H&E Equipment Services, Inc.
Form 10-Q
April 28, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016

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

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 R No o

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	R	Accelerated Filer	o
Non-Accelerated Filer	o	Smaller Reporting Company	o

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

As of April 21, 2016, there were 35,463,599 shares of H&E Equipment Services, Inc. common stock, $0.01 par value, outstanding.

H&E EQUIPMENT SERVICES, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

March 31, 2016

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 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;
- our ability to forecast trends in our business accurately, and the impact of economic downturns and economic uncertainty on the markets we serve;
- the impact of conditions in the global credit and commodity 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, 2015.

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, 2015, 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.

3

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, 2016 (Unaudited)	December 31, 2015
ASSETS		
Cash	$4,732	$7,159
Receivables, net of allowance for doubtful accounts of $5,042 and $4,729, respectively	145,747	147,328
Inventories, net of reserves for obsolescence of $834 and $934, respectively	98,104	96,818
Prepaid expenses and other assets	10,024	10,054
Rental equipment, net of accumulated depreciation of $392,929 and $390,317, respectively	873,147	893,393
Property and equipment, net of accumulated depreciation and amortization of $112,077 and $107,170, respectively	109,266	110,785
Deferred financing costs, net of accumulated amortization of $11,550 and $11,347, respectively	2,574	2,777
Goodwill	31,197	31,197
Total assets	$1,274,791	$1,299,511
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Amounts due on senior secured credit facility	$171,048	$184,857
Accounts payable	66,440	66,777
Manufacturer flooring plans payable	64,117	62,433
Accrued expenses payable and other liabilities	42,981	55,551
Dividends payable	48	32
Senior unsecured notes, net of unaccreted discount of $2,593 and $2,694, respectively	627,407	627,306
Capital leases payable	1,858	1,907
Deferred income taxes	159,896	155,886
Deferred compensation payable	1,795	2,174
Total liabilities	1,135,590	1,156,923
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; 39,373,548 and 39,333,571 shares issued at March 31, 2016 and December 31, 2015, respectively, and 35,464,924 and 35,428,868 shares outstanding at March 31, 2016 and December 31, 2015, respectively	393	392
Additional paid-in capital	221,686	220,879
Treasury stock at cost, 3,908,624 and 3,904,703 shares of common stock held at March 31, 2016 and December 31, 2015, respectively	(60,405)	(60,405)
Retained deficit	(22,473)	(18,278)
Total stockholders' equity	139,201	142,588
Total liabilities and stockholders' equity	$1,274,791	$1,299,511

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

H&E EQUIPMENT SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Amounts in thousands, except per share amounts)

	Three Months Ended March 31,	
	2016	2015
Revenues:		
Equipment rentals	$102,838	$101,389
New equipment sales	57,179	44,537
Used equipment sales	27,574	25,070
Parts sales	27,969	27,085
Services revenues	16,301	14,956
Other	15,149	14,373
Total revenues	247,010	227,410
Cost of revenues:		
Rental depreciation	39,497	39,944
Rental expense	16,763	15,611
New equipment sales	50,474	39,319
Used equipment sales	18,512	16,886
Parts sales	20,263	19,519
Services revenues	5,301	5,277
Other	15,056	14,514
Total cost of revenues	165,866	151,070
Gross profit	81,144	76,340
Selling, general and administrative expenses	59,374	53,466
Gain on sales of property and equipment, net	662	458
Income from operations	22,432	23,332
Other income (expense):		
Interest expense	(13,407)	(13,445)
Other, net	430	354
Total other expense, net	(12,977)	(13,091)
Income before provision for income taxes	9,455	10,241
Provision for income taxes	3,881	4,155
Net income	$5,574	$6,086
Net income per common share:		
Basic	$0.16	$0.17
Diluted	$0.16	$0.17
Weighted average common shares outstanding:		
Basic	35,341	35,227
Diluted	35,398	35,286
Dividends declared per common share outstanding	$0.275	$0.25

