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

FORM 10-Q

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

For the quarterly period ended March 31, 2023

☐ 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: 001-38186

CUSTOM TRUCK ONE SOURCE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**84-2531628**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

7701 Independence Ave
Kansas City, MO 64125
(Address of principal executive offices, including zip code)
(816) 241-4888
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	CTOS	New York Stock Exchange
Redeemable warrants, exercisable for Common Stock, $0.0001 par value per share	CTOS.WS	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 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 o

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

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

Large accelerated filer	o	Accelerated filer	☒
Non-accelerated filer	o	Smaller reporting company	☐
		Emerging growth company	☐

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

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

The number of shares of common stock outstanding as of May 4, 2023 was246,086,014.

Custom Truck One Source, Inc. and Subsidiaries

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Custom Truck One Source, Inc.
Condensed Consolidated Balance Sheets (unaudited)

(in $000s, except share data)		**March 31, 2023**		**December 31, 2022**
Assets				
Current Assets				
Cash and cash equivalents	$	32,218	$	14,360
Accounts receivable, net		167,640		193,106
Financing receivables, net		46,122		38,271
Inventory		714,354		596,724
Prepaid expenses and other		29,462		25,784
Total current assets		989,796		868,245
Property and equipment, net		128,839		121,956
Rental equipment, net		894,557		883,674
Goodwill		703,848		703,827
Intangible assets, net		297,486		304,132
Operating lease assets		28,509		29,434
Other assets		26,348		26,944
Total Assets	$	3,069,383	$	2,938,212
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts payable	$	126,041	$	87,255
Accrued expenses		70,113		68,784
Deferred revenue and customer deposits		32,360		34,671
Floor plan payables - trade		159,029		136,634
Floor plan payables - non-trade		312,470		293,536
Operating lease liabilities - current		5,220		5,262
Current maturities of long-term debt		5,243		6,940
Current portion of finance lease obligations		852		1,796
Total current liabilities		711,328		634,878
Long-term debt, net		1,394,039		1,354,766
Finance leases		3,142		3,206
Operating lease liabilities - noncurrent		23,932		24,818
Deferred income taxes		29,615		29,086
Derivative, warrants and other liabilities		2,490		3,015
Total long-term liabilities		1,453,218		1,414,891
Commitments and contingencies (see Note 15)				
Stockholders' Equity				
Common stock — $0.0001 par value, 500,000,000 shares authorized, 248,441,588 and 248,311,104 shares issued and outstanding, at March 31, 2023 and December 31, 2022, respectively		25		25
Treasury stock, at cost —2,427,395 and 2,241,069 shares at March 31, 2023 and December 31, 2022, respectively		(16,736)		(15,537)
Additional paid-in capital		1,524,938		1,521,487
Accumulated other comprehensive loss		(8,605)		(8,947)
Accumulated deficit		(594,785)		(608,585)
Total stockholders' equity		904,837		888,443
Total Liabilities and Stockholders' Equity	$	3,069,383	$	2,938,212

See accompanying notes to unaudited condensed consolidated financial statements.

Custom Truck One Source, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (unaudited)

(in $000s, except per share data)	Three Months Ended March 31, 2023	2022
Revenue		
Rental revenue	$ 118,288	$ 109,145
Equipment sales	301,290	227,186
Parts sales and services	32,585	30,145
Total revenue	452,163	366,476
Cost of Revenue		
Cost of rental revenue	29,899	25,793
Depreciation of rental equipment	40,330	44,964
Cost of equipment sales	246,125	187,278
Cost of parts sales and services	26,148	23,948
Total cost of revenue	342,502	281,983
Gross Profit	109,661	84,493
Operating Expenses		
Selling, general and administrative expenses	56,991	53,655
Amortization	6,672	13,335
Non-rental depreciation	2,650	3,047
Transaction expenses and other	3,460	4,648
Total operating expenses	69,773	74,685
Operating Income (Loss)	39,888	9,808
Other Expense		
Interest expense, net	29,176	19,156
Financing and other expense (income)	(3,951)	(9,080)
Total other expense	25,225	10,076
Income (Loss) Before Income Taxes	14,663	(268)
Income Tax Expense (Benefit)	863	3,005
Net Income (Loss)	$ 13,800	$ (3,273)
Other Comprehensive Income (Loss):		
Unrealized foreign currency translation adjustments	$ 342	$ —
Other Comprehensive Income (Loss)	342	—
Comprehensive Income (Loss)	$ 14,142	$ (3,273)
Net Income (Loss) Per Share:		
Basic	$ 0.06	$ (0.01)
Diluted	$ 0.06	$ (0.01)
Weighted-Average Common Shares Outstanding:		
Basic (in thousands)	246,049	247,058
Diluted (in thousands)	247,053	247,058

See accompanying notes to unaudited condensed consolidated financial statements.

Custom Truck One Source, Inc.
Condensed Consolidated Statements of Cash Flows (unaudited)

(in $000s)	Three Months Ended March 31, 2023	2022
Operating Activities		
Net income (loss)	$ 13,800	$ (3,273)
Adjustments to reconcile net income (loss) to net cash flow from operating activities:		
Depreciation and amortization	52,091	62,500
Amortization of debt issuance costs	2,407	1,326
Provision for losses on accounts receivable	1,872	2,811
Share-based compensation	3,147	3,364
Gain on sales and disposals of rental equipment	(21,320)	(5,420)
Change in fair value of derivative and warrants	(525)	(5,767)
Deferred tax expense	514	2,849
Changes in assets and liabilities:		
Accounts and financing receivables	17,161	(33,520)
Inventories	(117,580)	(51,384)
Prepaids, operating leases and other	(4,987)	(4,637)
Accounts payable	35,916	29,869
Accrued expenses and other liabilities	1,328	(5,343)
Floor plan payables - trade, net	22,395	(13,031)
Customer deposits and deferred revenue	(2,313)	(10,115)
Net cash flow from operating activities	3,906	(29,771)
Investing Activities		
Acquisition of business, net of cash acquired	—	(50,513)
Purchases of rental equipment	(109,145)	(45,945)
Proceeds from sales and disposals of rental equipment	78,626	49,961
Purchase of non-rental property and cloud computing arrangements	(9,429)	(1,961)
Net cash flow from investing activities	(39,948)	(48,458)
Financing Activities		
Proceeds from debt	13,537	75
Share-based payments	228	(6)
Borrowings under revolving credit facilities	35,000	50,000
Repayments under revolving credit facilities	(10,331)	(34,844)
Repayments of notes payable	(2,020)	(1,872)
Finance lease payments	(377)	(2,275)
Repurchase of common stock	(1,122)	—
Acquisition of inventory through floor plan payables - non-trade	187,381	140,126
Repayment of floor plan payables - non-trade	(168,447)	(85,066)
Net cash flow from financing activities	53,849	66,138
Effect of exchange rate changes on cash and cash equivalents	51	—
Net Change in Cash and Cash Equivalents	17,858	(12,091)
Cash and Cash Equivalents at Beginning of Period	14,360	35,902
Cash and Cash Equivalents at End of Period	$ 32,218	$ 23,811

