



August 23, 2016

Essex Rental Corp. Reports 2016 Second Quarter Pro Forma Results

Pro forma results exclude Essex Crane Rental Corp.

BUFFALO GROVE, Ill.--(BUSINESS WIRE)-- **Essex Rental Corp. (OTC Pink: ESSX) ("Essex" or the "Company")** today announced its pro forma unaudited consolidated results for the second quarter ended June 30, 2016.

In an effort to provide as much useful information as practicable to our investors, the pro forma financial results presented herein are based on the consolidated unaudited financial results of Essex Rental Corp., but exclude the operations of Essex Crane Rental Corp. ("Essex Crane"). Historical comparisons have also been adjusted to exclude Essex Crane. Within the next 30 days, we expect to have clarity on a possible divestiture of Essex Crane, following completion of which Essex Crane would no longer be part of our ongoing operations. The historical pro forma financial information provided herein may not be indicative of future financial performance, as we will need to evaluate opportunities to reduce expenses in consideration of operating a smaller enterprise.

In this release and going forward, our reporting of rental metrics will utilize the method referred to as "dollar utilization." Dollar utilization is calculated by dividing annualized rental revenue (excluding ancillary fees) by average original equipment cost (which is consistent with gross book value including any capitalized repairs). The Company believes that the dollar utilization metric is more commonly used in the rental equipment industry.

Second Quarter 2016 Highlights

- | Dollar utilization for rough terrain cranes decreased to 17.1% for the three month period ended June 30, 2016 compared to 20.8% for the three month period ended June 30, 2015;
- | Dollar utilization for tower cranes increased to 19.7% for the three month period ended June 30, 2016 compared to 17.8% for the three month period ended June 30, 2015;
- | Equipment rental segment gross profit decreased by approximately \$500,000 to \$2.1 million for the three month period ended June 30, 2016 compared to \$2.6 million for the three month period ended June 30, 2015;
- | Parts & service segment gross profit decreased by approximately \$200,000 to \$1.0 million for the three month period ended June 30, 2016 compared to \$1.2 million for the three month period ended June 30, 2015;
- | Selling, general & administrative expenses excluding non-cash compensation and non-recurring expenses for the three month period ended June 30, 2016 decreased by approximately \$600,000 or 15.3% year over year; and
- | Adjusted EBITDA decreased by approximately \$600,000 or 27.8% for the three month period ended June 30, 2016 compared to the three month period ended June 30, 2015.

Nick Matthews, President and CEO of Essex stated, "The continued softness in the oil and gas end markets has negatively impacted the industry and has resulted in a decline in business results. In order to align operating expenses with business conditions, we implemented cost savings initiatives in October 2015 and continue to investigate strategies to improve profitability."

Mr. Matthews concluded, "Assuming that Essex Crane will no longer be part of the Company in the future, our focus will be on maintaining strong levels of utilization on our tower crane fleet, increasing utilization on our other assets and improving our parts and service segment. We now have concrete evidence supporting the market value of the Coast Crane subsidiary. As we work through refinancing that subsidiary, we are dedicated to reducing leverage and are excited by the opportunities to unlock the equity value of this company to increase shareholder value through growth and improving market conditions."

Second Quarter 2016 Overview

Equipment rentals segment revenues include equipment rentals and transportation. The equipment rentals segment no longer includes used rental equipment sales, which are now part of the equipment distribution segment and all historical periods presented have been adjusted for comparability purposes. Equipment rentals segment revenues were \$5.4 million for the three month period ended June 30, 2016 versus \$6.1 million for the three month period ended June 30, 2015. The

\$700,000 decrease was driven by a \$400,000 decrease in rough terrain crane rental revenue, a \$300,000 decrease in boom truck rental revenue and a \$100,000 decrease in crawler crane rental revenue. These decreases were slightly offset by a \$100,000 increase in tower crane rental revenue. Softness in the petrochemical end markets impacted heavy rough terrain cranes, specifically in the Pacific Northwest and was the primary driver of the year over year decrease in rental revenue. The tower crane market remained strong, displaying year over year improvement in dollar utilization.

