

H&E Equipment Services, Inc.
Form 10-Q
May 03, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2012.

.. **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)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

81-0553291
(I.R.S. Employer
Identification No.)

11100 Mead Road, Suite 200,

Baton Rouge, Louisiana
(Address of Principal Executive Offices)

70816
(ZIP Code)

(225) 298-5200

(Registrant's Telephone Number, Including Area Code)

None

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer Smaller Reporting Company

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 27, 2012, there were 35,083,420 shares of H&E Equipment Services, Inc. common stock, \$0.01 par value, outstanding.

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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, 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.

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. Many of these factors are beyond our ability to control or predict. Such factors include, but are not limited to, the following:

general economic conditions and construction and industrial activity in the markets where we operate in North America, as well as the depth and duration of the recent macroeconomic downturn and related decreases in construction and industrial activities, which may significantly affect our revenues and operating results;

the impact of conditions in the global credit markets and their effect on construction spending and the economy in general;

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;

our possible inability to integrate any businesses we acquire;

competitive pressures;

compliance with laws and regulations, including those relating to environmental matters and corporate governance matters; and

other factors discussed under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2011.

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

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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, 2011, as well as other reports and registration statements filed by us with the SEC. 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.

Table of Contents**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, 2012 (Unaudited)	December 31, 2011
ASSETS		
Cash	\$ 2,912	\$ 24,215
Receivables, net of allowance for doubtful accounts of \$5,141 and \$5,581, respectively	98,345	105,339
Inventories, net of reserves for obsolescence of \$887 and \$861, respectively	111,122	65,151
Prepaid expenses and other assets	5,960	5,223
Rental equipment, net of accumulated depreciation of \$283,357 and \$281,493, respectively	459,761	450,877
Property and equipment, net of accumulated depreciation and amortization of \$64,312 and \$62,050, respectively	68,786	62,775
Deferred financing costs, net of accumulated amortization of \$12,184 and \$11,844, respectively	6,091	5,640
Intangible assets, net of accumulated amortization of \$747 and \$722, respectively	41	66
Goodwill	33,533	34,019
Total assets	\$ 786,551	\$ 753,305
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Amounts due on senior secured credit facility	\$ 22,443	\$ 16,055
Accounts payable	89,304	63,006
Manufacturer flooring plans payable	59,918	58,318
Accrued expenses payable and other liabilities	32,069	38,490
Senior unsecured notes	250,000	250,000
Capital leases payable	2,567	2,605
Deferred income taxes	59,827	58,616
Deferred compensation payable	1,929	2,008
Total liabilities	518,057	489,098
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; 38,808,941 shares issued at March 31, 2012 and December 31, 2011 and 35,083,420 and 35,084,737 shares outstanding at March 31, 2012 and December 31, 2011, respectively	387	387
Additional paid-in capital	211,027	210,695
Treasury stock at cost, 3,725,521 and 3,724,204 shares of common stock held at March 31, 2012 and December 31, 2011, respectively	(56,884)	(56,884)
Retained earnings	113,964	110,009
Total stockholders equity	268,494	264,207

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Total liabilities and stockholders' equity	\$ 786,551	\$ 753,305
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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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,	
	2012	2011
Revenues:		
Equipment rentals	\$ 59,629	\$ 48,478
New equipment sales	40,997	29,173
Used equipment sales	26,522	15,417
Parts sales	23,378	21,577
Services revenues	13,300	12,637
Other	9,839	7,626
Total revenues	173,665	134,908
Cost of revenues:		
Rental depreciation	22,814	20,563
Rental expense	11,543	10,739
New equipment sales	35,945	26,030
Used equipment sales	18,622	11,562
Parts sales	16,929	15,840
Services revenues	5,124	4,911
Other	10,037	10,147
Total cost of revenues	121,014	99,792
Gross profit	52,651	35,116
Selling, general and administrative expenses	40,703	38,093
Gain on sales of property and equipment, net	323	97
Income (loss) from operations	12,271	(2,880)
Other income (expense):		
Interest expense	(6,870)	(7,207)
Other, net	357	323
Total other expense, net	(6,513)	(6,884)
Income (loss) before income taxes	5,758	(9,764)
Provision (benefit) for income taxes	1,803	(3,291)
Net income (loss)	\$ 3,955	\$ (6,473)
Net income (loss) per common share:		
Basic	\$ 0.11	\$ (0.19)

