenders to seek to ensure any transition away from LIBOR will have minimal impact on our financial condition. However, we can provide no assurances regarding the impact of the discontinuation of LIBOR as there can be no assurances as to whether such replacement or alternative base rate will be more or less favorable than LIBOR. Our exposure related to the expected cessation of LIBOR is limited to the interest expense we incur on balances outstanding under our Senior Secured Credit Facility (the "Credit Facility"). The potential impact from the cessation of LIBOR as a reference rate, as well as the applicability of ASU 2020-04, is not currently estimable.

Pronouncements Adopted in 2021

In December 2019, the FASB issued Accounting Standards Update ("ASU") No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes ("ASU 2019-12"). The guidance removes the following exceptions: 1) exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items, 2) exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment, 3) exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary and 4) exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. Additionally, the guidance simplifies the accounting for income taxes by: 1) requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax, 2) requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction, 3) specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements (although the entity may elect to do so (on an entity-by-entity basis) for a legal entity that is both not subject to tax and disregarded by the taxing authority), 4) requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date and 5) making minor improvements for income tax accounting related to employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method. The Company adopted ASU 2019-12 on January 1, 2021 and the adoption did not have a material impact on our condensed consolidated financial statements presented herein.

(3) Fair Value of Financial Instruments

Fair value is defined as the amount that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The FASB fair value measurement guidance established a fair value hierarchy that prioritizes the inputs used to measure fair value. The three broad levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for which little or no market data exists, therefore requiring a company to develop its own assumptions

The carrying value of financial instruments reported in the accompanying condensed consolidated balance sheets for cash, accounts receivable, accounts payable and accrued expenses payable and other liabilities approximate fair value due to the immediate or short-term nature or maturity of these financial instruments. The carrying amounts and fair values of our other financial instruments subject to fair value disclosures as of March 31, 2021 and December 31, 2020 are presented in the table below (amounts in thousands).

	March 31, 2021	
	Carrying Amount	Fair Value
Manufacturer flooring plans payable with interest computed at 3.5% (Level 3)	$ 10,524	$ 9,492
Senior unsecured notes due 2028 with interest computed at 3.875% (Level 2)	1,238,885	1,216,188

	December 31, 2020	
	Carrying Amount	Fair Value
Manufacturer flooring plans payable with interest computed at 3.5% (Level 3)	$ 9,615	$ 8,976
Senior unsecured notes due 2028 with interest computed at 3.875% (Level 2)	1,238,660	1,259,413

At March 31, 2021 and December 31, 2020, the fair value of our senior unsecured notes due 2028 was based on quoted bond trading market prices for those notes. For our Level 3 unobservable inputs, we calculate a discount rate for our manufacturing floor plans payable based on the U.S. prime rate plus the applicable margin on our Senior Secured Credit Facility. The discount rate is disclosed in the above table.

During the three month periods ended March 31, 2021 and 2020, there were no transfers of financial assets or liabilities in or out of Level 3 of the fair value hierarchy.

Fair Value Measurements on a Nonrecurring Basis

Our non-financial assets, such as goodwill, intangible assets and property and equipment, are adjusted to fair value only when an impairment charge is recognized or the underlying investment is sold. Such fair value measurements are based predominately on Level 3 inputs. The results of our Q1 2020 goodwill impairment quantitative test indicated that the respective fair values of the Equipment Rental Component 2 reporting unit is less than the carrying value of the reporting unit, resulting in a goodwill impairment of $62.0 million. See footnote 2 to these unaudited condensed consolidated financial statements for additional information.

(4) Stockholders' Equity

The following table summarizes the activity in Stockholders' Equity for the three month periods ended March 31, 2021 and 2020, respectively (amounts in thousands, except share data):

	Common Stock		Additional			
	Shares Issued	Amount	Paid-in Capital	Treasury Stock	Retained Earnings	Total Stockholders' Equity
Balances at December 31, 2020	40,242,711	$ 401	$ 240,206	$ (66,188)	$ 63,814	$ 238,233
Stock-based compensation	—	—	1,601	—	—	1,601
Cash dividends declared on common stock ($0.275 per share)	—	—	—	—	(9,854)	(9,854)
Issuance of common stock, net of forfeitures	45,427	—	—	—	—	—
Repurchase of 12,624 shares of restricted common stock	—	—	—	(435)	—	(435)
Net income	—	—	—	—	4,151	4,151
Balances at March 31, 2021	40,288,138	$ 401	$ 241,807	$ (66,623)	$ 58,111	$ 233,696
Balances at December 31, 2019	39,921,838	$ 398	$ 235,844	$ (64,783)	$ 136,060	$ 307,519
Stock-based compensation	—	—	1,652	—	—	1,652
Cash dividends declared on common stock ($0.275 per share)	—	—	—	—	(9,789)	(9,789)
Issuance of common stock, net of forfeitures	98,451	1	—	—	—	1
Repurchase of 26,392 shares of restricted common stock	—	—	—	(470)	—	(470)
Net loss	—	—	—	—	(36,968)	(36,968)
Balances at March 31, 2020	40,020,289	$ 399	$ 237,496	$ (65,253)	$ 89,303	$ 261,945

(5) Stock-Based Compensation

We account for our stock-based compensation plans using the fair value recognition provisions of ASC 718, *Stock Compensation*. Under the provisions of ASC 718, stock-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite employee service period (generally the vesting period of the grant). Shares available for future stock-based payment awards under our 2016 Stock-Based Incentive Compensation Plan were 1,279,114 shares as of March 31, 2021.

Non-vested Stock

The following table summarizes our non-vested stock activity for the three months ended March 31, 2021:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested stock at December 31, 2020	524,876	$ 23.00
Granted	23,296	$ 27.48
Vested	(55,092)	$ 32.85
Forfeited	(13,665)	$ 26.41
Non-vested stock at March 31, 2021	479,415	$ 21.99

As of March 31, 2021, we had unrecognized compensation expense of approximately $4.9 million related to non-vested stock that we expect to be recognized over a weighted-average period of approximately 1.8 years. The compensation expense related to non-vested stock, which is included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations for the three months ended March 31, 2021 and 2020 is $1.6 million and $1.7 million, respectively.

(6) Income (Loss) per Share

Income (loss) per common share for the three months ended March 31, 2021 and 2020 are based on the weighted average number of common shares outstanding during the period. The effects of potentially dilutive securities that are anti-dilutive are not included in the computation of dilutive income (loss) per share. We include all common shares granted under our incentive compensation plan which remain unvested ("restricted common shares") and contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid ("participating securities"), in the number of shares outstanding in our basic and diluted EPS calculations using the two-class method. All of our restricted common shares are currently participating securities.