Custom Truck One Source, Inc.
Condensed Consolidated Statements of Cash Flows (unaudited) — Continued

(in $000s)	Three Months Ended March 31, 2023	2022
Supplemental Cash Flow Information		
Interest paid	$ 13,130	$ 4,865
Income taxes paid	10	—
Non-Cash Investing and Financing Activities		
Rental equipment and property and equipment purchases in accounts payable	2,938	—
Rental equipment sales in accounts receivable	621	23,551

See accompanying notes to unaudited condensed consolidated financial statements.

Custom Truck One Source, Inc.
Condensed Consolidated Statements of Stockholders' Equity (Deficit) (unaudited)

(in $000s, except share data)	Shares: Common	Shares: Treasury	Common Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance, December 31, 2022	248,311,104	(2,241,069)	$ 25	$ (15,537)	$ 1,521,487	$ (8,947)	$ (608,585)	$ 888,443
Net income (loss)	—	—	—	—	—	—	13,800	13,800
Other Comprehensive Income	—	—	—	—	—	342	—	342
Common stock repurchase	—	(174,744)	—	(1,122)	—	—	—	(1,122)
Share-based payments	130,484	(11,582)	—	(77)	3,451	—	—	3,374
Balance, March 31, 2023	248,441,588	(2,427,395)	$ 25	$ (16,736)	$ 1,524,938	$ (8,605)	$ (594,785)	$ 904,837

(in $000s, except share data)	Shares: Common	Shares: Treasury	Common Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance, December 31, 2021	247,358,412	(318,086)	$ 25	$ (3,020)	$ 1,508,995	$ —	$ (647,490)	$ 858,510
Net income (loss)	—	—	—	—	—	—	(3,273)	(3,273)
Share-based payments	102,630	(21,505)	—	(287)	3,559	—	—	3,272
Balance, March 31, 2022	247,461,042	(339,591)	$ 25	$ (3,307)	$ 1,512,554	$ —	$ (650,763)	$ 858,509

See accompanying notes to unaudited condensed consolidated financial statements.

Custom Truck One Source, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1: Business and Organization

Organization

Custom Truck One Source, Inc., a Delaware corporation, and its wholly owned subsidiaries ("we," "our," "us," or "the Company") are engaged in the business of providing a range of products and services to customers through rentals and sales of specialty equipment, rentals and sales of aftermarket parts and services related to the specialty equipment, and repair, maintenance and customization services related to that equipment.

We are a specialty equipment provider to the electric utility transmission and distribution, telecommunications, rail and other infrastructure-related industries in North America. Our core business relates to our new equipment inventory and rental fleet of specialty equipment that is utilized by service providers in infrastructure development and improvement work. We offer our specialized equipment to a diverse customer base, including utilities and contractors, for the maintenance, repair, upgrade, and installation of critical infrastructure assets, including distribution and transmission electric lines, telecommunications networks and rail systems, as well as for lighting and signage. We rent, produce, sell and service a broad range of new and used equipment, including bucket trucks, digger derricks, dump trucks, cranes, service trucks, and heavy-haul trailers. We manage the business in three reporting segments: Equipment Rental Solutions ("ERS"), Truck and Equipment Sales ("TES") and Aftermarket Parts and Services ("APS").

Equipment Rental Solutions ("ERS") Segment

We own a broad range of new and used specialty equipment, including truck-mounted aerial lifts, cranes, service trucks, dump trucks, trailers, digger derricks and other machinery and equipment. The majority of our rental fleet can be used across a variety of end-markets, which coincides with the needs of many of our customers who operate in multiple end-markets. As is customary for equipment rental companies, we sell used equipment out of our rental fleet to end-user customers. These sales are often made in response to specific customer requests. These sales offer customers an opportunity to buy well-maintained equipment with long remaining useful lives and enable us to effectively manage the age and mix of our rental fleet to match current market demand. We also employ rental purchase options on a select basis, which provide a buyout option with an established purchase price that decreases over time as rental revenue is collected. Customers are given credit against such purchase price for a portion of the amounts paid over the life of the rental, allowing customers the flexibility of a rental with the option to purchase at any time at a known price. Activities in our ERS segment consist of the rental and sale from the rental fleet of the foregoing products.

Truck and Equipment Sales ("TES") Segment

We offer a broad variety of new equipment for sale to be used across our end-markets, which can be modified to meet our customers' specific needs. We believe that our integrated production capabilities and extensive knowledge gained over a long history of selling equipment have established us as a trusted partner for customers seeking tailored solutions with short lead times. In support of these activities, we primarily employ a direct-to-customer sales model, leveraging our dedicated sales force of industry and product managers, who are focused on driving national and local sales. We also opportunistically engage in the sale of used equipment purchased from third parties or received via trade-ins from new equipment sales customers. In all of these cases, we will sell used equipment directly to customers, rather than relying on auctions. Activities in our TES segment consist of the production and sale of new and used specialty equipment and vocational trucks, which includes equipment from leading original equipment manufacturers ("OEMs") across our end-markets, as well as our Load King™ brand.

Aftermarket Parts and Services ("APS") Segment

The APS segment includes the sale of specialized aftermarket parts, including captive parts related to our Load King ™ brand, used in the maintenance and repair of the equipment we sell and rent. Specialized tools, including stringing blocks, insulated hot stick, and rigging equipment, are sold or rented to our customers on an individual basis or in packaged specialty kits. We also provide truck and equipment maintenance and repair services, which are executed throughout our nationwide branch network and fleet of mobile technicians supported by our 24/7 call center based in Kansas City, Missouri.

