NESCO™
SPECIALTY RENTALS

Q3 2020 EARNINGS PRESENTATION

November 9, 2020



Safe Harbor

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Nesco at a Glance (NYSE: NSCO)

Key Statistics

Founded	**1988**
Headquarters	**Fort Wayne, IN**
Public Since	**2019**
Locations	
• ERS Facilities	**12**
• PTA Facilities	**8**
• 3rd Party	**50+**
Employees	**~365**
Market Capitalization[1]	**~$216M**

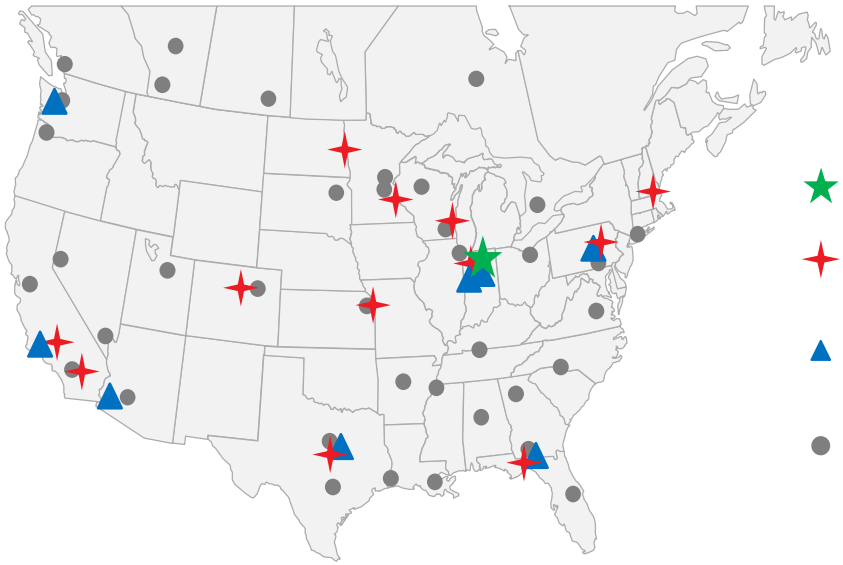
LTM Financial Highlights[2]

Revenue	**$296.7M**
• Equipment Rental and Sales (ERS)	**78%**
• Parts, Tools and Accessories (PTA)	**22%**
EBITDA (Margin)	**$121.8M (41.1%)**
Operating Cash Flow	**$32.9M**
Net Debt / EBITDA	**6.3x**






Nesco is one of the largest **specialty equipment rental providers** to the electric utility transmission and distribution, telecom and rail industries in North America



Provider of Specialty Equipment Rental to Utility, Telecom and Rail Industries

[1] As of November 2, 2020 [2] As of September 30, 2020; net debt / EBITDA pro forma for Truck Utilities 2019 EBITDA for one month ended October 2019.

Critical Infrastructure End-Markets

Nesco provides specialty rental equipment to electric utilities, telecoms, railroads and related contractors for critical maintenance, repair, upgrade and installation work

Electric Transmission



36% of Revenue

Specialized, often insulated rental equipment for **utilities and utility contractors** to maintain, upgrade and construct critical electric lines that power the nation, including transmission (high voltage, long distance) and distribution (low voltage, local power supply) infrastructure

Electric Distribution



44% of Revenue

Telecom



14% of Revenue

Specialized rental equipment for **telecoms and telecom contractors** to maintain and install small cells, 5G towers and communication lines

Rail



6% of Revenue

Specialized, hi-rail rental equipment for **commuter and freight railroads and rail contractors** to repair and install track, electric lines and signs

Equipment Rental and Sales Segment (78% Revenue)

Parts, Tools and Accessories Segment (22% Revenue)

Vertically-integrated rental services and sales of specialized parts, tools and accessories primarily to existing customers across each of the electric transmission and distribution, telecom and rail end markets. Started PTA in 2015 to provide customers a full jobsite solution and one-stop shop offering

Note: Revenue splits are based on total 2019 revenues. End market split excludes other end markets, which are primarily comprised of signage and lighting and represented approximately 6% of revenue.