Under the two-class method, earnings per common share are computed by dividing the sum of distributed earnings allocated to common shareholders and undistributed earnings allocated to common shareholders by the weighted average number of common shares outstanding for the period. In applying the two-class method, distributed and undistributed earnings are allocated to both common shares and restricted common shares based on the total weighted average shares outstanding during the period. The number of restricted common shares outstanding was approximately 0.9% and 0.7% of total outstanding shares for the three months ended March 31, 2021 and 2020, respectively, and, consequently, was immaterial to the basic and diluted EPS calculations. Therefore, use of the two-class method had no impact on our basic and diluted EPS calculations for the periods presented. The following table sets forth the computation of basic and diluted net income (loss) per common share for the three months ended March 31, 2021 and 2020 (amounts in thousands, except per share amounts):

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Basic net income (loss) per share:		
Net income (loss)	$ 4,151	$ (36,968)
Weighted average number of common shares outstanding	36,185	35,965
Net income (loss) per share of common stock – basic	$ 0.11	$ (1.03)
Diluted net income (loss) per share:		
Net income (loss)	$ 4,151	$ (36,968)
Weighted average number of common shares outstanding	36,185	35,965
Effect of dilutive securities:		
Effect of dilutive non-vested restricted stock	202	—
Weighted average number of common shares outstanding – diluted	36,387	35,965
Net income (loss) per share of common stock – diluted	$ 0.11	$ (1.03)
Common shares excluded from the denominator as anti-dilutive:		
Non-vested restricted stock	—	146

(7) Senior Secured Credit Facility

We and our subsidiaries are parties to a $750.0 million Credit Facility with Wells Fargo Capital Finance, LLC as administrative agent, and the lenders named therein (the "Credit Facility"). For further information related to significant terms of the Credit Facility, see footnote 10 to the Company's consolidated financial statements included as Item 8 in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

As of March 31, 2021, we were in compliance with our financial covenants under the Amended and Restated Credit Agreement. At March 31, 2021, we had no amount of borrowings outstanding under the Credit Facility and could borrow up to approximately $741.3 million, net of an $8.7 million outstanding letter of credit, and remain in compliance with the debt covenants under the Credit Facility.

(8) Senior Unsecured Notes

On December 14, 2020, we completed an offering of $1,250 million aggregate principal amount of 3.875% senior notes due 2028 (the "New Notes") and the settlement of a cash tender offer with respect to our previously outstanding 5.625% senior notes due 2025 (the "Old Notes"). For further information related to significant terms of the Senior Unsecured Notes, see footnote 9 to the Company's consolidated financial statements included as Item 8 in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. As of March 31, 2021, we were in compliance with the covenants governing our notes.

The following table reconciles our Senior Unsecured Notes to our Condensed Consolidated Balance Sheets (amounts in thousands):

Balance at December 31, 2019	$	945,566
Accretion of discount on Old Notes through December 14, 2020		1,466
Amortization of note premium on Old Notes through December 14, 2020		(1,011)
Amortization of deferred financing costs on Old Notes through December 14, 2020		293
Aggregate principal amount paid on Old Notes		(950,000)
Writeoff of unaccreted discount on Old Notes		7,225
Writeoff of unamortized premium on Old Notes		(4,988)
Writeoff of deferred financing costs on Old Notes		1,449
Aggregate principal amount issued on New Notes		1,250,000
Notes discount and deferred transaction costs on New Notes		(11,404)
Accretion of discount on New Notes from December 14, 2020 through December 31, 2020		53
Amortization of deferred financing costs on New Notes from December 14, 2020 through December 31, 2020		11
Balance at December 31, 2020	$	1,238,660
Accretion of discount on New Notes through March 31, 2021		293
Additional deferred financing costs on New Notes through March 31, 2021		(136)
Amortization of deferred financing costs on New Notes through March 31, 2021		68
Balance at March 31, 2021	$	1,238,885

(9) Leases

We adopted Topic 842 on January 1, 2019. For a discussion of our adoption of Topic 842 and related disclosures, see note 2 and note 11 to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2020.

At March 31, 2021, as disclosed in our condensed consolidated balance sheet, we had net operating lease right-of-use assets of $167.0 million and net finance lease right-of-use assets of $0.2 million. Our operating lease liabilities at March 31, 2021 were $170.8 million and finance lease liabilities were $0.2 million. The weighted average remaining lease term for operating leases was approximately 9.3 years and the weighted average remaining lease term for finance leases was approximately 1.0 years. The weighted average discount rate for operating and finance leases was approximately 6.4% and 5.9%, respectively.

The future minimum lease payments of operating leases executed but not commenced as of March 31, 2021 are estimated to be $0.3 million, $0.6 million, $0.6 million, $0.6 million and $0.6 million for the years ended December 31, 2021, 2022, 2023, 2024 and 2025, respectively, and $4.1 million thereafter. It is expected that these leases will commence during 2021.

(10) Segment Information

We have identified five reportable segments: equipment rentals, new equipment sales, used equipment sales, parts sales and services revenues. These segments are based upon how management of the Company allocates resources and assesses performance. Non-segmented revenues and non-segmented costs relate to equipment support activities including transportation, hauling, parts freight and damage-waiver charges and are not allocated to the other reportable segments. There were no sales between segments for any of the periods presented. Selling, general and administrative expenses as well as all other income and expense items below gross profit are not generally allocated to reportable segments.

We do not compile discrete financial information by segments other than the information presented below. The following table presents information about our reportable segments (amounts in thousands):

	Three Months Ended March 31,	
	2021	2020
Segment Revenues:		
Equipment rentals	$ 156,224	$ 174,519
New equipment sales	37,745	30,873
Used equipment sales	41,766	31,218
Parts sales	25,612	29,769
Services revenues	14,510	16,822
Total segmented revenues	275,857	283,201
Non-segmented revenues	2,588	2,721
Total revenues	$ 278,445	$ 285,922
Segment Gross Profit:		
Equipment rentals	$ 58,464	$ 72,159
New equipment sales	4,303	3,447
Used equipment sales	13,401	10,780
Parts sales	6,865	7,866
Services revenues	9,813	11,282
Total segmented gross profit	92,846	105,534
Non-segmented gross profit (loss)	157	(51)
Total gross profit	$ 93,003	$ 105,483

	Balances at	
	March 31, 2021	December 31, 2020
Segment identified assets:		
Equipment sales	$ 139,896	$ 58,414
Equipment rentals	1,019,462	1,028,745
Parts and services	16,219	14,074
Total segment identified assets	1,175,577	1,101,233
Non-segment identified assets	878,906	879,251
Total assets	$ 2,054,483	$ 1,980,484

The Company operates primarily in the United States and our sales to international customers for the three month periods ended March 31, 2021 and 2020 were 0.2% and 0.4%, respectively, of total revenues. No one customer accounted for more than 10% of our revenues on an overall or segment basis for any of the periods presented.

ITEM 2. — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion summarizes the financial position of H&E Equipment Services, Inc. and its subsidiaries as of March 31, 2021, and its results of operations for the three month period ended March 31, 2021, and should be read in conjunction with (i) the unaudited condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and (ii) the audited consolidated financial statements and accompanying notes to our Annual Report on Form 10-K for the year ended December 31, 2020. The following discussion contains, in addition to historical information, forward-looking statements that include risks and uncertainties (see discussion of "Forward-Looking Statements" included elsewhere in this Quarterly Report on Form 10-Q). Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those factors set forth under Item 1A – "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2020.

The outbreak of the COVID-19 pandemic continues to affect certain regions of the United States of America and the world. In response to the COVID-19 pandemic, we proactively implemented certain measures to strengthen cash flow, manage costs, strengthen liquidity and enhance employee safety. These measures included the reduction of payroll costs, a reduction in capital expenditures and other discretionary spending, the elimination of most business travel and restriction of visitors to our corporate office, enhanced cleaning and disinfection procedures at our corporate office and branch locations, promotion of social distancing and the wearing of face coverings (masks) at our corporate office and branch locations.