Supply Chain

The Company purchases raw materials, component parts and finished goods to be used in the manufacturing, sale and rental of its products. Uncertainty remains regarding supply chain disruptions, inflationary pressures, public health crises, and geopolitical risks that have led to issues, broadly, in the supply chain. Changes in the Company's relationships with suppliers, shortages in availability of materials, production delays, regulatory restrictions, public health crises, or other supply chain disruptions, whether due to suppliers or customers, could have a material adverse effect on the Company's ability to timely manufacture and market products. Increases in the costs of shipping and transportation, purchased raw materials, component parts or finished goods could result in manufacturing interruptions, delays, inefficiencies or the Company's inability to market products. The unprecedented nature of the supply chain disruptions continues to make it difficult to predict the Company's future business and financial performance. The Company continues to monitor the impact on its supply chain, including, but not limited to, the commercial vehicle manufacturers that provide the chassis used in the Company's production and manufacturing processes and the ongoing semiconductor shortage, which could potentially limit the ability of these manufacturers to meet demand in future periods.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

Our accompanying condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") and the accounting policies described below. Our condensed consolidated financial statements include the accounts of all wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The preparation of financial statements in accordance with GAAP requires that these Unaudited Condensed Consolidated Financial Statements and most of the disclosures in these Notes be presented on a historical basis, as of or for the current interim period ended or comparable prior period.

The accompanying interim statements of the Company have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X, and the Condensed Consolidated Balance Sheet at December 31, 2022, has been derived from the audited consolidated financial statements of Custom Truck One Source, Inc. at that date. Accordingly, these interim financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments and disclosures necessary for a fair statement of these interim statements, have been included. The results reported in these interim statements are not necessarily indicative of the results that may be reported for the entire year or for any other periods. These interim statements should be read in conjunction with the Custom Truck One Source, Inc. audited consolidated financial statements included in the Custom Truck One Source, Inc. Annual Report on Form 10-K for the year ended December 31, 2022.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements Recently Adopted

Contract Assets and Contract Liabilities from Contracts with Customers. In October 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2021-08, Accounting for Contract Assets and Contract Liabilities from Contracts with Customers ("ASU 2021-08"). This ASU improves the comparability for both the recognition and measurement of acquired revenue contracts with customers at the date of and after a business combination and requires that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. The amended guidance specifies for all acquired revenue contracts regardless of their timing of payment (1) the circumstances in which the acquirer should recognize contract assets and contract liabilities that are acquired in a business combination and (2) how to measure those contract assets and contract liabilities, thereby providing consistent recognition and measurement guidance for revenue contracts with customers acquired in a business combination and revenue contracts with customers not acquired in a business combination. The ASU was effective as of January 1, 2023. The Company will apply the guidance in ASU 2021-08 prospectively to any future business combinations occurring on or after the effective date.

Financing receivables. In March 2022, the FASB issued ASU No. 2022-02, Financial Instruments—Credit Losses (Topic 326) ("ASU 2022-02"), which requires an entity to disclose current period gross write-offs by year of origination for financing receivables and net investment in leases. Gross write-off information must be included in the vintage disclosures, which requires that an entity disclose the amortized cost basis of financing receivables by credit-quality indicator and class of financing receivable by year of origination. The adoption on January 1, 2023 of the ASU had no impact to the Company's disclosures related to its financing receivables as the Company does not have net investment in leases assets.

Trade Receivables and Allowance for Credit Losses

We are exposed to credit losses from trade receivables generated through our leasing, sales and service businesses. We assess each customer's ability to pay for the products and services by conducting a credit review. The credit review considers expected billing exposure and timing for payment and the customer’s established credit rating. We perform a credit review of new customers at inception of the customer relationship and, for existing customers, when the customer transacts new leases or product orders after a period of dormancy. We also consider contract terms and conditions, country risk and business strategy in the evaluation.

We monitor ongoing credit exposure through an active review of customer balances against contract terms and due dates. We may employ collection agencies and legal counsel to pursue recovery of defaulted receivables. The allowances for credit losses reflect the estimate of the amount of receivables that management assesses will be unable to be collected based on historical write-off experience and, as applicable, current conditions and reasonable and supportable forecasts that affect collectability. This estimate could require change based on changing circumstances, including changes in the economy or in the particular circumstances of individual customers. Accordingly, we may be required to increase or decrease the allowances. We review the adequacy of the allowance on a quarterly basis. The allowance for doubtful accounts is included in accounts receivable, net on our Condensed Consolidated Balance Sheets.

Accounts receivable, net consisted of the following:

(in $000s)	March 31, 2023	December 31, 2022
Accounts receivables	$ 188,040	$ 212,347
Less: allowance for doubtful accounts	(20,400)	(19,241)
Accounts receivable, net	$ 167,640	$ 193,106

Fair Value Measurements

Fair value is defined as an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets and liabilities. These inputs can be readily observable, market corroborated, or generally unobservable.

Fair Value Hierarchy - In measuring fair value, we use observable market data when available and minimize the use of unobservable inputs. Unobservable inputs may be required to value certain financial instruments due to complexities in contract terms. Inputs used in fair value measurements are categorized into three fair value hierarchy levels for disclosure purposes. The entire fair value measurement is categorized based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy are:

Level 1 - Inputs that reflect unadjusted quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur with both sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Inputs that reflect quoted prices for similar assets and liabilities are available in active markets, and inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, for substantially the full term of the financial instruments.

Level 3 - Inputs that are generally less observable or from unobservable sources in which there is little or no market data. These inputs may be used with internally developed methodologies that result in our best estimate of fair value.

Valuation Techniques - Assets and liabilities measured at fair value are based on one or more of the following three valuation techniques:

Market approach - Technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income approach - Technique that converts future amounts to a single present amount based upon market expectations (including present value techniques, option-pricing, and excess earnings models).

Cost approach - Technique that estimates the amount that would be required to replace the service capacity of an asset (i.e., replacement cost).

Assets and Liabilities with Recurring Fair Value Measurements - Certain assets and liabilities may be measured at fair value on an ongoing basis. We did not elect to apply the fair value option for recording financial assets and financial liabilities. Other than the warrants liability and an interest rate collar (which was settled in February 2022), we do not have any assets or liabilities which we measure at fair value on a recurring basis.

Assets and Liabilities with Nonrecurring Fair Value Measurements - Certain assets and liabilities are not measured at fair value on an ongoing basis. These assets and liabilities, which include long-lived assets, goodwill, and intangible assets, are subject to fair value adjustment in certain circumstances. From time to time, the fair value is determined on these assets as part of related impairment tests. For certain assets and liabilities acquired in business combinations, we record the fair value as of the acquisition date. Refer to Note 3: Acquisition, for the fair values of assets acquired and liabilities assumed in connection with our business combinations. Other than acquisition adjustments, no adjustments to fair value or fair value measurements were required for non-financial assets and liabilities for all periods presented. See Note 13: Fair Value Measurements for additional information.