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Diluted	\$ 0.11	\$ (0.19)
Weighted average common shares outstanding:		
Basic	34,806	34,700
Diluted	34,949	34,700

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

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

	Three Months Ended	
	March 31,	
	2012	2011
Cash flows from operating activities:		
Net income (loss)	\$ 3,955	\$ (6,473)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization on property and equipment	3,221	3,132
Depreciation on rental equipment	22,814	20,563
Amortization of loan discounts and deferred financing costs	341	347
Amortization of intangible assets	25	124
Provision for losses on accounts receivable	885	846
Provision for inventory obsolescence	31	89
(Increase) decrease in deferred income taxes	1,211	(3,338)
Stock-based compensation expense	332	298
Gain on sales of property and equipment, net	(323)	(97)
Gain on sales of rental equipment, net	(7,494)	(3,523)
Writedown of goodwill for tax-deductible goodwill in excess of book goodwill	486	
Changes in operating assets and liabilities:		
Receivables, net	6,109	14,587
Inventories, net	(63,928)	(32,838)
Prepaid expenses and other assets	(736)	(3,431)
Accounts payable	26,298	1,531
Manufacturer flooring plans payable	1,600	(1,316)
Accrued expenses payable and other liabilities	(6,422)	(5,543)
Deferred compensation payable	(79)	(44)
Net cash used in operating activities	(11,674)	(15,086)
Cash flows from investing activities:		
Purchases of property and equipment	(9,369)	(3,434)
Purchases of rental equipment	(29,946)	(13,401)
Proceeds from sales of property and equipment	460	127
Proceeds from sales of rental equipment	23,668	11,829
Net cash used in investing activities	(15,187)	(4,879)
Cash flows from financing activities:		
Borrowings on senior secured credit facility	208,750	16,923
Payments on senior secured credit facility	(202,362)	(16,923)
Payments of deferred financing costs	(792)	
Payments of capital lease obligations	(38)	(36)
Net cash provided by (used in) financing activities	5,558	(36)
Net decrease in cash	(21,303)	(20,001)
Cash, beginning of period	24,215	29,149

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Cash, end of period	\$ 2,912	\$ 9,148
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H&E EQUIPMENT SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Unaudited)

(Amounts in thousands)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2012	2011
Supplemental schedule of noncash investing and financing activities:		
Noncash asset purchases:		
Assets transferred from new and used inventory to rental fleet	\$ 17,926	\$ 15,355
 Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 11,798	\$ 12,109
Income taxes paid, net of refunds received	\$ 88	\$ (2,021)

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

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H&E EQUIPMENT SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(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 Holdings, 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, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012, 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, 2011, from which the balance sheet amounts as of December 31, 2011 were derived.

All significant intercompany accounts and transactions have been eliminated in these condensed consolidated financial statements. Business combinations accounted for as purchases are included in the condensed consolidated financial statements from their respective dates of acquisition.

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 service support for four core categories of specialized equipment: (1) hi-lift or aerial work platform equipment; (2) cranes; (3) earthmoving equipment; and (4) industrial lift trucks. By providing equipment sales, rental, on-site parts, and 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 service operations.

(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, 2011. During the three month period ended March 31, 2012, there were no significant changes to those accounting policies.

Use of Estimates

We prepare our condensed 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.

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There are no recent accounting pronouncements that are expected to affect the Company's financial reporting.