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,	
	2016	2015
Cash flows from operating activities:		
Net income	$5,574	$6,086
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	6,702	5,624
Depreciation of rental equipment	39,497	39,944
Amortization of deferred financing costs	262	249
Accretion of note discount, net of premium amortization	42	42
Provision for losses on accounts receivable	1,008	638
Provision for inventory obsolescence	7	29
Change in deferred income taxes	4,010	4,025
Stock-based compensation expense	1,041	1,021
Tax deficiency from stock-based awards	(234)	—
Gain from sales of property and equipment, net	(662)	(458)
Gain from sales of rental equipment, net	(8,884)	(7,927)
Changes in operating assets and liabilities:		
Receivables	573	31,813
Inventories	(23,235)	(59,745)
Prepaid expenses and other assets	30	(2,438)
Accounts payable	(337)	19,525
Manufacturer flooring plans payable	1,684	(19,306)
Accrued expenses payable and other liabilities	(12,961)	(18,581)
Deferred compensation payable	(379)	17
Net cash provided by operating activities	13,738	558
Cash flows from investing activities:		
Purchases of property and equipment	(4,966)	(6,462)
Purchases of rental equipment	(12,620)	(19,930)
Proceeds from sales of property and equipment	837	538
Proceeds from sales of rental equipment	24,195	20,646
Net cash provided by (used in) investing activities	7,446	(5,208)
Cash flows from financing activities:		
Borrowings on senior secured credit facility	237,258	264,490
Payments on senior secured credit facility	(251,067)	(261,562)
Payments of deferred financing costs	—	(725)
Dividends paid	(9,753)	(8,815)
Payments of capital lease obligations	(49)	(47)
Net cash used in financing activities	(23,611)	(6,659)
Net decrease in cash	(2,427)	(11,309)

Cash, beginning of period	7,159	15,861
Cash, end of period	$4,732	$4,552

6

H&E EQUIPMENT SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Unaudited)

(Amounts in thousands)

	Three Months Ended March 31,	
	2016	2015
Supplemental schedule of noncash investing and financing activities:		
Noncash asset purchases:		
Assets transferred from new and used inventory to rental fleet	$21,942	$31,232
Purchases of property and equipment included in accrued expenses payable and other liabilities	$392	$—
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$24,117	$24,171
Income taxes paid, net of refunds received	$(436)	$(105)

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

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 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, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016, 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, 2015, from which the consolidated balance sheet amounts as of December 31, 2015 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 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.

(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, 2015. During the three month period ended March 31, 2016, 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.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). ASU 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In doing so, entities will need to use more judgment and make more estimates than under current guidance. These judgments and estimates may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 also requires an entity to disclose sufficient qualitative and quantitative information surrounding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This ASU supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification, and further permits the use of either a retrospective or cumulative effect transition method. The FASB agreed to a one-year deferral of the original effective date of this guidance and, as a result, it will become effective for fiscal years and interim periods after December 15, 2017. However, entities may adopt the new guidance as of the original effective date (for fiscal years and interim periods beginning after December 15, 2016). We expect to adopt ASU 2014-09 as of January 1, 2018 and expect to use the modified retrospective application method. While evaluation of the new comprehensive standard is ongoing, we do not expect that the adoption of this standard will have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ("ASU 2016-02"). The new standard is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet, with the exception of leases with a term of 12 months or less, which permits a lessee to make an accounting policy election by class of underlying asset not to recognize lease assets and liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and early adoption is permitted. The new standard requires the recognition and measurement of leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In March 2016, the FASB Issued ASU No. 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). The updated guidance changes how companies account for certain aspects of share-based payment awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods, with early application permitted. We are currently evaluating the effect the guidance will have on our consolidated financial statements.