Note 3: Acquisition

Acquisition of HiRail

On January 14, 2022, a subsidiary of the Company, CTOS Canada, Ltd., closed a Share Purchase Agreement with certain affiliates of Ontario Limited (d/b/a HiRail Leasing), Ontario Inc. (d/b/a Heavy Equipment Repairs), and Ontario Limited (d/b/a Northshore Rail Contracting) (collectively “HiRail”) to acquire 100% of the equity interests of HiRail. The acquisition of HiRail expands our presence in our strategic markets and deepens our relationships with key customers. HiRail, including the assignment of purchase accounting goodwill (see below), is included in the Company’s ERS segment.

Purchase Price

The Company paid $51.0 million, net of working capital adjustments, to HiRail equity interest holders and to repay debt obligations as consideration for the HiRail acquisition.

Opening Balance Sheet

The acquisition of HiRail has been accounted for using the acquisition method of accounting. Under the acquisition method of accounting, the Company was required to assign the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of January 14, 2022. The excess of the purchase price over those fair values was recorded as goodwill and was attributable to expanded access to markets for the Company’s product and service offering, synergies, and broader product offerings to existing customers of HiRail. The total purchase price has been assigned to the underlying assets acquired and liabilities assumed based upon their fair values as of January 14, 2022, and the estimated fair values have been recorded based on independent valuations, discounted cash flow analysis, quoted market prices, contributory asset charges, and estimates made by management, which estimates fall under “Level 3” of the fair value hierarchy (as defined in Note 2: Summary of Significant Accounting Policies).

The following table summarizes the January 14, 2022 fair values of the assets acquired and liabilities assumed. The final assessment of the fair value of the HiRail assets acquired and liabilities assumed was complete as of December 31, 2022.

(in $000s)	January 14, 2022	Changes	December 31, 2022
Current assets	$ 2,891	$ 956	$ 3,847
Property, equipment and other assets	819	—	819
Rental equipment	34,224	—	34,224
Total identifiable assets acquired	37,934	956	38,890
Total identifiable liabilities assumed	(6,011)	(1,596)	(7,607)
Total net assets	31,923	(640)	31,283
Goodwill	8,685	(41)	8,644
Intangible assets	11,027	—	11,027
Net assets acquired (purchase price)	51,635	(681)	50,954
Less: cash acquired	(1,122)	—	(1,122)
Net cash paid	$ 50,513	$ (681)	$ 49,832

HiRail generated $3.8 million of revenue and $1.3 million of pre-tax loss from January 14, 2022 through March 31, 2022, which were included in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the three months ended March 31, 2022. Costs and expenses related to the acquisition were expensed as incurred and were not material. Additionally, pro forma information as if the acquisition of HiRail had occurred on January 1, 2021 is not being presented as the information is not considered material to the Company’s financial statements.

Note 4: Revenue

Revenue Disaggregation

Geographic Areas

The Company had total revenue in the following geographic areas:

	Three Months Ended March 31,	
(in $000s)	**2023**	**2022**
United States	$ 438,278	$ 356,897
Canada	13,885	9,579
Total revenue	$ 452,163	$ 366,476

Major Product Lines and Services

Equipment leasing and equipment sales are the core businesses of the Company, with leasing complemented by the sale of rental units from the rental fleet. The Company's revenue by major product and service line for the three months ended March 31, 2023 and 2022 are presented in the table below.

	Three Months Ended March 31,			Three Months Ended March 31,		
	2023			2022		
(in $000s)	Topic 842	Topic 606	Total	Topic 842	Topic 606	Total
Rental:						
Rental	$ 112,903	$ —	$ 112,903	$ 105,135	$ —	$ 105,135
Shipping and handling	—	5,385	5,385	—	4,010	4,010
Total rental revenue	112,903	5,385	118,288	105,135	4,010	109,145
Sales and services:						
Equipment sales	17,708	283,582	301,290	12,237	214,949	227,186
Parts and services	4,815	27,770	32,585	2,220	27,925	30,145
Total sales and services	22,523	311,352	333,875	14,457	242,874	257,331
Total revenue	$ 135,426	$ 316,737	$ 452,163	$ 119,592	$ 246,884	$ 366,476

Rental revenue is primarily comprised of revenues from rental agreements and freight charges billed to customers. Equipment sales recognized pursuant to sales-type leases are recorded within equipment sales revenue. Charges to customers for damaged rental equipment are recorded within parts and services revenue.

Receivables, Contract Assets and Liabilities

As of March 31, 2023 and December 31, 2022, the Company had receivables related to contracts with customers of $ 75.8 million and $98.0 million, respectively. As of March 31, 2023 and December 31, 2022, the Company had receivables related to rental contracts and other of $91.9 million and $95.1 million, respectively.

The Company manages credit risk associated with its accounts receivable at the customer level. Because the same customers generate the revenues that are accounted for under both Topic 606 and Topic 842, the discussions below on credit risk and the Company's allowance for credit losses address the Company's total revenues.

The Company's allowance for credit losses reflects its estimate of the amount of receivables that it will be unable to collect. The estimated losses are based upon a review of outstanding receivables, the related aging, including specific accounts if deemed necessary, and on the Company's historical collection experience. The estimated losses are calculated using the loss rate method based upon a review of outstanding receivables, related aging, and historical collection experience. The Company's estimates reflect changing circumstances, including changes in the economy or in the particular circumstances of individual customers, and, as a result, the Company may be required to increase or decrease its allowance. See Note 2: Summary of Significant Accounting Policies for further information regarding allowance for credit losses.

When customers are billed for rentals in advance of the rental period, the Company defers recognition of revenue. As of March 31, 2023 and December 31, 2022, the Company had approximately $2.5 million and $3.0 million, respectively, of deferred rental revenue. Additionally, the Company collects deposits from customers for orders placed for equipment and rentals. The Company had approximately $28.8 million and $29.6 million in deposits as of March 31, 2023 and December 31, 2022, respectively. Of the $29.6

million deposit liability balance as of December 31, 2022, $ 23.0 million was recorded as revenue during the three months ended March 31, 2023 due to performance obligations being satisfied. The Company's remaining performance obligations on its equipment deposit liabilities have original expected durations of one year or less.