Young, Specialized Fleet

Equipment		Description	End Markets[1]			# of Units	OEC	% of OEC	Useful Life	Average Age	Equipment Cost
			E	T	R						
Bucket Trucks		Used to maintain and construct utility, rail or telecommunications lines or equipment at height with a bucket mounted on an insulated or non-insulated hydraulic lifting aerial device	✓	✓	✓	1,686	$270M	42%	18 yrs.	3.9 yrs.	$50K – $650K
Digger Derricks		Used to dig holes and hoist and set utility, rail and telephone poles, as well as material handling and lifting	✓	✓	✓	919	$179M	28%	18 yrs.	4.7 yrs.	$150K - $500K
Line Equipment		Used to string new and re-conduct overhead utility, rail, telecom or cable lines (includes pole trailers, reel handling trailers and other material handling trailers)	✓	✓	✓	968	$49M	8%	25 yrs.	3.6 yrs.	$2K – $650K
Cranes		Used for large-scale transmission line repair and construction (often outfitted with buckets) and in multiple rail applications for material handling and lifting	✓	✓	✓	284	$78M	12%	15 yrs.	3.6 yrs.	$125K - $750K
Pressure Diggers		Used to dig holes for utility poles, structure bases and foundations through hard materials such as rock	✓	-	-	45	$17M	3%	20 yrs.	7.1 yrs.	$300K - $550K
Underground Equipment		Used to place and remove underground utility and telecommunication lines without disruption to the surface	✓	✓	-	100	$9M	1%	20 yrs.	3.4 yrs.	$85K – $150K

~4,500 Rental Units with Average Age of Only 3.9 Years, Far Below Useful Life

Note: Number of units, OEC and average age as of September 30, 2020. Excludes 492 units / $36m OEC of trucks/miscellaneous equipment (including hi-rail service trucks, grapples, roto-dumps, PTC trucks, etc.) used primarily in hi-rail applications. Also excludes $20m OEC of PTA rental equipment; [1] End Markets: E=Electric Utilities, T=Telecom, R=Rail

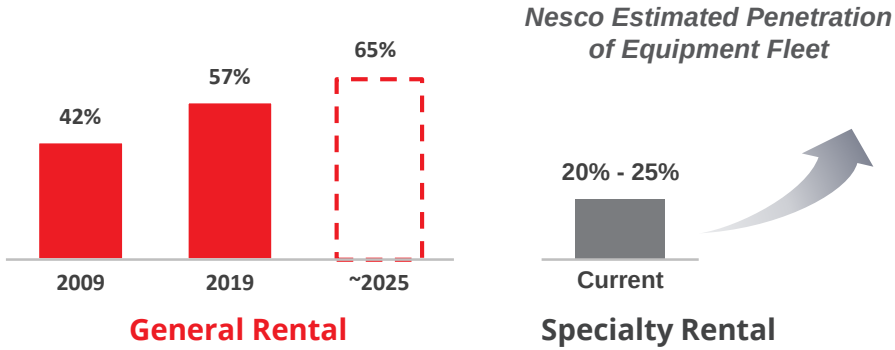
Secular Shift to Rental Supports Growth

Why Customers Rent Instead of Own

Key Drivers

- Avoidance of capital outlay
- Improved asset utilization with significantly reduced storage and maintenance costs
- Better risk management with dedicated customer care
- Operational efficiencies drive high productivity
- Wider range of modern productive equipment in rental fleets
- Health & safety regulations have increased implicit cost of ownership & maintenance

Rental Penetration Continues to Increase



Nesco's product categories are expected to grow more rapidly than overall market

Diverse Customer Base

Electric Utilities

nationalgrid · Quanta Services · PLH Group · LA DWP Los Angeles Department of Water & Power · PIKE · H&M Henkels & McCoy · American Electric Power · MYR Group