Equipment distribution segment revenues, which include the retail distribution of new and used equipment and the proceeds received from the sale of used rental equipment, were \$1.0 million for the three month period ended June 30, 2016 compared to \$4.7 million for the three month period ended June 30, 2015. The retail equipment sales market remains challenging and has been for the past 18 months. We continue to focus on reducing retail inventory levels and utilizing used rental equipment sales to maintain our young fleet age.

Parts and service segment revenues were \$3.8 million for the three month period ended June 30, 2016 compared to \$4.3 million for the three month period ended June 30, 2015. Parts and service segment revenues include retail parts sales, billable service work done on our own equipment and service on customer-owned equipment.

Total gross profit decreased by 27.2% or \$1.2 million to \$3.2 million for the three month period ended June 30, 2016 from \$4.4 million for the three month period ended June 30, 2015. Gross profit margin increased to 31.4% for the three month period ended June 30, 2016 from 29.2% for the three month period ended June 30, 2015.

Selling, general and administrative expenses excluding non-cash compensation and non-recurring expenses decreased by \$600,000 to \$3.2 million for the three month period ended June 30, 2016 as compared to \$3.8 million for the three month period ended June 30, 2015. The decrease is primarily related to the cost savings initiatives implemented in the second half of 2015 which decreased salaries & taxes, benefits and public company related costs.

Adjusted EBITDA before non-cash compensation and non-recurring expenses was \$1.8 million for the three month period ended June 30, 2016 compared to \$2.4 million for the three month period ended June 30, 2015. Non-cash compensation and non-recurring expenses were \$300,000 for the three month period ended June 30, 2016 and \$500,000 for the three month period ended June 30, 2015. Non-recurring expenses for the three month period ended June 30, 2015 were primarily made up of restatement and activist shareholder related legal expenses.

At the end of the second quarter of 2016, the original acquisition cost of the Company's rental fleet was \$101.8 million compared to \$102.0 million at the end of the second quarter of 2015. Dollar utilization on the entire fleet was 17.8% for the three month period ended June 30, 2016 compared to 20.2% for the three month period ended June 30, 2015. Orderly Liquidation Value of all Coast Crane equipment, including retail equipment inventory, as determined by an independent third party appraiser as of June 30, 2016 was approximately \$90 million.

Re-segmentation and Pro Forma Non-GAAP Measures

The current and prior period results reflect the re-segmentation of used rental equipment sales from the equipment rentals segment to the equipment distribution segment, which was formerly the retail equipment distribution segment. The Company believes viewing segments in this format provides better visibility to investors and aligns with the way that management reviews results.

All results and statistics in this press release reflect management's view of its continuing operations and exclude Essex Crane Rental Corp. The Company believes that this non-GAAP information is useful to understanding its operating results and the ongoing performance of its underlying business.

About Essex Rental Corp.

Essex, through its subsidiaries, is one of North America's largest providers of rental and distribution for mobile cranes (including crawler cranes, truck cranes and rough terrain cranes), self-erecting cranes, stationary tower cranes, elevators and hoists, and other lifting equipment used in a wide array of construction projects. In addition, the Company provides product support including installation, maintenance, repair, and parts and services for equipment provided and other equipment used by its construction industry customers. With a large fleet, consisting primarily of cranes, as well as other construction equipment and unparalleled customer service and support, Essex supplies a wide variety of innovative lifting solutions for construction projects related to power generation, petro-chemical, refineries, water treatment and purification, bridges, highways, hospitals, shipbuilding, offshore oil fabrication and industrial plants, and commercial and residential construction.

Some of the statements in this press release and other written and oral statements made from time to time by Essex and its representatives are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include statements

regarding the intent and belief or current expectations of Essex and its management team and may be identified by the use of words like "anticipate", "believe", "estimate", "expect", "intend", "may", "plan", "will", "should", "seek", the negative of these terms or other comparable terminology. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements. Important factors that could cause actual results to differ materially from Essex's expectations include, without limitation, the continued ability of Essex to successfully execute its business plan, the possibility of a change in demand for the products and services that Essex provides, intense competition which may require us to lower prices or offer more favorable terms of sale, our reliance on third party suppliers, our indebtedness which could limit our operational and financial flexibility and any actions of our lenders in relation to events of default under our indebtedness, global economic factors including interest rates, general economic conditions, geopolitical events and regulatory changes, our dependence on our management team and key personnel, as well as other relevant risks detailed on our website, www.essexrentalcorp.com. The factors listed here are not exhaustive. Many of these uncertainties and risks are difficult to predict and beyond management's control. Forward-looking statements are not guarantees of future performance, results or events. Essex assumes no obligation to update or supplement forward-looking information in this press release whether to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results or financial conditions, or otherwise.