The Company does not have material contract assets, and as such did not recognize any material impairments of any contract assets.

The primary costs to obtain contracts for new and rental unit sales with the Company's customers are commissions. The Company pays its sales force commissions related to the sale and rental of new and used units. For new unit and rental unit sales, the period benefited by each commission is less than one year. As a result, the Company has applied the practical expedient for incremental costs of obtaining a sales contract and expenses commissions as incurred.

Note 5: Sales-Type Leases

Revenue from sales-type leases was as follows:

	Three Months Ended March 31,	
(in $000s)	**2023**	**2022**
Equipment sales	$ 24,172	$ 12,237
Cost of equipment sales	23,225	10,370
Gross profit (loss)	$ 947	$ 1,867

As these transactions remained under rental contracts, $7.2 million and $5.3 million for the three months ended March 31, 2023 and 2022, respectively, were billed under the contracts as rentals. Interest income from financing receivables was $3.4 million and $2.9 million for the three months ended March 31, 2023 and 2022, respectively.

Note 6: Inventory

Whole goods inventory is comprised of chassis, attachments (i.e., boom cranes, serial lifts, digger derricks, dump bodies, etc.) and the in-process costs incurred in the final assembly of those units. As part of the business model, the Company sells unassembled individual whole goods and whole goods with varying levels of customization direct to consumers or dealers. Whole goods inventory also includes new equipment purchased specifically for resale to customers. Inventory consisted of the following:

(in $000s)	**March 31, 2023**	**December 31, 2022**
Whole goods	$ 585,218	$ 468,557
Aftermarket parts and services inventory	129,136	128,167
Inventory	$ 714,354	$ 596,724

Note 7: Floor Plan Financing

Floor plan payables represent financing arrangements to facilitate the Company's purchase of new and used trucks, cranes, and construction equipment inventory. All floor plan payables are collateralized by the inventory financed. These payables become due and payable upon the sale, transfer, or reclassification of each unit of inventory. Certain floor plan arrangements require the Company to satisfy various financial ratios consistent with those under the ABL Facility. As of March 31, 2023, the Company was in compliance with these covenants.

The amounts owed under floor plan payables are summarized as follows (in thousands):

(in $000s)	**March 31, 2023**	**December 31, 2022**
Trade:		
Daimler Truck Financial	$ 113,916	$ 105,447
PACCAR Financial Services	45,113	31,187
Trade floor plan payables	$ 159,029	$ 136,634
Non-trade:		
PNC Equipment Finance, LLC	$ 312,470	$ 293,536
Non-trade floor plan payables	$ 312,470	$ 293,536

Interest on outstanding floor plan payable balances is due and payable monthly. Floor plan interest expense was $ 6.8 million and $1.7 million for the three months ended March 31, 2023 and March 31, 2022.

Trade Floor Plan Financing:

Daimler Truck Financial

The Wholesale Financing Agreement with Daimler Truck Financial (the “Daimler Facility”) bears interest at a rate of U.S. Prime plus 0.80% after an initial interest free period of up to 150 days. The total borrowing capacity under the Daimler Facility is $ 175.0 million. The Daimler agreement is evergreen and is subject to termination by either party through written notice.

PACCAR

The Company has an Inventory Financing Agreement with PACCAR Financial Corp that provides the Company with a line of credit of $ 75.0 million to finance inventory purchases of new Peterbilt and/or Kenworth trucks, tractors, and chassis. Effective during the first quarter of 2023, amounts borrowed against this line of credit incur interest at a rate of U.S. Prime Rate minus 0.6%. Previously, amounts borrowed against this line of credit incur interest at a rate of LIBOR plus 2.4%. The PACCAR agreement extends automatically each April and is subject to termination by either party through written notice. References to the prime rate in the foregoing agreements represent the rate as published in The Wall Street Journal.

Non-Trade Floor Plan Financing:

PNC Equipment Finance, LLC

The Company has an Inventory Loan, Guaranty and Security Agreement (the “Loan Agreement”) with PNC Equipment Finance, LLC. The Loan Agreement as of March 31, 2023, provides the Company with a $315.0 million revolving credit facility, which matures on August 25, 2023 and bears interest at a three-month term secured overnight financing rate (“SOFR”) plus 3.25%. The facility was increased from $315.0 million to $370.0 million on April 17, 2023.

Note 8: Rental Equipment

Rental equipment, net consisted of the following:

(in $000s)	**March 31, 2023**	**December 31, 2022**
Rental equipment	$ 1,367,852	$ 1,360,205
Less: accumulated depreciation	(473,295)	(476,531)
Rental equipment, net	$ 894,557	$ 883,674

Note 9: Long-Term Debt

Debt obligations and associated interest rates consisted of the following:

(in $000s)	**March 31, 2023**	**December 31, 2022**	**March 31, 2023**	**December 31, 2022**
ABL Facility	$ 462,400	$ 437,731	6.5%	6.1%
2029 Secured Notes	920,000	920,000	5.5%	5.5%
2023 Credit Facility	13,725	—	5.8%	—
Notes payable	29,716	31,661	3.1%-5.0%	3.1%-5.0%
Total debt outstanding	1,425,841	1,389,392		
Deferred financing fees	(26,559)	(27,686)		
Total debt excluding deferred financing fees	1,399,282	1,361,706		
Less: current maturities	(5,243)	(6,940)		
Long-term debt	$ 1,394,039	$ 1,354,766		

As of March 31, 2023, borrowing availability under the ABL Facility was $ 284.5 million, and outstanding standby letters of credit were $ 3.1 million.

2023 Credit Facility

On January 13, 2023, the Company entered into a new credit agreement allowing for borrowings of up to $ 18.0 million (the “2023 Credit Facility”). Proceeds from the credit agreement were used to finance a portion of the Company’s acquisition of real property from a related party in December 2022. A portion of the loan proceeds will be used to finance improvements to the property. In connection with entering into the agreement, the Company received net proceeds of $13.7 million with the ability to draw an additional $ 4.2 million upon completion of certain construction milestones. Borrowings bear interest at a fixed rate of 5.75% per annum and are required to be repaid monthly in an amount of approximately $ 0.1 million with a balloon payment due on the maturity date of January 13, 2028. Borrowings are secured by the real property and improvements.

Note 10: Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted-average number of shares of Common Stock outstanding. Diluted earnings (loss) per share includes the effects of potentially dilutive shares of Common Stock, if dilutive. Our potentially dilutive shares aggregated 30.0 million and 24.9 million for the three months ended March 31, 2023 and March 31, 2022, respectively, and included warrants, contingently issuable shares, and share-based compensation, and were not included in the computation of diluted earnings (loss) per share because they would be anti-dilutive.