Telecom

MasTec Infrastructure that Delivers · DYCOM · S&N Communications

Rail

Union Pacific · CN · RailWorks · SEPTA

Growth Enhanced by Secular Shift from Equipment Ownership to Rental

Source: ARA / IHS Global Insight and Wall Street research

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Q3 2020 HIGHLIGHTS



Key Messages

1. Maintained uninterrupted service to customers as they have adapted to operate safely in the COVID environment

2. Strong quarterly performance coupled with sequentially improving demand and return to normal seasonality trends as delayed and new projects started to ramp up late in Q3

3. Focus on cost containment, expense and working capital management resulted in positive free cash flow; anticipate generating free cash flow of $20M+ in Q4

4. Well-prepared to benefit from near-term tailwinds and uptick in utility and telecommunications sector capital spending while positioning the Company for long-term success

Q3 2020 Highlights

Financial Performance	**Solid financial results reflect the resiliency and sustainability of our business** • Total revenue of $69.3M increased 10.9% • Equipment Rental and Sales (ERS) segment revenue of $54.2M increased 5.0% • Parts, Tools, and Accessories (PTA) segment revenue of $15.1M increased 39.2% • Adjusted EBITDA of $28.0M decreased 8.6%
Cash Flow & Capital Allocation	**Strong balance sheet as a result of financial discipline and cash flow generation** • Operating cash flow decreased $0.3M year over year to negative $4.8M • Free cash flow increased to $0.5M from negative free cash flow of $29.3M in prior year • Available liquidity of $69.1M
Key Highlights	**Taking necessary steps to support our employees and customers** • No meaningful COVID related impact to our business and customers during the quarter • No project cancellations, expect to benefit from delayed projects as they come back online • Reduced capital expenditures and prudent working capital management • Focused on executing for our customers and investing selectively for growth

Business Update

Disciplined Cost and Business Management Since COVID Began

- Disciplined cost-cutting and capital investments to preserve liquidity and flexibility
- Optimized PTA inventory, which now has 8 locations and will continue to flex consistent with demand levels
- Eliminated non-essential travel and entertainment, except field service to support customer uptime
- Reduced discretionary marketing costs such as trade shows, customer handouts
- Continued to improve our financial flexibility through cash management and cost discipline
- Deferred payroll tax payments
- Adapted to a hybrid way of working with customers and with each other, utilizing technology to meet
- Reduced fleet repair expenditures by servicing the limited numbers of units required to meet demand

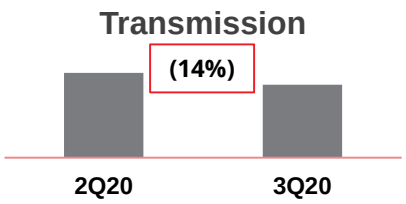
Well-prepared for Recovery

- Maintaining uninterrupted service to customers as they have adapted to operate safely in the COVID environment
- Cost management initiatives resulted in savings of $5M, approximately 50% of which is expected to be permanent
- Lowered planned net capital expenditures for the year between $30 and $35 million, reflecting a more than 50% decline from 2019
- Strategic liquidation of underutilized units
- Engaged in more disciplined returns-based capital planning exercise to maximize cash flow generation by focusing investments on in-demand units with attractive economics
- COVID has not impacted the fundamental business strategy and growth for our end markets

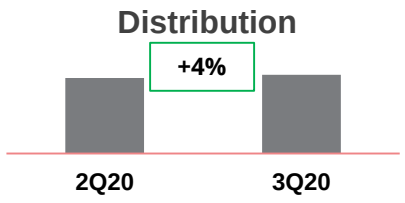
Favorable End Market Trends with Increasing Capital Projects in Each of Our Markets