(3) Fair Value of Financial Instruments

The carrying value of financial instruments reported in our 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 amount for our senior secured credit facility approximates fair value because the underlying instrument includes provisions that adjust our interest rates based on current market rates. The determination of the fair value of our letters of credit is based on fees currently charged for similar agreements. The carrying amounts and fair values of our other financial instruments subject to fair value disclosures have been calculated based upon market quotes and present value calculations based on our current estimated incremental borrowing rates for similar types of borrowing arrangements, which are presented in the table below (amounts in thousands):

	March 31, 2012	
	Carrying Amount	Fair Value
Manufacturer flooring plans payable with interest computed at 5.38%	\$ 59,918	\$ 52,885
Senior unsecured notes with interest compounded at 8.375%	250,000	255,000
Capital lease payable with interest computed at 5.929% to 9.55%	2,567	2,009
Letters of credit		192

	December 31, 2011	
	Carrying Amount	Fair Value
Manufacturer flooring plans payable with interest computed at 5.38%	\$ 58,318	\$ 52,069
Senior unsecured notes with interest compounded at 8.375%	250,000	252,500
Capital lease payable with interest computed at 5.929% to 9.55%	2,605	1,839
Letters of credit		192

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The following table summarizes the activity in Stockholders Equity for the three month period ended March 31, 2012 (amounts in thousands, except share data):

	Common Stock		Additional	Treasury	Retained	Total
	Shares	Amount	Paid-in	Stock	Earnings	Stockholders
	Issued		Capital			Equity
Balances at December 31, 2011	38,808,941	\$ 387	\$ 210,695	\$ (56,884)	\$ 110,009	\$ 264,207
Stock-based compensation			332			332
Net income					3,955	3,955
Balances at March 31, 2012	38,808,941	\$ 387	\$ 211,027	\$ (56,884)	\$ 113,964	\$ 268,494

(5) Stock-Based Compensation

We account for our stock-based compensation plan using the fair value recognition provisions of ASC 718, *Stock Compensation* (ASC 718). 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 2006 Stock-Based Incentive Compensation Plan were 3,829,079 shares as of March 31, 2012.

Non-vested Stock

The following table summarizes our non-vested stock activity for the three months ended March 31, 2012:

	Number	Weighted
	of Shares	Average Grant
		Date Fair Value
Non-vested stock at December 31, 2011	278,634	\$ 10.77
Granted		
Vested		
Forfeited	(1,317)	\$ 12.28
Non-vested stock at March 31, 2012	277,317	\$ 10.76

As of March 31, 2012, we had unrecognized compensation expense of approximately \$1.7 million related to non-vested stock that we expect to be recognized over a weighted-average period of 1.8 years. The following table summarizes 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, 2012 and 2011 (amounts in thousands):

	For the Three Months	
	Ended	Ended
	March 31,	March 31,
	2012	2011
Compensation expense	\$ 332	\$ 298

Stock Options

At March 31, 2012, there is no unrecognized compensation expense as all stock option awards have fully vested. The following table represents stock option activity for the three months ended March 31, 2012:

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	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Life In Years
Outstanding options at December 31, 2011	51,000	\$ 24.80	
Granted			
Exercised			
Canceled, forfeited or expired			
Outstanding options at March 31, 2012	51,000	\$ 24.80	4.3
Options exercisable at March 31, 2012	51,000	\$ 24.80	4.3

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The closing price of our common stock on March 31, 2012 was \$18.92. All options outstanding at March 31, 2012 have grant date fair values which exceed the March 31, 2012 closing stock price.