Guidance Adopted in the First Quarter of 2016

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"), which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. The guidance in the new standard is limited to the presentation of debt issuance costs and does not affect the recognition and measurement of debt issuance costs. In August 2015, the FASB issued ASU No. 2015-15, Interest-Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements - Amendments to SEC Paragraphs Pursuant to Staff Announcements ("ASU 2015-15"). ASU 2015-15 amends Subtopic 835-30 to include that the SEC would not object to the deferral and presentation of debt issuance costs as an asset and subsequent amortization of debt issuance costs over the term of the line-of-credit arrangement, whether or not there are any outstanding borrowings on the line-of-credit arrangement. This guidance became effective for us in the first quarter of 2016 and was applied on a retrospective basis. As a result of adopting this guidance, total assets and total liabilities as of December 31, 2015 changed as shown below (amounts in thousands).

	Deferred Financing Costs	Total Assets	Senior Unsecured Notes	Total Liabilities	Total Liabilities and Stockholders' Equity
Previously reported	$ 4,353	$ 1,301,087	$ 628,882	$ 1,158,499	$ 1,301,087
Reclassification of debt issuance costs	(1,576)	(1,576)	(1,576)	(1,576)	(1,576)
Current presentation	$ 2,777	$ 1,299,511	$ 627,306	$ 1,156,923	$ 1,299,511

(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 fair value of our letter 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 as of March 31, 2016 and December 31, 2015 are presented in the table below (amounts in thousands) and have been calculated based upon market quotes and present value calculations based on market rates.

	March 31, 2016	
	Carrying Amount	Fair Value
Manufacturer flooring plans payable with interest computed at 5.00% (Level 3)	$64,117	$56,186
Senior unsecured notes with interest computed at 7.0% (Level 1)	627,407	639,450
Capital leases payable with interest computed at 5.929% to 9.55% (Level 3)	1,858	1,277
Letter of credit (Level 3)	—	155

	December 31, 2015	
	Carrying Amount	Fair Value
Manufacturer flooring plans payable with interest computed at 5.00% (Level 3)	$62,433	$54,710
Senior unsecured notes with interest computed at 7.0% (Level 1)	627,306	617,400

Capital leases payable with interest computed at 5.929% to 9.55% (Level 3)	1,907	1,329
Letter of credit (Level 3)	—	145

During the three month periods ended March 31, 2016 and 2015, there were no transfers of financial assets or liabilities in or out of Level 1, Level 2 or Level 3 of the fair value hierarchy.

(4) Stockholders' Equity

The following table summarizes the activity in Stockholders' Equity for the three month period ended March 31, 2016 (amounts in thousands, except share data):

	Common Stock Shares Issued	Amount	Additional Paid-in Capital	Treasury Stock	Retained Earnings (Deficit)	'Total Stockholders' Equity
Balances at December 31, 2015	39,333,571	$ 392	$ 220,879	$ (60,405)	$ (18,278)	$ 142,588
Stock-based compensation	—	—	1,041	—	—	1,041
Cash dividends declared on common stock ($0.275 per share)	—	—	—	—	(9,769)	(9,769)
Tax deficiency associated with stock-based awards	—	—	(234)	—	—	(234)
Issuance of common stock	39,977	1	—	—	—	1
Net income	—	—	—	—	5,574	5,574
Balances at March 31, 2016	39,373,548	$ 393	$ 221,686	$ (60,405)	$ (22,473)	$ 139,201

10

(5) Stock-Based Compensation

We account for our stock-based compensation plan using the fair value recognition provisions of Accounting Standards Codification ("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, as amended, were 3,264,472 shares as of March 31, 2016.