Rental Revenue by End Market

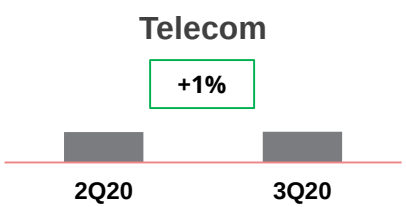
Capitalized on pent-up demand from COVID project delays in Q2 and early Q3 that created a surge in demand in the distribution, transmission and telecom end markets



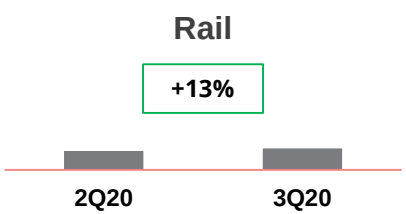
- Lower sequentially as a result of normal seasonal quiet period during summer, somewhat exacerbated by COVID, now experiencing a significant ramp-up in new projects and demand that began in September
- Long-term transmission end market tailwinds are unchanged – public utilities have announced capital outlays of $300B+ in aggregate, a large percentage of which will be spent on grid hardening, modernizing a grid near the end of its useful life and linking to renewable energy



- Distribution projects tend to take place in locations with higher population densities than transmission, which resulted in a lower Q2 followed by the beginning of a recovery during Q3
- Long-term distribution tailwinds are similar to transmission due to required grid modernization and hardening as well as increased electrification – the economic cost of power outages each year exceeds $150 billion, greatly outweighing the cost of regular maintenance



- Telecom projects, similar to distribution, are typically in locations with higher population densities and certain telecom projects were delayed due to the pandemic in Q2, yet strong tailwinds in the end market helped drive some quarter over quarter growth
- COVID-19 has made the world increasingly digital, heightening reliance on the communications grid and the need for investment in 5G, filling existing network gaps and maintaining existing wireline technology



- Freight rail projects are typically in remote locations and were less impacted by the pandemic; Rail performed well sequentially
- Railroads must continue to invest to maintain, upgrade and repair their existing networks and upkeep existing operations

Note: Excludes rental revenue in Other end markets, primarily consisting of lighting and signage, which represented less than four percent of total rental revenue in both Q2 2020 and Q3 2020.

Building a World-Class Management Team



Lee Jacobson

Chief Executive Officer
Joined: 2012

More than 20 years of experience in the utility equipment rental and sales industry
Prior: VP & GM, Terex Utilities



Josh Boone

Chief Financial Officer
2020

Experienced public company CFO with broad experience in corporate and operational finance
Prior: CFO & EVP, Patrick Industries



Kevin Kapelke

Chief Operating Officer
2012

Leadership roles with more than 25 years of equipment rental industry experience
Prior: Divisional & Regional VP Canada, Herc Rentals



Chris Hulse

Chief Digital Officer
2020

Nearly 20 years of business development and digital transformation experience
Prior: Digital Transformation Advisor, Platinum Equity; CDO, BlueLine Rental



Rob Blackadar

President
2019

More than 25 years of experience in the rental and equipment industry including operations, fleet management, service, equipment sales and safety
Prior: SVP & Division VP, BlueLine Rental



Mike Turner

President, PTA
2020

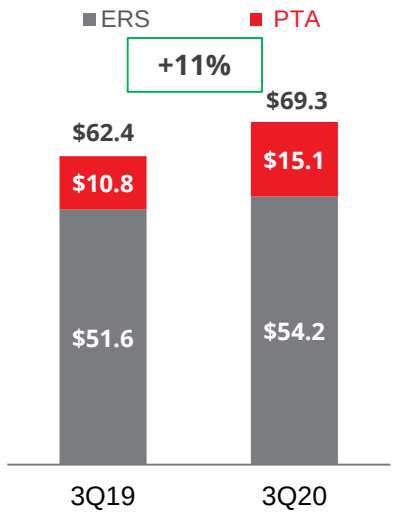
More than 25 years of distribution industry experience with leadership positions in areas including management, sales and finance
Prior: Regional VP of Sales, Anixter Inc.