This press release includes references to adjusted EBITDA and pro forma financial information excluding the operations of Essex Crane, unaudited financial measures of performance which are not calculated in accordance with generally accepted accounting principles, or GAAP. Adjusted EBITDA represents the sum of net income, tax benefit, foreign currency exchange gains and losses, interest expense, other income, depreciation, amortization and impairment expense. Adjusted EBITDA is used internally when evaluating our operating performance and, we believe, allows investors to make a more meaningful comparison between our core business operating results over different periods of time, as well as with those of other similar companies. Management believes that adjusted EBITDA, when viewed with the Company's results under GAAP and the accompanying reconciliation, provides useful information about operating performance and period-over-period growth, and provides additional information that is useful for evaluating the operating performance of our core business without regard to potential distortions. Additionally, management believes that adjusted EBITDA permits investors to gain an understanding of the factors and trends affecting our ongoing cash earnings. However, adjusted EBITDA is not a measure of financial performance or liquidity under GAAP and, accordingly, should not be considered as an alternative to net income or cash flow from operating activities as indicators of operating performance or liquidity. Adjusted EBITDA has been presented as a supplemental disclosure because adjusted EBITDA is a widely used measure of performance and basis for valuation. A reconciliation of adjusted EBITDA to loss before income taxes is included in the financial tables accompanying this release. In addition, the financial information included herein has not been reviewed by independent accounting professionals.

**Essex Rental Corp. & Subsidiaries - Pro Forma
Condensed Consolidated Statements of Operations
(Amounts in thousands)
(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended
	2016	2015	2016	2015	December 31,
					2015
REVENUES					
Equipment rentals	\$ 4,824	\$ 5,559	\$ 10,012	\$ 10,875	\$ 23,286
Retail equipment sales	155	3,300	1,297	6,122	9,126
Used rental equipment sales	873	1,394	1,475	2,186	7,080
Retail parts sales	1,926	2,095	3,999	4,024	7,284
Transportation	540	528	1,106	995	2,142
Equipment repairs and maintenance	1,907	2,234	3,787	4,264	7,932
TOTAL REVENUES	10,225	15,110	21,676	28,466	56,850
COST OF REVENUES					
Salaries, payroll taxes and benefits	1,140	1,176	2,278	2,367	4,585
Depreciation	1,753	1,812	3,514	3,641	7,125
Retail equipment sales	130	3,121	1,157	5,722	8,581
Used rental equipment sales	565	767	988	1,314	5,011
Retail parts sales	1,488	1,673	3,105	3,239	5,860

Transportation	399	453	892	819	1,687
Equipment repairs and maintenance	1,031	1,249	1,983	2,313	4,390
Yard operating expenses	510	454	1,019	912	1,833
TOTAL COST OF REVENUES	7,016	10,705	14,936	20,327	39,072
GROSS PROFIT	3,209	4,405	6,740	8,139	17,778
Selling, general and administrative expenses	3,491	4,313	6,976	8,367	15,545
Other depreciation and amortization	84	135	171	268	512
INCOME (LOSS) FROM OPERATIONS	(366)	(43)	(407)	(496)	1,721
OTHER INCOME (EXPENSES)					
Other income	-	-	60	1	4
Interest expense	(1,326)	(1,189)	(2,404)	(2,367)	(4,698)
Foreign currency exchange gains (losses)	2	86	205	(251)	(688)
TOTAL OTHER INCOME (EXPENSES)	(1,324)	(1,103)	(2,139)	(2,617)	(5,382)
LOSS BEFORE INCOME TAXES	\$ (1,690)	\$ (1,146)	\$ (2,546)	\$ (3,113)	\$ (3,661)