The following tables set forth the computation of basic and dilutive earnings (loss) per share:

	Three Months Ended March 31, 2023			Three Months Ended March 31, 2022		
(in $000s, except per share data)	Net Income (Loss)	Weighted Average Shares	Per Share Amount	Net Income (Loss)	Weighted Average Shares	Per Share Amount
Basic earnings (loss) per share	$ 13,800	246,049	$ 0.06	$ (3,273)	247,058	$ (0.01)
Dilutive common share equivalents		1,004			—	
Diluted earnings (loss) per share	$ 13,800	247,053	$ 0.06	$ (3,273)	247,058	$ (0.01)

Note 11: Equity

Preferred Stock

As of March 31, 2023 and December 31, 2022, we were authorized to issue 10,000,000 shares of preferred stock with a par value of $ 0.0001 per share, with such designation, rights and preferences as may be determined from time to time by our board of directors. As of March 31, 2023 and December 31, 2022, there were no shares of preferred stock issued or outstanding.

Common Stock

As of March 31, 2023 and December 31, 2022, the Company was authorized to issue 500,000,000 shares of common stock with a par value of $ 0.0001 per share.

On August 2, 2022, the Company's Board of Directors authorized a stock repurchase program, allowing for the repurchase of up to $ 30 million of the Company's ordinary common shares. During the three months ended March 31, 2023, the Company repurchased approximately 0.2 million shares of its common stock, which are held in treasury, for a total of $1.1 million, including commission fees for the repurchase of its common stock. At March 31, 2023, $18.4 million was available under the stock repurchase program.

Contingently Issuable Shares

NESCO Holdings, LP is a Delaware limited partnership holding shares of our common stock. NESCO Holdings, LP is owned and controlled by Energy Capital Partners, and has the right to receive: (1) up to an additional 1,800,000 shares of common stock through July 31, 2024, in increments of 900,000 shares, if the trading price of the common stock exceeds $13.00 per share or $16.00 per share for any 20 trading days during a 30 consecutive trading day period or if a sale transaction of the Company occurs in which the consideration paid per share to holders of common stock of the Company exceeds $13.00 per share or $16.00 per share, and (2) an additional 1,651,798 shares of common stock if during the seven-year period ending July 31, 2026, the trading price of common stock exceeds $19.00 per share for any 20 trading days during a 30 consecutive trading day period or if a sale transaction of the Company occurs in which the consideration paid per share to holders of common stock exceeds $19.00 per share.

Note 12: Share-Based Compensation

The Company records share-based compensation awards using a fair value method and recognizes compensation expense for an amount equal to the fair value of the share-based payment issued in its financial statements. The Company's share-based compensation plans include programs for stock options, restricted stock units, performance share units and deferred compensation.

Share-based compensation expense recognized in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) was $3.1 million and $3.4 million for the three months ended March 31, 2023 and March 31, 2022, respectively. As of March 31, 2023, there was approximately $29.7 million of total unrecognized compensation cost related to stock-based compensation arrangements under the Amended and Restated 2019 Omnibus Incentive Plan.

Note 13: Fair Value Measurements

The FASB accounting standards provide a comprehensive framework for measuring fair value and sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs.

The following table sets forth the carrying values (exclusive of deferred financing fees) and fair values of our financial liabilities:

	Carrying Value	Fair Value		
(in $000s)		Level 1	Level 2	Level 3
March 31, 2023				
ABL Facility	$ 462,400	$ —	$ 462,400	$ —
2029 Secured Notes	920,000	—	805,000	—
2023 Credit Facility	13,725	—	13,725	—
Other notes payable	29,716	—	29,716	—
Warrant liabilities	2,487	—	—	2,487
December 31, 2022				
ABL Facility	$ 437,731	$ —	$ 437,731	$ —
2029 Secured Notes	920,000	—	814,200	—
Other notes payable	31,661	—	31,661	—
Warrant liabilities	3,012	—	—	3,012

The carrying amounts of the ABL Facility and other notes payable approximated fair value as of March 31, 2023 and December 31, 2022 based upon terms and conditions available to the Company at those dates in comparison to the terms and conditions of its outstanding debt. The estimated fair value of the 2029 Secured Notes is calculated using Level 2 inputs, based on bid prices obtained from brokers. The Level 3 fair value presented above consists of the fair value of the Non-Public Warrants. The Company estimated the fair value using the Black-Scholes option-pricing model based on the market value of the underlying Common Stock, the remaining contractual term of the warrant, risk-free interest rates and expected dividends, and expected volatility of the price of the underlying Common Stock. The changes in the fair value of the warrant liabilities are recorded in Financing and other expense (income) in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) and cash flow from operating activities in the Condensed Consolidated Statements of Cash Flows.

Note 14: Income Taxes

We are subject to income taxes primarily in the U.S. and Canada. Our overall effective tax rate is affected by a number of factors, such as the relative amounts of income we earn in differing tax jurisdictions, tax law changes, certain non-deductible expenses (non-taxable income), such as compensation disallowance and mark-to-market adjustments on derivative financial instruments, and changes in the valuation allowance we establish against deferred tax assets. The rate is also affected by discrete items that may occur in any given year, such as legislative enactments and changes in our corporate structure that may occur. These discrete items may not be consistent from year to year. As a result of acquisitions and other transactions that have resulted in changes in control, certain of our federal and state net operating loss and interest expense carryforwards (collectively, “Carryforward Assets”) are subject to limitations prescribed by U.S. Internal Revenue Code Section 382 (“Section 382”) and similar rules in state and local taxing jurisdictions. We record a valuation allowance against deferred tax assets, including Carryforward Assets, when we determine that it is more likely than not that all or a portion of a deferred tax asset will not be realized. For interim periods, we estimate our annual effective tax rate, exclusive of discrete items, which is derived primarily by our estimate of our valuation allowance as of the end of our fiscal year. The Company’s effective tax rate for the three months ended March 31, 2023 and 2022 differs from the U.S. federal statutory tax rate due to the recording of valuation allowances. We recorded an income tax expense of $0.9 million for the three months ended March 31, 2023 resulting in an effective tax rate of 5.9% compared to an income tax expense of $ 3.0 million for the comparable prior year period, at a negative effect tax rate of (1121.3)%. The change in the effective tax rate was primarily due to state tax expense recorded during the three month period ended March 31, 2023 as compared to the three month period ended March 31, 2022 and the near break-even pre-tax loss in the three month period ended March 31, 2022 that resulted in an exaggerated effective tax rate.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022 (“IRA”), which, among other things, implements a 15% minimum tax for certain large corporations, a 1% excise tax on net stock repurchases, and several tax incentives to promote clean energy. The IRA is effective for tax years beginning after December 31, 2022. Based on our current analysis of the provisions, we do not believe this legislation will have a material effect on our consolidated financial statements. We will continue to monitor the additional guidance from the Internal Revenue Service (the “IRS”).