As the impact of COVID-19 became more widespread in March 2020, our equipment rental utilization and sales volumes began to decline from February 2020 levels and this decline continued through mid-April 2020, where we began to see utilization and sales levels improve and stabilize for the remainder of 2020. We continued to see improvements during the first quarter of 2021 with utilization levels in March 2021 through early April 2021 surpassing 2020 pre-COVID utilization levels. The timing and the extent of any subsequent contraction, in our equipment rental utilization and sales volumes due to COVID-19 cannot be reasonably estimated at this time. As such, the extent of the ultimate impact of the pandemic on the Company's operational and financial performance will depend on various developments, including the duration and spread of the outbreak, the speed and effectiveness of vaccine and treatment developments and deployment, the impact on capital and financial markets, governmental limitations on business operations generally, and its and their impact on potential customers, employees, vendors and distribution partners. For a discussion of liquidity, see Liquidity and Capital Resources below.

Overview

Background

As one of the largest integrated equipment services companies in the United States focused on heavy construction and industrial equipment, we rent, sell and provide parts and services support for four core categories of specialized equipment: (1) hi-lift or aerial work platform equipment; (2) cranes; (3) earthmoving equipment; and (4) material handling equipment. By providing equipment rental, sales, on-site parts, repair and maintenance functions under one roof, we are a one-stop provider for our customers' varied equipment needs. This full service approach provides us with multiple points of customer contact, enables us to maintain a high quality rental fleet, as well as an effective distribution channel for fleet disposal and provides cross-selling opportunities among our new and used equipment sales, rental, parts sales and services operations.

As of April 21, 2021, we operated 104 full-service facilities throughout the Intermountain, Southwest, Gulf Coast, West Coast, Southeast and Mid-Atlantic regions of the United States. Our work force includes distinct, focused sales forces for our new and used equipment sales and rental operations, highly skilled service technicians, product specialists and regional and district managers. We focus our sales and rental activities on, and organize our personnel principally by, our four core equipment categories. We believe this allows us to provide specialized equipment knowledge, improve the effectiveness of our rental and sales force and strengthen our customer relationships. In addition, we have branch managers for each location who are responsible for managing their assets and financial results. We believe this fosters accountability in our business and strengthens our local and regional relationships.

Through our predecessor companies, we have been in the equipment services business for approximately 60 years. H&E L.L.C. was formed in June 2002 through the business combination of Head & Engquist, a wholly-owned subsidiary of Gulf Wide, and ICM. Head & Engquist, founded in 1961, and ICM, founded in 1971, were two leading regional, integrated equipment service companies operating in contiguous geographic markets. In connection with our initial public offering in February 2006, we converted H&E LLC into H&E Equipment Services, Inc., a Delaware corporation.

Critical Accounting Policies

Item 7, included in Part II of our Annual Report on Form 10-K for the year ended December 31, 2020, presents the accounting policies and related estimates that we believe are the most critical to understanding our consolidated financial statements, financial condition, and results of operations and cash flows, and which require complex management judgment and assumptions, or involve uncertainties. There have been no significant changes to these critical accounting policies and estimates during the three month period ended March 31, 2021. Our critical accounting policies include, among others, useful lives of rental equipment and property and equipment, acquisition accounting, goodwill, long-lived assets and income taxes.

Information regarding our other significant accounting policies is included in note 2 to our consolidated financial statements in Item 8 of Part II of our Annual Report on Form 10-K for the year ended December 31, 2020 and in note 2 to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

Business Segments

We have five reportable segments because we derive our revenues from five principal business activities: (1) equipment rentals; (2) new equipment sales; (3) used equipment sales; (4) parts sales; and (5) repair and maintenance services. These segments are based upon how we allocate resources and assess performance. In addition, we also have non-segmented revenues and costs that relate to equipment support activities.

- *Equipment Rentals.* Our rental operation primarily rents our four core types of construction and industrial equipment. We have a well-maintained rental fleet and our own dedicated sales force, focused by equipment type. We actively manage the size, quality, age and composition of our rental fleet based on our analysis of key measures such as time utilization (which we analyze as equipment usage based on: (1) a percentage of original equipment cost, and (2) the number of rental equipment units available for rent), rental rate trends and targets, rental equipment dollar utilization and maintenance and repair costs, which we closely monitor. We maintain fleet quality through regional quality control managers and our parts and services operations.
- *New Equipment Sales.* Our new equipment sales operation sells new equipment in all of our four core product categories. We have a retail sales force focused by equipment type that is separate from our rental sales force. Manufacturer purchase terms and pricing are managed by our product specialists.
- *Used Equipment Sales.* Our used equipment sales are generated primarily from sales of used equipment from our rental fleet, as well as from sales of inventoried equipment that we acquire through trade-ins from our equipment customers and through selective purchases of high quality used equipment. Used equipment is sold by our dedicated retail sales force. Our used equipment sales are an effective way for us to manage the size and composition of our rental fleet and provide a profitable distribution channel for disposal of rental equipment.
- *Parts Sales.* Our parts business sells new and used parts for the equipment we sell and also provides parts to our own rental fleet. To a lesser degree, we also sell parts for equipment produced by manufacturers whose products we neither rent nor sell. In order to provide timely parts and services support to our customers as well as our own rental fleet, we maintain an extensive parts inventory.
- *Services.* Our services operation provides maintenance and repair services for our customers' equipment and to our own rental fleet at our facilities as well as at our customers' locations. As the authorized distributor for numerous equipment manufacturers, we are able to provide service to that equipment that will be covered under the manufacturer's warranty.

Our non-segmented revenues and costs relate primarily to ancillary charges associated with equipment maintenance and repair services, and are not generally allocated to reportable segments.

For additional information about our business segments, see note 10 to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

Revenue Sources

We generate all of our total revenues from our five business segments and our non-segmented equipment support activities. Equipment rentals and new equipment sales account for more than half of our total revenues. For the three month period ended March 31, 2021, of our total revenues approximately 56.1% were attributable to equipment rentals, 13.6% were attributable to new equipment sales, 15.0% were attributable to used equipment sales, 9.2% were attributable to parts sales, 5.2% were attributable to our services revenues and 0.9% were attributable to non-segmented other revenues.

The equipment that we sell, rent and service is principally used in the construction industry, as well as by companies for commercial and industrial uses such as plant maintenance and turnarounds, and in the petrochemical and energy sectors. As a result, our total revenues are affected by several factors including, but not limited to, the demand for and availability of rental equipment, rental rates and other competitive factors, the demand for new and used equipment, the level of construction and industrial activities, spending levels by our customers, adverse weather conditions and general economic conditions.

Equipment Rentals. Our rental operation primarily rents our four core types of construction and industrial equipment. We have a well-maintained rental fleet and our own dedicated sales force, focused by equipment type. We actively manage the size, quality, age and composition of our rental fleet based on our analysis of key measures such as time utilization (which we analyze as equipment usage based on: (1) a percentage of original equipment cost, and (2) the number of rental equipment units available for rent), rental rate trends and targets, rental equipment dollar utilization and maintenance and repair costs, which we closely monitor. We maintain fleet quality through regional quality control managers and our parts and services operations.