Non-vested Stock

The following table summarizes our non-vested stock activity for the three months ended March 31, 2016:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested stock at December 31, 2015	322,355	$ 19.90
Granted	39,977	$ 11.61
Vested	(39,977)	$ 11.61
Forfeited	(3,921)	$ 19.07
Non-vested stock at March 31, 2016	318,434	$ 19.91

As of March 31, 2016, we had unrecognized compensation expense of approximately $4.1 million related to non-vested stock that we expect to be recognized over a weighted-average period of approximately 2.4 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 income for the three months ended March 31, 2016 and 2015 (amounts in thousands):

	For the Three Months Ended March 31,	
	2016	2015
Compensation expense	$1,041	$1,021

Stock Options

At March 31, 2016, 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, 2016:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Life In Years
Outstanding options at December 31, 2015	51,000	$ 17.80	
Granted	—	—	
Exercised	—	—	
Canceled, forfeited or expired	(45,000)	$ 17.60	
Outstanding options at March 31, 2016	6,000	$ 19.27	1.4
Options exercisable at March 31, 2016	6,000	$ 19.27	1.4

The closing price of our common stock at March 31, 2016 was $17.53. Options outstanding at March 31, 2016 have grant date fair values that exceed the March 31, 2016 closing stock price.

(6) Income per Share

Income per common share for the three months ended March 31, 2016 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 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 0.7% and 0.4% of total outstanding shares for the three months ended March 31, 2016 and 2015, 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 per common share for the three months ended March 31, 2016 and 2015 (amounts in thousands, except per share amounts):

	Three Months Ended March 31,	
	2016	2015
Basic net income per share:		
Net income	$5,574	$6,086
Weighted average number of common shares outstanding	35,341	35,227
Net income per share of common stock – basic	$0.16	$0.17
Diluted net income per share:		
Net income	$5,574	$6,086
Weighted average number of common shares outstanding	35,341	35,227
Effect of dilutive securities:		
Effect of dilutive stock options	—	19
Effect of dilutive non-vested restricted stock	57	40
Weighted average number of common shares outstanding – diluted	35,398	35,286
Net income per share of common stock – diluted	$0.16	$0.17
Common shares excluded from the denominator as anti-dilutive:		
Stock options	13	—
Non-vested restricted stock	7	3

(7) Senior Secured Credit Facility

We and our subsidiaries are parties to a $602.5 million senior secured credit facility (the “Credit Facility”) with Wells Fargo Capital Finance, LLC (“Wells Fargo”), as agent (as successor in such capacity to General Electric Capital Corporation (“GE Capital”)), and the lenders named therein (the “Lenders”).

On May 21, 2014, we amended, extended and restated the Credit Facility by entering into the Fourth Amended and Restated Credit Agreement (the “Amended and Restated Credit Agreement”) by and among the Company, Great Northern Equipment, Inc., H&E Equipment Services (California), LLC, the other credit parties named therein, the lenders named therein, GE Capital, as administrative agent, Bank of America, N.A. as co-syndication agent and documentation agent, Wells Fargo, as co-syndication agent and Deutsche Bank Securities Inc. as joint lead arranger and joint bookrunner. In March 2016, Wells Fargo succeeded and was substituted for GE Capital as the administrative agent under the Amended and Restated Credit Agreement.

The Amended and Restated Credit Agreement, among other things, (i) extends the maturity date of the Credit Facility from February 29, 2017 to May 21, 2019, (ii) increases the uncommitted incremental revolving capacity from $130 million to $150 million, (iii) permits a like-kind exchange program under Section 1031 of the Internal Revenue Code of 1986, as amended, (iv) provides that the unused commitment fee margin will be either 0.50%, 0.375% or 0.25%, depending on the ratio of the average of the daily closing balances of the aggregate revolving loans, swing line loans and letters of credit outstanding during each month to the aggregate commitments for the revolving loans, swing line loans and letters of credit, (v) lowers the interest rate (a) in the case of index rate revolving loans, to the index rate plus an applicable margin of 0.75% to 1.25% depending on the leverage ratio and (b) in the case of LIBOR revolving loans, to LIBOR plus an applicable margin of 1.75% to 2.25%, depending on the leverage ratio, (vi) lowers the margin applicable to the letter of credit fee to between 1.75% and 2.25%, depending on the leverage ratio, and (vii) permits, under certain conditions, for the payment of dividends and/or stock repurchases or redemptions on the capital stock of the Company of up to $75 million per calendar year and further additionally permits the payment of the special cash dividend of $7.00 per share previously declared by the Company on August 20, 2012 to the holders of outstanding restricted stock of the Company following the declared payment date with such permission not tied to the vesting of such restricted stock (which includes the Company’s payment in June

2014 of all amounts that remained payable to the holders of the restricted stock of the Company with respect to such special dividend that was otherwise payable following the applicable vesting dates in May and July 2014 and 2015).