Note 15: Commitments and Contingencies

We record a liability when we believe that it is both probable that a liability has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. We review these provisions at least quarterly and adjust these provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information.

Legal Matters

In the normal course of business, there are various claims in process, matters in litigation, and other contingencies. At this time, no claims of these types, certain of which are covered by insurance policies, have had a material effect on the Company. Certain jurisdictions in which the Company operates do not allow insurance recoveries related to punitive damages.

From time to time, the Company is audited by state and local taxing authorities. These audits typically focus on the Company's withholding of state-specific sales tax and rental-related taxes.

Custom Truck LP's withholdings of federal excise taxes for each of the four quarterly periods during 2015 are currently under audit by the IRS. The IRS issued an assessment on October 28, 2020 in an aggregate amount of $2.4 million for the 2015 periods, alleging that certain types of sold equipment are not eligible for the Mobile Machinery Exemption set forth in the Internal Revenue Code (the "Code"). An appeal was filed on January 28, 2021. Based on management's understanding of the facts and circumstances, including the relevant provisions of the Code, and historical precedent, including previous successful appeals of similar assessments in prior years, management does not believe the likelihood of a loss resulting from the IRS assessment to be probable at this time.

While it is not possible to predict the outcome of the foregoing matters with certainty, it is the opinion of management that the final outcome of these matters will not have a material effect on the Company's consolidated financial condition, results of operations and cash flows.

Purchase Commitments

We enter into purchase agreements with manufacturers and suppliers of equipment for our rental fleet and inventory. All of these agreements are cancellable within a specified notification period to the supplier.

Note 16: Related Parties

The Company has transactions with related parties as summarized below.

Rentals and Sales — The Company rents and sells equipment and provides services to R&M Equipment Rental, a business partially owned by members of the Company's management. The Company also rents equipment and purchases inventory from R&M Equipment Rental.

Prior to August 1, 2022, Energy Capital Partners ("ECP"), a stockholder of the Company, and their affiliates had ownership interests in PLH Group, Inc., which was a customer of the Company.

Facilities Leases and Other — The Company has leased certain facilities, as well as purchased aircraft charter services, from entities owned by members of the Company's management and their immediate families. Lease and charter services payments related to these transactions are immaterial. Rent and air travel expenses are recorded in selling, general, and administrative expenses. In December 2022, the Company terminated the lease agreements and purchased the facilities and land from these related parties for a purchase price of approximately $15.4 million.

Management Fees — The Company entered into the Corporate Advisory Services Agreement with Platinum effective in April 2021, under which management fees are payable to Platinum quarterly. The management fees are recorded in transaction expenses and other in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss).

A summary of the transactions with the foregoing related parties included in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) is as follows:

	Three Months Ended March 31,	
(in $000s)	**2023**	**2022**
Total revenues from transactions with related parties	$ 8,455	$ 7,851
Expenses incurred from transactions with related parties included in cost of revenue	$ 358	$ 1,297
Expenses incurred from transactions with related parties included in operating expenses	$ 1,395	$ 1,631

Amounts receivable from/payable to related parties included in the Condensed Consolidated Balance Sheets are as follows:

(in $000s)	**March 31, 2023**	**December 31, 2022**
Accounts receivable from related parties	$ 2,280	$ 7,813
Accounts payable to related parties	$ 199	$ 1,475

Note 17: Segments

Our operations are primarily organized and managed by operating segment. Operating segment performance and resource allocations are primarily based on gross profit. The accounting policies of the reportable segments are consistent with those described in Note 2: Summary of Significant Accounting Policies to the condensed consolidated financial statements. Intersegment sales and any related profits are eliminated in consolidation. We manage the business in three reporting segments: Equipment Rental Solutions ("ERS"), Truck and Equipment Sales ("TES") and Aftermarket Parts and Services ("APS"). The segment operations are described in Note 1: Business and Organization to these financial statements.

The Company's segment results are presented in the tables below:

	Three Months Ended March 31, 2023			
(in $000s)	ERS	TES	APS	Total
Revenue:				
Rental	$ 113,784	$ —	$ 4,504	$ 118,288
Equipment sales	92,136	209,154	—	301,290
Parts and services	—	—	32,585	32,585
Total revenue	205,920	209,154	37,089	452,163
Cost of revenue:				
Rentals/parts and services	29,060	—	26,987	56,047
Equipment sales	71,081	175,044	—	246,125
Depreciation of rental equipment	39,512	—	818	40,330
Total cost of revenue	139,653	175,044	27,805	342,502
Gross profit	$ 66,267	$ 34,110	$ 9,284	$ 109,661

(in $000s)	Three Months Ended March 31, 2022			
	ERS	TES	APS	Total
Revenue:				
Rental	$ 105,561	$ —	$ 3,584	$ 109,145
Equipment sales	59,353	167,833	—	227,186
Parts and services	—	—	30,145	30,145
Total revenue	164,914	167,833	33,729	366,476
Cost of revenue:				
Rentals/parts and services	24,791	—	24,950	49,741
Equipment sales	43,230	144,048	—	187,278
Depreciation of rental equipment	43,966	—	998	44,964
Total cost of revenue	111,987	144,048	25,948	281,983
Gross profit	$ 52,927	$ 23,785	$ 7,781	$ 84,493

Total assets by operating segment are not disclosed herein because asset by operating segment data is not reviewed by the chief operating decision-maker ("CODM") to assess performance and allocate resources.