New Equipment Sales. We seek to optimize revenues from new equipment sales by selling equipment through a professional in-house retail sales force focused by product type. While sales of new equipment are impacted by the availability of equipment from the manufacturer, we believe our status as a leading distributor for some of our key suppliers improves our ability to obtain equipment. New equipment sales are an important component of our integrated model due to customer interaction and service contact and new equipment sales also lead to future parts and services revenues.

Used Equipment Sales. We generate the majority of our used equipment sales revenues by selling equipment from our rental fleet. The remainder of our used equipment sales revenues comes from the sale of inventoried equipment that we acquire through trade-ins from our equipment customers and selective purchases of high-quality used equipment. Our policy is not to offer specified price trade-in arrangements on equipment for sale. Sales of our rental fleet equipment allow us to manage the size, quality, composition and age of our rental fleet, and provide us with a profitable distribution channel for the disposal of rental equipment.

Parts Sales. We generate revenues from the sale of new and used parts for equipment that we rent or sell, as well as for other makes of equipment. Our product support sales representatives are instrumental in generating our parts revenues. They are product specialists and receive performance incentives for achieving certain sales levels. Most of our parts sales come from our extensive in-house parts inventory. Our parts sales provide us with a relatively stable revenue stream that is generally less sensitive to the economic cycles that tend to affect our rental and equipment sales operations.

Services. We derive our services revenues from maintenance and repair services to customers for their owned equipment. In addition to repair and maintenance on an as-needed or scheduled basis, we also provide ongoing preventative maintenance services to industrial customers. Our after-market service provides a high-margin, relatively stable source of revenue through changing economic cycles.

Our non-segmented revenues relate to equipment support activities that we provide to customers in connection with new and used equipment sales and parts and services revenues and are not generally allocated to reportable segments.

Principal Costs and Expenses

Our largest expenses are the costs to purchase the new equipment we sell, the costs associated with the used equipment we sell, rental expenses, rental depreciation and costs associated with parts sales and services, all of which are included in cost of revenues. For the three month period ended March 31, 2021, our total cost of revenues was $185.4 million. Our operating expenses consist principally of selling, general and administrative expenses. For the three month period ended March 31, 2021, our selling, general and administrative expenses were $74.0 million. In addition, we have interest expense related to our debt instruments. Operating expenses and all other income and expense items below the gross profit line of our consolidated statements of operations are not generally allocated to our reportable segments.

We are also subject to federal and state income taxes. Future income tax examinations by state and federal agencies could result in additional income tax expense based on probable outcomes of such matters.

Cost of Revenues:

Rental Depreciation. Depreciation of rental equipment represents the depreciation costs attributable to rental equipment. Estimated useful lives vary based upon type of equipment. Generally, we depreciate cranes and aerial work platforms over a ten year estimated useful life, earthmoving over a five year estimated useful life with a 25% salvage value, and material handling equipment over a seven year estimated useful life. Attachments and other smaller type equipment are depreciated over a three year estimated useful life. We periodically evaluate the appropriateness of remaining depreciable lives assigned to rental equipment.

Rental Expense. Rental expense represents the costs associated with rental equipment, including, among other things, the cost of repairing and maintaining our rental equipment, property taxes on our fleet and other miscellaneous costs of owning rental equipment.

Rental Other. Rental other expenses consist primarily of equipment support activities that we provide our customers in connection with renting equipment, such as hauling services, damage waiver policies, environmental fees and other recovery fees.

New Equipment Sales. Cost of new equipment sold primarily consists of the equipment cost of the new equipment that is sold, net of any amount of credit given to the customer towards the equipment for trade-ins.

Used Equipment Sales. Cost of used equipment sold consists of the net book value of rental equipment for used equipment sold from our rental fleet, the equipment costs for used equipment we purchase for sale or the trade-in value of used equipment that we obtain from customers in equipment sales transactions.

Parts Sales. Cost of parts sales represents costs attributable to the sale of parts directly to customers.

Services Support. Cost of services revenues represents costs attributable to service provided for the maintenance and repair of customer-owned equipment and equipment then on-rent by customers.

Our non-segmented costs other expenses include costs associated with ancillary charges associated with equipment maintenance and repair services.

Selling, General and Administrative Expenses:

Our selling, general and administrative (“SG&A”) expenses include sales and marketing expenses, payroll and related benefit costs, including stock compensation expense, insurance expenses, legal and professional fees, rent and other occupancy costs, property and other taxes, administrative overhead, depreciation associated with property and equipment (other than rental equipment) and amortization expense associated with intangible assets. These expenses are not generally allocated to our reportable segments.

Interest Expense:

Interest expense for the periods presented represents the interest on our outstanding debt instruments, including aggregate amounts outstanding under our revolving Credit Facility, senior unsecured notes due 2028 and our finance lease obligations. Interest expense also includes interest on our outstanding manufacturer flooring plans payable, which are used to finance inventory and rental equipment purchases. Non-cash interest expense related to the amortization cost of deferred financing costs and the accretion/amortization of note discount/premium are also included in interest expense.

Principal Cash Flows

We generate cash primarily from our operating activities and, historically, we have used cash flows from operating activities, manufacturer floor plan financings and available borrowings under the Credit Facility as the primary sources of funds to purchase inventory and to fund working capital and capital expenditures, growth and expansion opportunities (see also “Liquidity and Capital Resources” below). Our management of our working capital is closely tied to operating cash flows, as working capital can be significantly impacted by, among other things, our accounts receivable activities, the level of new and used equipment inventories, which may increase or decrease in response to current and expected demand, and the size and timing of our trade accounts payable payment cycles.

Rental Fleet

A substantial portion of our overall value is in our rental fleet equipment. The net book value of our rental equipment at March 31, 2021 was $1.0 billion, or approximately 49.6% of our total assets. Our rental fleet as of March 31, 2021 consisted of 39,101 units having an original acquisition cost (which we define as the cost originally paid to manufacturers) of approximately $1.8 billion. As of March 31, 2021, our rental fleet composition was as follows (dollars in millions):

	Units	% of Total Units	Original Acquisition Cost	% of Original Acquisition Cost	Average Age in Months
Hi-Lift or Aerial Work Platforms	20,923	53.5%	$ 673.1	38.4%	50.2
Cranes	177	0.5%	70.0	4.0%	53.5
Earthmoving	4,377	11.2%	401.2	22.9%	25.0
Material Handling	6,248	16.0%	487.8	27.8%	42.5
Other	7,376	18.8%	120.3	6.9%	25.6
Total	39,101	100.0%	$ 1,752.4	100.0%	41.5

Determining the optimal age and mix for our rental fleet equipment is subjective and requires considerable estimates and judgments by management. We constantly evaluate the mix, age and quality of the equipment in our rental fleet in response to current economic and market conditions, competition and customer demand. The mix and age of our rental fleet, as well as our cash flows, are impacted by sales of equipment from the rental fleet, which are influenced by used equipment pricing at the retail and secondary auction market levels, and the capital expenditures to acquire new rental fleet equipment. In making equipment acquisition decisions, we evaluate current economic and market conditions, competition, manufacturers’ availability, pricing and return on investment over the estimated useful life of the specific equipment, among other things. As a result of our in-house service capabilities and extensive maintenance program, we believe our rental fleet is well-maintained.