On February 5, 2015, we entered into an amendment of the Credit Facility which, among other things, increased the total amount of revolving loan commitments under the Amended and Restated Credit Agreement from $402.5 million to $602.5 million.

As of March 31, 2016, we were in compliance with our financial covenants under the Credit Facility. At March 31, 2016, the Company could borrow up to an additional $423.7 million and remain in compliance with the debt covenants under the Company's Credit Facility.

At March 31, 2016, the interest rate on the Credit Facility was based on a 3.25% U.S. Prime Rate plus 100 basis points and LIBOR plus 200 basis points. The weighted average interest rate at March 31, 2016 was approximately 2.7%. At April 21, 2016, we had $419.6 million of available borrowings under our Credit Facility, net of $7.7 million of outstanding letters of credit.

(8) Senior Unsecured Notes

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

Balance at December 31, 2014	$628,714
Accretion of discount through December 31, 2015	1,055
Amortization of note premium through December 31, 2015	(887)
Reclass of deferred financing costs to debt discount (see footnote 2)	(1,576)
Balance at December 31, 2015	$627,306
Accretion of discount through March 31, 2016	262
Amortization of note premium through March 31, 2016	(222)
Amortization of deferred financing costs through March 31, 2016	61
Balance at March 31, 2016	$627,407

(9) 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,	
	2016	2015
Segment Revenues:		
Equipment rentals	$102,838	$101,389
New equipment sales	57,179	44,537
Used equipment sales	27,574	25,070
Parts sales	27,969	27,085
Services revenues	16,301	14,956
Total segmented revenues	231,861	213,037
Non-segmented revenues	15,149	14,373
Total revenues	$247,010	$227,410
Segment Gross Profit:		
Equipment rentals	$46,578	$45,834
New equipment sales	6,705	5,218
Used equipment sales	9,062	8,184
Parts sales	7,706	7,566
Services revenues	11,000	9,679
Total segmented gross profit	81,051	76,481
Non-segmented gross profit (loss)	93	(141)
Total gross profit	$81,144	$76,340

	Balances at	
	March 31, 2016	December 31, 2015
Segment identified assets:		
Equipment sales	$78,008	$77,365
Equipment rentals	873,147	893,393
Parts and services	20,096	19,453
Total segment identified assets	971,251	990,211
Non-segment identified assets	303,540	309,300
Total assets	$1,274,791	$1,299,511

The Company operates primarily in the United States and our sales to international customers for the three month periods ended March 31, 2016 and 2015 were 0.8% in each of the periods . No one customer accounted for more than 10% of our revenues on an overall or segment basis for any of the periods presented.

(10) 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 Holding, Inc., H&E Equipment Services (Mid-Atlantic), Inc. and H&E Finance Corp. The guarantor subsidiaries are all wholly owned and 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.

The consolidating financial statements of H&E Equipment Services, Inc. and its subsidiaries are included below. The financial statements for H&E Finance Corp. are not included within the consolidating financial statements because H&E Finance Corp. has no assets or operations.