Q3 2020 FINANCIAL RESULTS

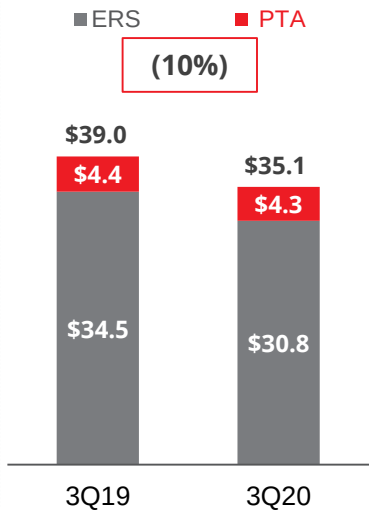
Q3 2020 Financial Results ($M)

Revenue



- Core rental revenue declined 8% to $46.1 million
- OEC on rent declined 4% to $464.3 million
- Increase in revenue primarily driven by the acquisition of Truck Utilities.

Gross Profit



- Consolidated gross profit declined 10%, while revenue grew 11% primarily due to mix – high margin equipment rental revenue declined while lower margin sales revenue grew

Rental Gross Profit



- Rental gross profit declined largely due to lower utilization as a result of the pandemic

Adj. EBITDA



- The decline in Adjusted EBITDA was primarily due to lower utilization, which resulted in lower equipment rental gross profit
- This decline was partially offset by higher equipment sales, lower SG&A and the acquisition of Truck Utilities

Free Cash Flow



- Improvement was primarily a result of lower capex as part of a concerted effort to preserve cash during COVID-19, as well as increased used equipment sales

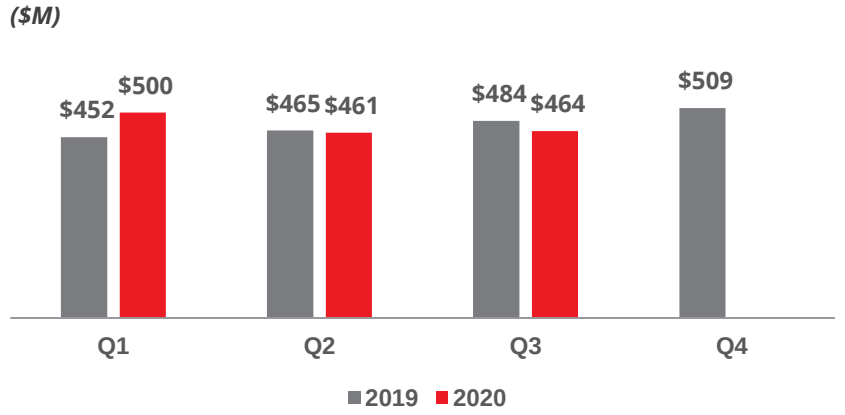
Note: Adj. EBITDA is a non-GAAP financial measure. See the Appendix for the reconciliation to the most comparable GAAP measures. Gross profit metrics exclude depreciation. Depreciation of rental equipment was $17.7 million and $19.5 million in Q3 2019 and Q3 2020, respectively. Rental gross profit calculated as rental revenue less cost of rental revenue from the income statement. Free cash flow calculated as net cash flow from operating activities less net capital expenditures.
Sum of individual line items may not equal subtotal or total amounts due to rounding.