The original acquisition cost of our gross rental fleet decreased by approximately $11.2 million, or 0.6%, for the three month period ended March 31, 2021. The average age of our rental fleet equipment increased by approximately 0.6 months for the three month period ended March 31, 2021 and increased by approximately 3.8 months from the three month period ended March 31, 2020. Our average rental rates for the three month period ended March 31, 2021 were approximately 4.0% lower than last year (see further discussion on rental rates in “Results of Operations” below).

The rental equipment mix among our four core product lines for the three months ended March 31, 2021 was largely consistent with that of the prior year comparable period as a percentage of original acquisition cost.

Principal External Factors that Affect our Businesses

We are subject to a number of external factors that may adversely affect our businesses. These factors, and other factors, are discussed below and under the heading “Forward-Looking Statements,” and in Item 1A—Risk Factors in this Annual Report on Form 10-K for the year ended December 31, 2020.

- *Economic downturns.* The demand for our products is dependent on the general economy, the stability of the global credit markets, the industries in which our customers operate or serve, and other factors. Downturns in the general economy or in the construction and manufacturing industries, as well as adverse credit market conditions, can cause demand for our products to materially decrease.
- *Spending levels by customers.* Rentals and sales of equipment to the construction industry and to industrial companies constitute a significant portion of our total revenues. As a result, we depend upon customers in these businesses and their ability and willingness to make capital expenditures to rent or buy specialized equipment. Accordingly, our business is impacted by fluctuations in customers’ spending levels on capital expenditures and by the availability of credit to those customers.
- *Adverse weather.* Adverse weather in a geographic region in which we operate may depress demand for equipment in that region. Our equipment is primarily used outdoors and, as a result, prolonged adverse weather conditions may prohibit our customers from continuing their work projects. Adverse weather also has a seasonal impact in parts of our Intermountain region, particularly in the winter months.
- *Regional and Industry-Specific Activity and Trends.* Expenditures by our customers may be impacted by the overall level of construction activity in the markets and regions in which they operate, the price of oil and other commodities and other general economic trends impacting the industries in which our customers and end users operate. As our customers adjust their activity and spending levels in response to these external factors, our rentals and sales of equipment to those customers will be impacted. For example, high levels of industrial activity in our Gulf Coast and Intermountain regions have been a meaningful driver of recent growth in our revenues. Conversely, declines in oil and natural gas prices and the related downturn in oil industry activities can result in a significant decrease in our new equipment sales, primarily the sale of new cranes, due to lower demand. Most recently, in the first quarter of 2020, worldwide crude oil and natural gas prices sharply declined as a result of the lack of agreement on production levels by members of the Organization of the Petroleum Exporting Countries and other oil- and gas-producing countries, which resulted in production outstripping the demand for oil and gas. Additionally, the effects of the COVID-19 outbreak, has decreased demand for oil and gas products as companies and other organizations have suspended or curtailed operations and travel. Although worldwide crude oil and natural gas prices have partially recovered from the 2020 first quarter decline, we believe the uncertainty regarding future oil and natural gas prices continues to impact customer capital expenditure decisions.

Results of Operations

The tables included in the period-to-period comparisons below provide summaries of our revenues and gross profits for our business segments and non-segmented revenues for the three months ended March 31, 2021 and 2020. The period-to-period comparisons of our financial results are not necessarily indicative of future results.

Three Months Ended March 31, 2021 Compared to the Three Months Ended March 31, 2020

Revenues.

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Total Dollar Increase (Decrease)	Total Percentage Increase (Decrease)
	(in thousands, except percentages)			
Segment Revenues:				
Equipment rentals				
Rentals	$ 139,941	$ 158,618	$ (18,677)	(11.8)%
Rentals other	16,283	15,901	382	2.4%
Total equipment rentals	156,224	174,519	(18,295)	(10.5)%
New equipment sales	37,745	30,873	6,872	22.3%
Used equipment sales	41,766	31,218	10,548	33.8%
Parts sales	25,612	29,769	(4,157)	(14.0)%
Services revenues	14,510	16,822	(2,312)	(13.7)%
Non-Segmented revenues	2,588	2,721	(133)	(4.9)%
Total revenues	$ 278,445	$ 285,922	$ (7,477)	(2.6)%

Total Revenues. Our total revenues were approximately $278.4 million for the three month period ended March 31, 2021 compared to $285.9 million for the three month period ended March 31, 2020, a decrease of $7.5 million, or 2.6%. Our total revenues in 2021 were adversely impacted by inclement weather during February 2021, one less billing day in the current quarter as compared to the prior leap year on February 29, 2020, and decreased comparative demand from the impact of the COVID-19 economic downturn in the first half of the current quarter. Revenues for all reportable segments and non-segmented other revenues are further discussed below.

Equipment Rental Revenues. Our total revenues from equipment rentals for the three month period ended March 31, 2021 decreased approximately $18.3 million, or 10.5%, to $156.2 million from $174.5 million in the three month period ended March 31, 2020. See Rentals and Rentals Other below for additional information.

Rentals: Rental revenues decreased $18.7 million, or 11.8%, to $139.9 million for the three month period ended March 31, 2021 compared to $158.6 million for the three month period ended March 31, 2020. Rental revenues from aerial work platform equipment decreased $6.3 million and material handling equipment decreased $5.2 million. Rental revenues on earthmoving equipment, cranes and other equipment decreased $3.0 million, $2.2 million and $2.0 million, respectively. As noted above, extreme winter weather in February 2021 resulted in temporary branch closures in approximately 40% of our locations for up to one week.

Our average rental rates for the three month period ended March 31, 2021 decreased 4.0% compared to the same three month period last year and decreased approximately 0.2% from the three month period ended December 31, 2020. Rental equipment dollar utilization (annual rental revenues divided by the average original rental fleet equipment costs) for the three month period ended March 31, 2021 was 32.0% compared to 33.1% in the three month period ended March 31, 2020, a decrease of 1.1%. The decrease in comparative rental equipment dollar utilization was the net result of the decrease in equipment rental rates as noted above and a decrease in rental equipment time utilization. Rental equipment time utilization as a percentage of original equipment cost was approximately 63.5% for the three month period ended March 31, 2021 compared to 64.3% in the three month period ended March 31, 2020, a decrease of 0.8%. The decrease in rental equipment time utilization as a percentage of original equipment cost was largely due to a $161.0 million decrease, or 8.4%, in our equipment rental fleet since March 31, 2020.

Rentals Other: Our rentals other revenues consists primarily of equipment support activities that we provide to customers in connection with renting equipment, such as hauling charges, damage waiver policies, environmental and other recovery fees. Rental other revenues for the three month period ended March 31, 2021 were $16.3 million compared to $15.9 million for the three month period ended March 31, 2020, an increase of approximately $0.4 million, or 2.4%.

New Equipment Sales Revenues. Our new equipment sales for the three month period ended March 31, 2021 increased $6.9 million, or 22.3%, to $37.7 million from $30.9 million for the three month period ended March 31, 2020. This increase was driven primarily by sales of new cranes, increasing $6.1 million for the three month period ended March 31, 2021 compared to the same three month period last year. Sales of new other equipment and new aerial work platform equipment increased $1.0 million and $0.2 million, respectively. Partially offsetting these new equipment sales increases was a $0.5 million decrease in new material handling equipment sales.