(6) Income (Loss) per Share

Income (loss) per common share for the three months ended March 31, 2012 and 2011 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. The following table sets forth the computation of basic and diluted net income (loss) per common share for the three month periods ended March 31, 2012 and 2011 (amounts in thousands, except per share amounts):

	Three Months Ended	
	March 31,	
	2012	2011
Basic net income (loss) per share:		
Net income (loss)	\$ 3,955	\$ (6,473)
Weighted average number of common shares outstanding	34,806	34,700
Net income (loss) per common share basic	\$ 0.11	\$ (0.19)
Diluted net income (loss) per share:		
Net income (loss)	\$ 3,955	\$ (6,473)
Weighted average number of common shares outstanding	34,806	34,700
Effect of dilutive securities:		
Effect of dilutive stock options		
Effect of dilutive non-vested stock	143	
Weighted average number of common shares outstanding diluted	34,949	34,700
Net income (loss) per common share diluted	\$ 0.11	\$ (0.19)
Common shares excluded from the denominator as anti-dilutive:		
Stock options	51	51
Non-vested restricted stock		328

(7) Segment Information

We have identified five reportable segments: equipment rentals, new equipment sales, used equipment sales, parts sales and service 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.

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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,	
	2012	2011
Revenues:		
Equipment rentals	\$ 59,629	\$ 48,478
New equipment sales	40,997	29,173
Used equipment sales	26,522	15,417
Parts sales	23,378	21,577
Services revenues	13,300	12,637
Total segmented revenues	163,826	127,282
Non-segmented revenues	9,839	7,626
Total revenues	\$ 173,665	\$ 134,908
Gross Profit (Loss):		
Equipment rentals	\$ 25,272	\$ 17,176
New equipment sales	5,052	3,143
Used equipment sales	7,900	3,855
Parts sales	6,449	5,737
Services revenues	8,176	7,726
Total segmented gross profit	52,849	37,637
Non-segmented gross profit (loss)	(198)	(2,521)
Total gross profit	\$ 52,651	\$ 35,116
Balances at		
	March 31,	December 31,
	2012	2011
Segment identified assets:		
Equipment sales	\$ 96,685	\$ 52,572
Equipment rentals	459,761	450,877
Parts and services	14,437	12,579
Total segment identified assets	570,883	516,028
Non-segment identified assets	215,668	237,277
Total assets	\$ 786,551	\$ 753,305

The Company operates primarily in the United States and our sales to international customers for the three month periods ended March 31, 2012 and 2011 were approximately 1.7% and 1.9% of total revenues, respectively. No one customer accounted for more than 10% of our revenues on an overall or segment basis for any of the periods presented.

(8) Condensed Consolidating Financial Information of Guarantor Subsidiaries

All of the indebtedness of H&E Equipment Services, Inc. is guaranteed by GNE Investments, Inc. and its wholly-owned subsidiary Great Northern Equipment, Inc., H&E Equipment Services (California), LLC, H&E California Holdings, Inc. and H&E Equipment Services (Mid-Atlantic), Inc. The guarantor subsidiaries are all wholly-owned and the guarantees, made on a joint and several basis, are full and

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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.

The condensed consolidating financial statements of H&E Equipment Services, Inc. and its subsidiaries are included below. The financial statements for H&E Finance Corp., the subsidiary co-issuer, are not included within the condensed consolidating financial statements because H&E Finance Corp. has no assets or operations. The condensed consolidating balance sheet amounts as of December 31, 2011 included herein were derived from our annual audited consolidated financial statements and related notes in our Annual Report on Form 10-K for the year ended December 31, 2011.