ERS Fleet Metrics

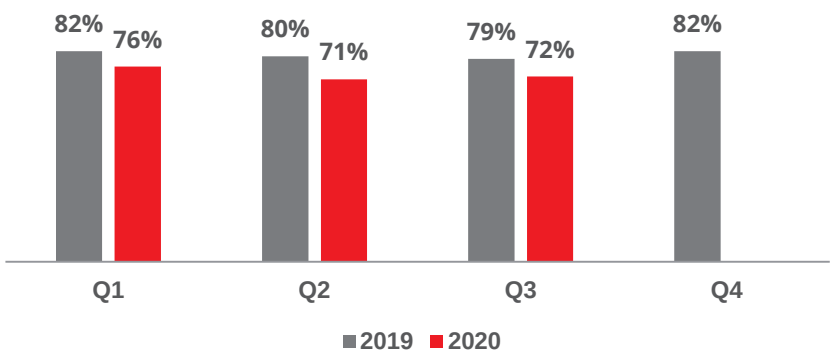
Highlights

- Average OEC on rent declined 4% to$464M year over year, but improved more than 10% from the beginning of Q3, exiting September at $489M
- Utilization of the fleet decreased 7.0% to 72.1% from Q3 2019, but improved throughout the quarter compared to the lows experienced in July and August
- Rate per day declined modestly by only 0.7% compared to Q3 2019

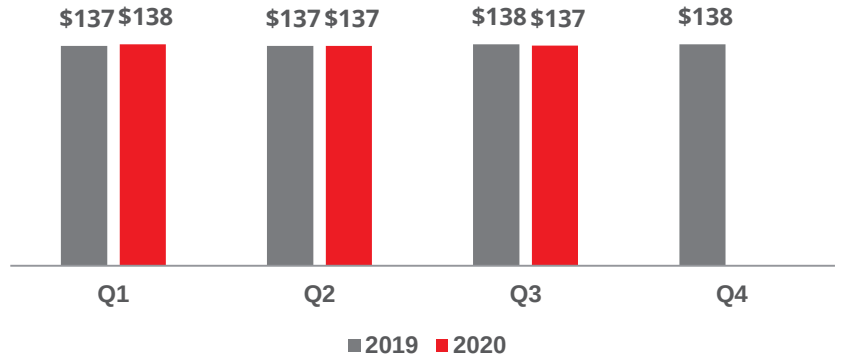
OEC on Rent[1]



Fleet Utilization[2]



Rental Rate per Day[3]



Note: These metrics have been adjusted to exclude Mexico, for which the Company commenced exit activities in the third quarter of 2019.

[1] The average original equipment cost of units on rent during the period. The measure provides a value dimension to the fleet utilization statistics.

[2] Calculated as the total number of invoiced days divided by the total number of available equipment days.

[3] Calculated as total rental revenue excluding freight and damaged billings divided by the total rental days, which represents the number of billable days in the period aggregated across all units in the fleet

Flexible Capital Structure

Debt Structure

- $269 million outstanding on $385 million ABL Facility
- $475 million Senior Secured Second Lien Notes
- $20 million Capital Leases
- $3 million Notes Payable

Debt Maturities

- Asset-Based Lending Facility – July 2024
- Senior Secured Second Lien Notes – July 2024
- Capital Leases – Various through 2023
- Notes Payable – Various through 2022

Liquidity

- Ample liquidity of $69.1 million; $1.6 million in cash and $67.4 million availability under asset-based lending facility

Net Leverage

($M)

Total Debt Outstanding	$766.4
Less: Cash on Hand	(1.6)
Net Debt	**$764.8**
LTM Adj. EBITDA incl. Truck Utilities[1]	$122.3
Net Debt to Adj. EBITDA incl. TU	**6.3x**

Liquidity

($M)

Max ABL Capacity (A)	$385.0
Borrowing Base (B)	336.4
Line Cap (Lesser of A and B)	**$336.4**
Less: ABL Balance	(269.0)
Unused Credit Capacity	**$67.4**

Committed to Achieving Long-term Leverage Levels in the Range of 3.0x To 3.5x

Note:
[1] Adj. EBITDA including a full year of Truck Utilities is a non-GAAP financial measure. See the Adjusted EBITDA Reconciliation and Adjusted EBITDA including Truck Utilities pages in the appendix for the reconciliation to the most comparable GAAP measures.