Used Equipment Sales Revenues. Our used equipment sales increased $10.5 million, or 33.8%, to $41.8 million for the three month period ended March 31, 2021, from approximately $31.2 million for the same three month period in 2020. This increase in used equipment sales reflects improved customer demand for used equipment and improved used equipment pricing. Sales of used material handling equipment, used aerial work platform equipment and used earthmoving increased $4.3 million, $2.9 million and $2.4 million, respectively. Sales of used other equipment increased $1.1 million.

Parts Sales Revenues. Our parts sales revenues for the three month period ended March 31, 2021 decreased $4.2 million, or 14.0%, to $25.6 million from approximately $29.8 million for the same three month period last year. The decrease in parts sales was attributable to decreases in equipment parts sales across all product lines, reflecting COVID-19's impact on our parts business.

Services Revenues. Our services revenues for the three month period ended March 31, 2021 decreased $2.3 million, or 13.7%, to approximately $14.5 million from $16.8 million for the same three month period last year. This decrease in service revenues is attributable to decreases in service revenues across all product lines.

Non-Segmented Other Revenues. Our non-segmented other revenues relate to equipment support activities that we provide to customers in connection with new and used equipment sales and parts and services revenues and are not generally allocated to reportable segments. For the three month period ended March 31, 2021, our other revenues were approximately $2.6 million, a decrease of $0.1 million, or 4.9%, from approximately $2.7 million in the same three month period in 2020.

Gross Profit.

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Total Dollar Increase (Decrease)	Total Percentage Increase (Decrease)
	(in thousands, except percentages)			
Segment Gross Profit (loss):				
Equipment rentals				
Rentals	$ 58,904	$ 73,063	$ (14,159)	(19.4)%
Rentals other	(440)	(904)	464	51.3%
Total equipment rentals	58,464	72,159	(13,695)	(19.0)%
New equipment sales	4,303	3,447	856	24.8%
Used equipment sales	13,401	10,780	2,621	24.3%
Parts sales	6,865	7,866	(1,001)	(12.7)%
Services revenues	9,813	11,282	(1,469)	(13.0)%
Non-Segmented revenues gross profit (loss)	157	(51)	208	407.8%
Total gross profit	$ 93,003	$ 105,483	$ (12,480)	(11.8)%

Total Gross Profit. Our total gross profit was $93.0 million for the three month period ended March 31, 2021 compared to $105.5 million for the same three month period in 2020, a decrease of $12.5 million, or 11.8%. Total gross profit margin for the three month period ended March 31, 2021 was approximately 33.4%, a decrease of 3.5% from the 36.9% gross profit margin for the same three month period in 2020. Comparative total gross profit margin was impacted by revenue mix as higher gross margin rental revenues and parts and service revenues decreased while revenues from our lower gross margin new and used equipment sales increased compared to a year ago. Gross profit (loss) and gross margin for all reportable segments and non-segmented other revenues are further described below.

Equipment Rentals Gross Profit. Our total gross profit from equipment rentals for the three month period ended March 31, 2021 decreased approximately $13.7 million, or 19.0%, to $58.5 million from $72.2 million in the same three month period in 2020. Total gross profit margin from equipment rentals for the three month period ended March 31, 2021 was approximately 37.4% compared to 41.3% for the same period in 2020, a decrease of approximately 3.9%. See Rentals and Rentals Other below for additional information.

Rentals: Rental revenues gross profit decreased $14.2 million, or 19.4%, to $58.9 million for the three month period ended March 31, 2021 compared to $73.1 million for the same three month period in 2020. The gross profit decrease was the result of an $18.7 million decrease in equipment rental revenues for the three month period ended March 31, 2021 compared to the same period last year, combined with a $4.6 million decrease in rental equipment depreciation expense and a $0.1 million increase in rental expenses. The decrease in depreciation expense is primarily due to a smaller fleet size in 2021 compared to 2020. Our fleet size, based on original equipment cost, at March 31, 2021 was $161.0 million, or 8.4%, smaller than our fleet size at March 31, 2020. The smaller fleet size reflects the downsizing of our fleet last year through fleet sales and reduced capital expenditures in response to the impact to our rental business from the COVID-19 pandemic.

Gross profit margin on equipment rentals for the three month period ended March 31, 2021 was approximately 42.1% compared to 46.1% for the same period in 2020, a decrease of 4.0%. Depreciation expense was 39.6% of equipment rental revenues for the three month period ended March 31, 2021 compared to 37.8% for the same period in 2020, an increase of approximately 1.7%, resulting primarily from the decrease in rental revenues. As a percentage of revenues, rental expenses were 18.4% for the three month period ended March 31, 2021 compared to 16.1% for the same period last year, an increase of 2.2%, resulting primarily from the decrease in rental revenues.

Rentals Other: Our rentals other revenues consists primarily of equipment support activities that we provide to customers in connection with renting equipment, such as hauling charges, damage waiver policies, environmental and other recovery fees. Rental other revenues gross loss for the three month period ended March 31, 2021 was $0.4 million compared to a gross loss of $0.9 million, for the same period in 2020, an increase of $0.5 million. Gross loss margin was 2.7% for the three month period ended March 31, 2021 compared to a gross loss margin of 5.7% for the same period last year.

New Equipment Sales Gross Profit. Our new equipment sales gross profit for the three month period ended March 31, 2021 increased $0.9 million, or 24.8%, to $4.3 million compared to $3.4 million for the same three month period in 2020 on a total new equipment sales increase of $6.9 million. Gross profit margin on new equipment sales was 11.4% for the three month period ended March 31, 2021, compared to 11.2% for the same period last year, an increase of 0.2%. The increase in gross profit margin was primarily due to higher gross margins on new earthmoving equipment sales.

Used Equipment Sales Gross Profit. Our used equipment sales gross profit for the three month period ended March 31, 2021 increased $2.6 million, or 24.3%, to $13.4 million from $10.8 million in the same period in 2020 on a used equipment sales increase of $10.5 million. Gross profit margin on used equipment sales for the three month period ended March 31, 2021 was approximately 32.1%, down 2.4% from 34.5% for the same three month period in 2020, primarily as a result of lower used material handling, aerial work platform, and earthmoving gross margins. Our used equipment sales from the rental fleet, which comprised 92.9% and 93.1% of our used equipment sales for the three month periods ended March 31, 2021 and 2020, respectively, were approximately 151.5% and 157.2% of net book value for the three month periods ended March 31, 2021 and 2020, respectively.

Parts Sales Gross Profit. Our parts sales gross profit for the three month period ended March 31, 2021 was approximately $6.9 million, a decrease of $1.0 million, or 12.7%, from gross profit of $7.9 million for the same period last year on a parts sales decrease of $4.2 million. Gross profit margin for the three month period ended March 31, 2021 was 26.8% compared to 26.4% for the same three month period last year, an increase of 0.4%, resulting from the mix of parts sold.

Services Revenues Gross Profit. For the three month period ended March 31, 2021, our services revenues gross profit decreased $1.5 million, or 13.0%, to $9.8 million from $11.3 million for the same three month period in 2020 on a $2.3 million decrease in services revenues. Gross profit margin for the three month period ended March 31, 2021 was 67.6%, an increase of 0.5% from approximately 67.1% in the same three month period in 2020, as a result of services revenues mix.

Non-Segmented Other Revenues Gross Profit (Loss). Our non-segmented other revenues relate to equipment support activities that we provide to customers in connection with new and used equipment sales and parts and services revenues and are not generally allocated to reportable segments. For the three month period ended March 31, 2021, our other revenues gross profit was $0.2 million compared to a gross loss of $0.1 million, in the same period in 2020, an increase of $0.2 million.