Essex Rental Corp. & Subsidiaries - Pro Forma
Reconciliation of Loss Before Income Taxes to Adjusted EBITDA
(Amounts in thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended
	2016	2015	2016	2015	December 31,
					2015
Loss before income taxes	\$ (1,690)	\$ (1,146)	\$ (2,546)	\$ (3,113)	\$ (3,661)
Foreign currency exchange (gains) losses	(2)	(86)	(205)	251	688
Interest expense	1,326	1,189	2,404	2,367	4,698
Other income	-	-	(60)	(1)	(4)
Income (loss) from operations	(366)	(43)	(407)	(496)	1,721
Depreciation	1,753	1,812	3,514	3,641	7,125
Other depreciation and amortization	84	135	171	268	512
Adjusted EBITDA (1)	\$ 1,471	\$ 1,904	\$ 3,278	\$ 3,413	\$ 9,358

(1) Includes non-cash stock compensation and non-recurring expenses of \$0.3 million and \$0.5 million for the three months ended June 30, 2016 and 2015, respectively, \$0.5 million and \$0.8 million for the six months ended June 30, 2016 and 2015, respectively, and \$1.3 million for the year ended December 31, 2015.

Essex Rental Corp. & Subsidiaries - Pro Forma
Segment Revenues and Gross Profit
(Amounts in thousands)

(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>		<u>Year Ended</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>December 31,</u>
					<u>2015</u>
Segment revenues					
Equipment rentals	5,364	6,087	11,118	11,870	25,428
Equipment distribution	1,028	4,694	2,772	8,308	16,206
Parts and service	3,833	4,329	7,786	8,288	15,216
Total revenues	<u>\$ 10,225</u>	<u>\$ 15,110</u>	<u>\$ 21,676</u>	<u>\$ 28,466</u>	<u>\$ 56,850</u>
Segment gross profit					
Equipment rentals	2,064	2,588	4,381	5,077	12,040
Equipment distribution	180	655	308	936	1,956
Parts and service	965	1,162	2,051	2,126	3,782
Total gross profit	<u>\$ 3,209</u>	<u>\$ 4,405</u>	<u>\$ 6,740</u>	<u>\$ 8,139</u>	<u>\$ 17,778</u>

**Essex Rental Corp. and Subsidiaries - Pro Forma
Selected Balance Sheet Data
(Amounts in thousands)
(Unaudited)**

	<u>June 30,</u>	<u>December 31,</u>
	<u>2016</u>	<u>2015</u>
Net working capital (1)	\$ 14,752	\$ 19,715
Rental equipment, net	68,979	68,385
Property and equipment, net	580	543
Revolving credit facilities	19,495	20,278
Term loans	33,500	34,500
Purchase money security interest debt	7,791	8,517
Promissory notes	1,641	1,655
Total debt	<u>\$ 62,427</u>	<u>\$ 64,950</u>

(1) Excluding debt and deferred income tax related line items and includes \$9.5 million and \$12.8 million of retail equipment inventory as of June 30, 2016 and December 31, 2015, respectively.

**Essex Rental Corp. & Subsidiaries - Pro Forma
Utilization Statistics
(Unaudited)**

	<u>Three Months Ended</u>			<u>Year Ended</u>
	<u>June 30,</u>	<u>March 31,</u>	<u>June 30,</u>	<u>December 31,</u>
	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Utilization Statistics - \$ Utilization (1)				
Rough Terrain Cranes	17.1%	17.7%	20.8%	20.5%
Tower Cranes	19.7%	22.8%	17.8%	21.3%
Boom Trucks	20.8%	19.7%	29.7%	29.7%
Crawler Cranes	6.8%	5.9%	12.5%	12.7%

(1) Dollar (\$) Utilization represents rental revenues annualized divided by the average original equipment cost.

View source version on [businesswire.com](http://www.businesswire.com): <http://www.businesswire.com/news/home/20160823005695/en/>

Essex Rental Corp.

Kory Glen

Chief Financial Officer

(847) 215-6522 / kglen@essexrental.com

OR

Patrick Merola

Investor Relations

(847) 215-6514 / pmerola@essexrental.com

Source: Essex Rental Corp.

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