Business Outlook

- Nesco is well capitalized and has the right assets and team to manage through this challenging environment and come out stronger on the other side
- Recent investments in rental fleet and equipment allow Nesco to benefit from customers need to maintain and modernize critical infrastructure
- Looking ahead to Q4 and 2021, we are well-prepared to benefit from strong growth drivers in our end markets and pent-up demand as projects delayed by COVID are rescheduled
- Positioning Nesco for accelerated growth as the recovery is underway



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Q&A

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Adjusted EBITDA Reconciliation

($M)	Year Ended December 31, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019
Net Income (Loss)	**($27.1)**	**($13.9)**	**($30.2)**	**$15.2**	**($18.0)**
Interest expense	63.4	47.8	46.4	15.9	16.5
Income tax expense (benefit)	(6.0)	(25.8)	1.3	(25.5)	0.5
Depreciation and amortization	74.6	62.3	54.3	20.4	18.7
EBITDA[1]	**$104.9**	**$70.3**	**$71.8**	**$26.0**	**$17.7**
Adjustments:					
Non-cash purchase accounting impact[2]	$1.8	$1.5	$0.9	$0.4	$0.1
Transaction and process improvement costs[3]	15.9	5.1	14.7	1.4	9.6
Major repairs[4]	2.2	1.5	1.5	0.2	0.4
Share based payments[5]	1.0	1.7	0.5	0.7	0.3
Change in fair value of derivative[6]	1.7	6.1	2.6	(0.6)	2.6
Adjusted EBITDA[1]	**$127.5**	**$86.2**	**$91.9**	**$28.0**	**$30.7**

Note:

[1] EBITDA and Adj. EBITDA are non-GAAP financial measures.

[2] Represents the non-cash impact of purchase accounting, net of accumulated depreciation, on the cost of equipment sold. The equipment acquired received a purchase step-up in basis, which is a non-cash adjustment to the equipment cost pursuant to Nesco's credit agreement.

[3] 2020: Represents transaction costs related to Nesco's acquisition of Truck Utilities (which include post-acquisition integration expenses incurred during the current quarterly and nine-month periods); 2019: Represents transaction expenses related to merger activities associated with the transaction with Capitol that was consummated on July 31, 2019. These expenses are comprised of professional consultancy, legal, tax and accounting fees. Also included are costs of startup activities (which include training, travel, and process setup costs) associated with the rollout of new PTA locations that occurred throughout the prior year into the current periods. Finally, the expenses associated with the Company's closure of its operations in Mexico, which closure activities commenced in the third quarter of 2019, are included for the 2020 quarterly and nine months periods and year ended December 31, 2019. Pursuant to Nesco's credit agreement, the cost of undertakings to affect such cost savings, operating expense reductions and other synergies, as well as any expenses incurred in connection with acquisitions, are amounts to be included in the calculation of Adjusted EBITDA.

[4] Represents the undepreciated cost of replaced vehicle chassis and components from heavy maintenance, repair and overhaul activities associated with Nesco's fleet, which is an adjustment pursuant to Nesco's credit agreement.

[5] Represents non-cash stock compensation expense associated with the issuance of stock options and restricted stock units.

[6] Represents the charge to earnings for Nesco's interest rate collar (which is an undesignated hedge) for the thee and nine months ended September 30, 2020.

Sum of individual line items may not equal subtotal or total amounts due to rounding.

Adjusted EBITDA including Truck Utilities

($M)	Year Ended September 30, 2020
Last Twelve Months Adjusted EBITDA as of September 30, 2020[1]	**$121.8**
Truck Utilities Adjusted EBITDA for the one month ended October 31, 2019[2]	0.4
Adjusted EBITDA including a Full Year of Truck Utilities	**$122.3**

Note:

[1] Adj. EBITDA is a non-GAAP financial measure. See the prior page for the reconciliation to the most comparable GAAP measures.

[2] Represents Truck Utilities' unaudited Adjusted EBITDA for the month ended October 2019. A reconciliation of Adjusted EBITDA to the most comparable GAAP measure is as follows (in thousands): Net income of $102, plus depreciation and amortization of $328, plus interest expense of $7, less management fees and expenses of $60, plus transaction expenses of $40 equals Adjusted EBITDA of $417.