Selling, General and Administrative Expenses. SG&A expenses decreased $5.7 million, or 7.1%, to $74.0 million for the three month period ended March 31, 2021 compared to $79.6 million for the three month period ended March 31, 2020. Employee salaries, wages, payroll taxes and related employee benefit and other employee related expenses decreased $3.4 million due to lower commissions and incentive pay combined with headcount reductions, decreases in health insurance costs and workers compensation costs, and other employee cost reductions implemented subsequent to the first quarter of 2020 in response to COVID-19’s impact to our business. Bad debt expense decreased $1.3 million. Liability insurance costs decreased $0.9 million. Legal and professional fees decreased $0.6 million and miscellaneous service overhead costs decreased $0.4 million. Partially offsetting these decreases was a $1.0 million increase in accrued litigation loss contingencies. Approximately $2.2 million of comparative incremental SG&A expenses in the current quarter was attributable to branches opened since January 1, 2020 with less than three months of comparable operations in either or both of the three month periods ended March 31, 2021 and 2020. SG&A expenses as a percentage of total revenues for the three month periods ended March 31, 2021 and 2020 were 26.6% and 27.8%, respectively, a decrease of 1.3%.

Impairment of Goodwill. There was no impairment of goodwill for the three months ended March 31, 2021. Impairment of goodwill incurred in the three months ended March 31, 2020 was $62.0 million. The impairment related to one of our six reporting units, Equipment Rental Component 2. See footnote 2 to the Company’s unaudited condensed consolidated financial statements included as Item 1 in this Quarterly Report on Form 10-Q for additional information.

Gain on Sales of Property & Equipment (Net). We had net gains on sales of property and equipment of $0.2 million compared to $4.3 million for the same period last year, a decrease of $4.1 million. The difference is due to a $2.1 million gain on a sale-leaseback transaction in the period ended March 31, 2020 and other property and equipment gains in the normal course of business.

Other Income (Expense). For the three month period ended March 31, 2021, our net other expenses decreased approximately $2.6 million to $12.8 million compared to $15.4 million for the same three month period in 2020, as a result of lower interest expense. Interest expense decreased approximately $2.6 million to $13.4 million for the three month period ended March 31, 2021 compared to $16.0 million for the same period last year. This decrease was the result of lower interest expense on our Credit Facility as we had no borrowings under the Credit Facility during the first quarter of 2021 and lower interest expense on our senior unsecured notes, resulting from the Company’s refinancing of its senior unsecured notes in the fourth quarter of 2020.

Income Taxes. We recorded income tax expense of $1.5 million for the three month period ended March 31, 2021 compared to an income tax benefit of $10.3 million for the three month period ended March 31, 2020. Our effective income tax rate for the three month period ended March 31, 2021 was 27.1% compared to 21.9% for the same period in 2020. Our rate for the three month period ended March 31, 2020 includes the impact of 4.5% related to nondeductible goodwill impairment. Based on available evidence, both positive and negative, we believe it is more likely than not that our federal deferred tax assets at March 31, 2021 are fully realizable through future reversals of existing taxable temporary differences and future taxable income.

Liquidity and Capital Resources

Cash flow from operating activities. For the three month period ended March 31, 2021, the net cash provided by our operating activities was $46.9 million. Our reported net income of $4.2 million, when adjusted for non-cash income and expense items, such as depreciation and amortization, deferred income taxes, net amortization (accretion) of note discount (premium), provision for losses on accounts receivable, provision for inventory obsolescence, stock-based compensation expense, non-cash lease operating expense and net gains on the sale of long-lived assets, provided positive cash flows of $61.0 million. These cash flows from operating activities were also positively impacted by a $22.7 million decrease in receivables, a $62.4 million increase in accounts payable, a $6.2 million increase in accrued expenses payable and other liabilities and a $0.9 million increase in manufacturing flooring plans payable. Partially offsetting these positive cash flows were a $99.0 million increase in inventories, due to increases in capital expenditures for new equipment inventory, and a $7.2 million increase in prepaid expenses and other assets.

For the three month period ended March 31, 2020, the net cash provided by our operating activities was $34.5 million. Our reported net loss of $37.0 million, when adjusted for non-cash income and expense items, such as depreciation and amortization, deferred income taxes, net amortization (accretion) of note discount (premium), provision for losses on accounts receivable, provision for inventory obsolescence, stock-based compensation expense, impairment of goodwill, non-cash lease operating expense and net gains on the sale of long-lived assets, provided positive cash flows of $75.4 million. These cash flows from operating activities were also positively impacted by a $21.1 million decrease in receivables and a $9.5 million increase in accounts payable. Partially offsetting these positive cash flows were a $33.4 million increase in inventories, a $23.6 million decrease in accrued expenses payable and other liabilities, a $7.4 million decrease in manufacturing flooring plans payable and a $7.1 million increase in prepaid expenses and other assets.

Cash flow from investing activities. For the three month period ended March 31, 2021, our net cash used in our investing activities was approximately $24.7 million. Purchases of rental and non-rental equipment were $63.6 million and proceeds from the sale of rental and non-rental equipment were $39.0 million.

For the three month period ended March 31, 2020, our net cash provided by our investing activities exceeded our cash used in our investing activities, resulting in net cash provided by our investing activities of approximately $6.1 million. Purchases of rental and non-rental equipment were $29.9 million and proceeds from the sale of rental and non-rental equipment were $35.9 million.

Cash flow from financing activities. For the three month period ended March 31, 2021, net cash used in our financing activities was $10.6 million. Dividends paid totaled $9.9 million, or $0.275 per common share. Treasury stock purchases totaled $0.4 million, payments of deferred financing costs were $0.1 million and finance lease principal payments were $0.1 million.

For the three month period ended March 31, 2020, net cash used in our financing activities was $42.4 million. Net payments under our Credit Facility for the three month period ended March 31, 2020 were $32.0 million. Additionally, dividends paid totaled $9.9 million, or $0.275 per common share. Treasury stock purchases totaled $0.5 million and finance lease principal payments were $0.1 million.

Senior Unsecured Notes

On December 14, 2020, we completed the offering of our $1.25 billion, 3.875% senior unsecured notes due 2028 (the "New Notes"), and the settlement of a cash tender offer and redemption notice to repurchase or redeem all of our previously outstanding $950 million, 5.625% senior unsecured notes due 2025 (the "Old Notes"). No principal payments on the New Notes are due until their scheduled maturity date (December 15, 2028).

The New Notes were issued by H&E Equipment Services, Inc. (the parent company) and are guaranteed by GNE Investments, Inc. and its wholly-owned subsidiaries Great Northern Equipment, Inc., H&E Equipment Services (California), LLC, H&E California Holding, Inc., H&E Equipment Services (Mid-Atlantic), Inc. and H&E Finance Corp (collectively, the guarantor subsidiaries). The guarantees, made on a joint and several basis, are full and unconditional (subject to subordination provisions and subject to a standard limitation which provides that the maximum amount guaranteed by each guarantor will not exceed the maximum amount that can be guaranteed without making the guarantee void under fraudulent conveyance laws). There are no restrictions on H&E Equipment Services, Inc.'s ability to obtain funds from the guarantor subsidiaries by dividend or loan. There are no registration rights associated with the New Notes or the subsidiary guarantees.