CONDENSED CONSOLIDATING BALANCE SHEET

	As of March 31, 2016			
	H&E Equipment Services	Guarantor Subsidiaries	Elimination	Consolidated
	(Amounts in thousands)			
Assets:				
Cash	$4,732	$ —	$ —	$ 4,732
Receivables, net	116,256	29,491	—	145,747
Inventories, net	88,432	9,672	—	98,104
Prepaid expenses and other assets	9,806	218	—	10,024
Rental equipment, net	730,708	142,439	—	873,147
Property and equipment, net	97,972	11,294	—	109,266
Deferred financing costs, net	2,574	—	—	2,574
Investment in guarantor subsidiaries	215,871	—	(215,871)	—
Goodwill	1,671	29,526	—	31,197
Total assets	$1,268,022	$ 222,640	$ (215,871)	$ 1,274,791
Liabilities and Stockholders' Equity:				
Amounts due on senior secured credit facility	$171,048	$ —	$ —	$ 171,048
Accounts payable	60,881	5,559	—	66,440
Manufacturer flooring plans payable	63,922	195	—	64,117
Accrued expenses payable and other liabilities	43,792	(811)	—	42,981
Dividends payable	80	(32)	—	48
Senior unsecured notes	627,407	—	—	627,407
Capital leases payable	—	1,858	—	1,858
Deferred income taxes	159,896	—	—	159,896
Deferred compensation payable	1,795	—	—	1,795
Total liabilities	1,128,821	6,769	—	1,135,590
Stockholders' equity	139,201	215,871	(215,871)	139,201
Total liabilities and stockholders' equity	$1,268,022	$ 222,640	$ (215,871)	$ 1,274,791

CONDENSED CONSOLIDATING BALANCE SHEET

	As of December 31, 2015			
	H&E Equipment Services	Guarantor Subsidiaries	Elimination	Consolidated
	(Amounts in thousands)			
Assets:				
Cash	$7,159	$ —	$ —	$ 7,159
Receivables, net	124,157	23,171	—	147,328
Inventories, net	88,831	7,987	—	96,818
Prepaid expenses and other assets	9,909	145	—	10,054
Rental equipment, net	750,773	142,620	—	893,393
Property and equipment, net	99,342	11,443	—	110,785
Deferred financing costs, net	2,777	—	—	2,777
Investment in guarantor subsidiaries	211,542	—	(211,542)	—
Goodwill	1,671	29,526	—	31,197
Total assets	$1,296,161	$ 214,892	$ (211,542)	$ 1,299,511
Liabilities and Stockholders' Equity:				
Amount due on senior secured credit facility	$184,857	$ —	$ —	$ 184,857
Accounts payable	63,959	2,818	—	66,777
Manufacturer flooring plans payable	62,433	—	—	62,433
Dividends payable	62	(30)	—	32
Accrued expenses payable and other liabilities	56,896	(1,345)	—	55,551
Senior unsecured notes	627,306	—	—	627,306
Capital leases payable	—	1,907	—	1,907
Deferred income taxes	155,886	—	—	155,886
Deferred compensation payable	2,174	—	—	2,174
Total liabilities	1,153,573	3,350	—	1,156,923
Stockholders' equity	142,588	211,542	(211,542)	142,588
Total liabilities and stockholders' equity	$1,296,161	$ 214,892	$ (211,542)	$ 1,299,511

CONDENSED CONSOLIDATING STATEMENT OF INCOME

	Three Months Ended March 31, 2016			
	H&E Equipment Services	Guarantor Subsidiaries	Elimination	Consolidated
	(Amounts in thousands)			
Revenues:				
Equipment rentals	$86,025	$ 16,813	$ —	$ 102,838
New equipment sales	45,532	11,647	—	57,179
Used equipment sales	22,916	4,658	—	27,574
Parts sales	24,222	3,747	—	27,969
Services revenues	13,979	2,322	—	16,301
Other	12,425	2,724	—	15,149
Total revenues	205,099	41,911	—	247,010
Cost of revenues:				
Rental depreciation	33,112	6,385	—	39,497
Rental expense	14,048	2,715	—	16,763
New equipment sales	40,114	10,360	—	50,474
Used equipment sales	15,643	2,869	—	18,512
Parts sales	17,606	2,657	—	20,263
Services revenues	4,602	699	—	5,301
Other	12,247	2,809	—	15,056
Total cost of revenues	137,372	28,494	—	165,866
Gross profit (loss):				
Equipment rentals	38,865	7,713	—	46,578
New equipment sales	5,418			