Table of Contents**CONDENSED CONSOLIDATING BALANCE SHEET**

	H&E Equipment Services	As of March 31, 2012		Consolidated
		Guarantor Subsidiaries	Elimination	
(Amounts in thousands)				
Assets:				
Cash	\$ 2,912	\$	\$	\$ 2,912
Receivables, net	86,886	11,459		98,345
Inventories, net	95,310	15,812		111,122
Prepaid expenses and other assets	5,802	158		5,960
Rental equipment, net	377,790	81,971		459,761
Property and equipment, net	58,032	10,754		68,786
Deferred financing costs, net	6,091			6,091
Intangible assets, net		41		41
Investment in guarantor subsidiaries	(26,827)		26,827	
Goodwill	4,007	29,526		33,533
Total assets	\$ 610,003	\$ 149,721	\$ 26,827	\$ 786,551
Liabilities and Stockholders Equity:				
Amounts due on senior secured credit facility	\$ 22,443	\$	\$	\$ 22,443
Accounts payable	82,248	7,056		89,304
Manufacturer flooring plans payable	59,911	7		59,918
Accrued expenses payable and other liabilities	31,092	977		32,069
Intercompany balances	(165,941)	165,941		
Senior unsecured notes	250,000			250,000
Capital lease payable		2,567		2,567
Deferred income taxes	59,827			59,827
Deferred compensation payable	1,929			1,929
Total liabilities	341,509	176,548		518,057
Stockholders equity (deficit)	268,494	(26,827)	26,827	268,494
Total liabilities and stockholders equity	\$ 610,003	\$ 149,721	\$ 26,827	\$ 786,551

Table of Contents**CONDENSED CONSOLIDATING BALANCE SHEET**

	H&E Equipment Services	As of December 31, 2011		Consolidated
		Guarantor Subsidiaries	Elimination	
(Amounts in thousands)				
Assets:				
Cash	\$ 24,215	\$	\$	\$ 24,215
Receivables, net	93,840	11,499		105,339
Inventories, net	55,052	10,099		65,151
Prepaid expenses and other assets	5,098	125		5,223
Rental equipment, net	366,568	84,309		450,877
Property and equipment, net	52,021	10,754		62,775
Deferred financing costs, net	5,640			5,640
Intangible assets, net		66		66
Investment in guarantor subsidiaries	(25,142)		25,142	
Goodwill	4,493	29,526		34,019
Total assets	\$ 581,785	\$ 146,378	\$ 25,142	\$ 753,305
Liabilities and Stockholders Equity:				
Amounts due on senior secured credit facility	\$ 16,055	\$	\$	\$ 16,055
Accounts payable	59,095	3,911		63,006
Manufacturer flooring plans payable	58,249	69		58,318
Accrued expenses payable and other liabilities	37,786	704		38,490
Intercompany balances	(164,231)	164,231		
Senior unsecured notes	250,000			250,000
Capital lease payable		2,605		2,605
Deferred income taxes	58,616			58,616
Deferred compensation payable	2,008			2,008
Total liabilities	317,578	171,520		489,098
Stockholders equity (deficit)	264,207	(25,142)	25,142	264,207
Total liabilities and stockholders equity	\$ 581,785	\$ 146,378	\$ 25,142	\$ 753,305

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**

	Three Months Ended March 31, 2012			Consolidated
	H&E Equipment Services	Guarantor Subsidiaries	Elimination	
(Amounts in thousands)				
Revenues:				
Equipment rentals	\$ 49,286	\$ 10,343	\$	\$ 59,629
New equipment sales	37,310	3,687		40,997
Used equipment sales	21,016	5,506		26,522
Parts sales	19,795	3,583		23,378
Services revenues	11,498	1,802		13,300
Other	8,125	1,714		9,839
Total revenues	147,030	26,635		173,665
Cost of revenues:				
Rental depreciation	18,399	4,415		22,814
Rental expense	9,322	2,221		11,543
New equipment sales	32,676	3,269		35,945
Used equipment sales	14,267	4,355		18,622
Parts sales	14,383	2,546		16,929
Services revenues	4,499	625		5,124
Other	8,039	1,998		10,037
Total cost of revenues	101,585	19,429		121,014
Gross profit (loss):				
Equipment rentals	21,565	3,707		25,272
New equipment sales	4,634	418		5,052
Used equipment sales	6,749	1,151		7,900
Parts sales	5,412	1,037		6,449
Services revenues	6,999	1,177		8,176
Other	86	(284)		(198)
Gross profit	45,445	7,206		52,651
Selling, general and administrative expenses	33,819	6,884		40,703
Equity in loss of guarantor subsidiaries	(1,685)			