Senior Secured Credit Facility

We and our subsidiaries are parties to a $750.0 million Credit Facility with Wells Fargo Capital Finance, LLC as administrative agent, and the lenders named therein. At March 31, 2021, we had no outstanding borrowings under the Credit Facility and we could borrow up to $741.3 million. At April 20, 2021, we had $741.3 million of available borrowings under our Credit Facility, net of an $8.7 million outstanding letter of credit. We do not anticipate any near-term impacts to our liquidity under the Credit Facility as a result of the COVID-19 pandemic, nor do we anticipate any covenant violations related to the Credit Facility.

Cash Requirements Related to Operations

Our principal sources of liquidity have been from cash provided by operating activities and the sales of new, used and rental fleet equipment, proceeds from the issuance of debt, and borrowings available under the Credit Facility. Our principal uses of cash historically have been to fund operating activities and working capital (including new and used equipment inventories), purchases of rental fleet equipment and property and equipment, fund payments due under facility operating leases and manufacturer flooring plans payable, and to meet debt service requirements. In the future, we may pursue additional strategic acquisitions and seek to open new start-up locations.

The amount of our future capital expenditures will depend on a number of factors including general economic conditions and growth prospects. In response to changing economic conditions, we believe we have the flexibility to modify our capital expenditures by adjusting them (either up or down) to match our actual performance. Our gross rental fleet capital expenditures for the three month period ended March 31, 2021 and 2020 were approximately $71.7 million and $32.5 million, respectively, including $15.4 million and $12.7 million, respectively, of non-cash transfers from new and used equipment to rental fleet inventory. This increase in rental fleet capital expenditures reflects our response to improved rental demand in 2021 compared to the decrease in our rental fleet capital expenditures in response to COVID-19. Our gross property and equipment capital expenditures for the three month period ended March 31, 2021 and 2020 were $7.3 million and $10.1 million, respectively.

To service our debt, we will require a significant amount of cash. Our ability to pay interest and principal on our indebtedness (including the Credit Facility, the New Notes and our other indebtedness), will depend upon our future operating performance and the availability of borrowings under the Credit Facility and/or other debt and equity financing alternatives available to us, which will be affected by prevailing economic conditions and conditions in the global credit and capital markets, as well as financial, business and other factors, some of which are beyond our control. Based on our current level of operations and given the current state of the capital markets, we believe our cash flow from operations, available cash and available borrowings under the Credit Facility will be adequate to meet our future liquidity needs for the foreseeable future. At March 31, 2021, we have cash on hand of approximately $322.5 million. At March 31, 2021, we had available borrowings of $741.3 million, net of $8.7 million of outstanding letters of credit, compared to $557.3 million at March 31, 2020, net of $7.7 million of outstanding letters of credit. This improvement in the amounts we have available for borrowing under the Credit Facility is substantially due to a decrease in capital expenditures since the end of the first quarter last year. At April 20, 2021, we had $741.3 million of available borrowings under the Credit Facility, net of an $8.7 million of outstanding letters of credit. We do not expect our liquidity to be materially negatively impacted by the current COVID-19 pandemic.

Quarterly Dividend

On February 11, 2021, the Company announced a quarterly dividend of $0.275 per share to stockholders of record, which was paid on March 12, 2021, totaling approximately $9.8 million. The Company intends to continue to pay regular quarterly cash dividends; however, the declaration of any subsequent dividends is discretionary and will be subject to a final determination by the Board of Directors each quarter after its review of, among other things, business and market conditions.

Contractual and Commercial Commitments

There have been no material changes from the information included in our Annual Report on Form 10-K for the year ended December 31, 2020.

Off-Balance Sheet Arrangements

There have been no material changes from the information included in our Annual Report on Form 10-K for the year ended December 31, 2020.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no significant changes in our exposure to market risk during the three months ended March 31, 2021. For a discussion of our exposure to market risk, refer to Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Item 4. Controls and Procedures

Management's Quarterly Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or furnishes under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial disclosure.

Our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively) have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, as of March 31, 2021, our current disclosure controls and procedures were effective.

The design of any system of control is based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated objectives under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate. Because of its inherent limitations, disclosure controls and procedures may not prevent or detect all misstatements. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) that occurred during the three month period ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are involved in various claims and legal actions arising in the ordinary course of our business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these various matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity. We are exposed to various claims relating to our business, including those for which we retain portions of the losses through the application of deductibles and self-insured retentions, or self-insurance. Losses that exceed our deductibles and self-insured retentions are insured through various commercial lines of insurance policies.

We have a contingent liability related to two wage and hour lawsuits in the state of California, Coleman v. H&E Equipment Services, Inc. and Mizar Et Al v. H&E Equipment Services, Inc., filed September 4, 2020 and September 28, 2020, respectively, and currently docketed in the U.S. District Court for the Northern District Court of California and in the California Superior Court, County of Alameda, respectively. While the plaintiff's counsel in the Coleman case has not yet made a settlement demand in the matter, the parties have agreed to a mediation hearing in June 2021 in an attempt to reach an agreed-upon settlement in the matter. The claims are not subject to any insurance recoveries on our behalf. The Company currently does not expect these unresolved legal actions to have a material effect on the Company's consolidated financial statements.

We are also involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these various matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

Item 1A. Risk Factors.

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A - "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2020, which could materially affect our business, financial condition or future results.

As of the date of this Quarterly Report on Form 10-Q, there have been no material changes with respect to the Company's risk factors previously disclosed on Form 10-K for the year ended December 31, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On December 31, 2020, 31,796 shares of restricted stock units, which were granted in 2018, vested and were subsequently issued on March 8, 2021, at $34.54 per share. Holders of those shares returned an aggregate of 12,624 shares of common stock to the Company during the quarter ended March 31, 2021 as payment for their respective withholding taxes. This resulted in an addition of 12,624 shares to treasury stock.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	Inline XBRL Instance Document (filed herewith).
101.SCH	Inline XBRL Taxonomy Extension Schema Document (filed herewith).
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith).
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith).
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (filed herewith).
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

H&E EQUIPMENT SERVICES, INC.

Dated: April 27, 2021

By: /s/ Bradley W. Barber
Bradley W. Barber
Chief Executive Officer & Director
(Principal Executive Officer)

Dated: April 27, 2021

By: /s/ Leslie S. Magee
Leslie S. Magee
Chief Financial Officer and Secretary
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Bradley W. Barber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of H&E Equipment Services, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 27, 2021

By: /s/ Bradley W. Barber
Bradley W. Barber
Chief Executive Officer & Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Leslie S. Magee, certify that:

1. I have reviewed this quarterly report on Form 10-Q of H&E Equipment Services, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 27, 2021

By: /s/ Leslie S. Magee
Leslie S. Magee
Chief Financial Officer and Secretary
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of H&E Equipment Services, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bradley W. Barber, Chief Executive Officer and Director of the Company, and Leslie S. Magee, Chief Financial Officer and Secretary of the Company, each certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) to my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 27, 2021

By: /s/ Bradley W. Barber
Bradley W. Barber
Chief Executive Officer and Director
(Principal Executive Officer)

Dated: April 27, 2021

By: /s/ Leslie S. Magee
Leslie S. Magee
Chief Financial Officer and Secretary
(Principal Financial Officer)