Gross profit is the primary operating result whereby our segments are evaluated for performance and resource allocation. The following table presents a reconciliation of consolidated gross profit to consolidated income (loss) before income taxes:

(in $000s)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Gross Profit	$ 109,661	$ 84,493
Selling, general and administrative expenses	56,991	53,655
Amortization	6,672	13,335
Non-rental depreciation	2,650	3,047
Transaction expenses and other	3,460	4,648
Interest expense, net	29,176	19,156
Financing and other expense (income)	(3,951)	(9,080)
Income (Loss) Before Income Taxes	$ 14,663	$ (268)

The following table presents total assets by country:

(in $000s)	March 31, 2023	December 31, 2022
Assets:		
United States	$ 2,950,122	$ 2,830,958
Canada	119,261	107,254
	$ 3,069,383	$ 2,938,212

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Any statements made in this report that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, and should be evaluated as such. These statements often include words such as "anticipate," "expect," "suggest," "plan," "believe," "intend," "estimate," "target," "project," "should," "could," "would," "may," "will," "forecast," and other similar expressions. We base these forward-looking statements or projections on our current expectations, plans and assumptions that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances and at such time. As you read and consider this report, you should understand that these statements are not guarantees of performance or results and are subject to and involve risks, uncertainties and assumptions. You should not place undue reliance on these forward-looking statements or projections. Below is a summary of risk factors applicable to us that may materially affect such forward-looking statements and projections:

- increases in labor costs, our inability to obtain raw materials, component parts and/or finished goods in a timely and cost-effective manner, and our inability to manage our rental equipment in an effective manner;
- our sales order backlog may not be indicative of the level of our future revenues;
- increases in unionization rate in our workforce;
- our inability to recruit and retain the experienced personnel, including skilled technicians, we need to compete in our industries;
- our inability to attract and retain highly skilled personnel and our inability to retain our senior management;
- material disruptions to our operation and manufacturing locations as a result of public health concerns, equipment failures, natural disasters, work stoppages, power outages or other reasons;
- potential impairment charges;
- any further increase in the cost of new equipment that we purchase for use in our rental fleet or for sale as inventory;
- aging or obsolescence of our existing equipment, and the fluctuations of market value thereof;
- disruptions in our supply chain;
- our business may be impacted by government spending;
- we may experience losses in excess of our recorded reserves for receivables;
- unfavorable conditions in the capital and credit markets and our inability to obtain additional capital as required;
- increases in price of fuel or freight;
- regulatory technological advancement, or other changes in our core end-markets may affect our customers' spending;
- difficulty in integrating acquired businesses and fully realizing the anticipated benefits and cost savings of the acquired businesses, as well as additional transaction and transition costs that we will continue to incur following acquisitions;
- material weakness in our internal control over financial reporting which, if not remediated, could result in material misstatements in our financial statements;
- the interest of our majority stockholder, which may not be consistent with the other stockholders;
- our significant indebtedness, which may adversely affect our financial position, limit our available cash and our access to additional capital, prevent us from growing our business and increase our risk of default;
- our inability to generate cash, which could lead to a default;
- significant operating and financial restrictions imposed by our debt agreements;
- changes in interest rates, which could increase our debt service obligations on the variable rate indebtedness and decrease our net income and cash flows;
- the phase-out of the London Interbank Offered Rate ("LIBOR") and uncertainty as to its replacement;
- disruptions in our information technology systems or a compromise of our system security, limiting our ability to effectively monitor and control our operations, adjust to changing market conditions, and implement strategic initiatives;
- we are subject to complex laws and regulations, including environmental and safety regulations that can adversely affect cost, manner or feasibility of doing business;
- we are subject to a series of risks related to climate change; and
- increased attention to, and evolving expectations for, sustainability and environmental, social and governance initiatives.

These cautionary statements should not be construed by you to be exhaustive and are made only as of the date of this report. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law. See "Risk Factors" in Part I, Item 1A of the Annual Report for the year ended December 31, 2022 and in Part II, Item 1A of this report, for additional risks.

Custom Truck One Source, Inc., a Delaware corporation, and its wholly owned subsidiaries ("we," "our," "us," or "the Company") are engaged in the business of providing a range of products and services to customers through rentals and sales of specialty equipment, rentals and sales of aftermarket parts and services related to the specialty equipment, and repair, maintenance and customization services related to that equipment.

We are a specialty equipment provider to the electric utility transmission and distribution, telecommunications, rail and other infrastructure-related industries in North America. Our core business relates to our new equipment inventory and rental fleet of specialty equipment that is utilized by service providers in infrastructure development and improvement work. We offer our specialized equipment to a diverse customer base, including utilities and contractors, for the maintenance, repair, upgrade, and installation of critical infrastructure assets, including distribution and transmission electric lines, telecommunications networks and rail systems, as well as for lighting and signage. We rent, produce, sell and service a broad range of new and used equipment, including bucket trucks, digger derricks, dump trucks, cranes, service trucks, and heavy-haul trailers. We manage the business in three reporting segments: Equipment Rental Solutions ("ERS"), Truck and Equipment Sales ("TES") and Aftermarket Parts and Services ("APS").

Financial and Performance Measures

Financial Measures

Revenue — As a full-service equipment provider, we generate revenue through renting, selling, assembling, upfitting, and servicing new and used heavy-duty trucks and cranes, as well as the sale of related parts. We also sell and rent specialized tools on an individual basis and in kits. Rental revenue is primarily comprised of revenues from rental agreements and freight charges billed to customers. The Company records changes in estimated collectability directly against rental revenue. Equipment sales revenue reflects the value of vocational trucks and other equipment sold to customers. Parts and service revenue is derived from maintenance and repair services, light upfit services, and parts, tools and accessories sold directly to customers.

Cost of rental revenue — Cost of rental revenue reflects repairs and maintenance costs of rental equipment, parts costs, labor and other overheads related to maintaining the rental fleet, and freight associated with the shipping of rental equipment.

Depreciation of rental equipment — Depreciation of rental equipment is comprised of depreciation expense on the rental fleet. We allocate the cost of rental equipment generally over the rentable life of the equipment. The depreciation allocation is based upon estimated lives ranging from five to seven years. The cost of equipment is depreciated to an estimated residual value using the straight-line method.

Cost of equipment sales — Cost of equipment sales reflects production and inventory costs associated with new units sold, parts costs, labor and other overheads related to production, and freight associated with the shipping and receiving of equipment and parts. Cost of equipment sales also includes the net book value of rental units sold.

Selling, general and administrative expenses — Selling, general and administrative expenses include sales compensation, fleet licensing fees and corporate expenses, including salaries, stock-based compensation expense, insurance, advertising costs, professional services, fees earned on customer arranged financing, gains or losses resulting from insurance settlements, and information technology costs.

Amortization and non-rental depreciation — Amortization expense relates to intangible assets such as customer lists, trade names, etc. Non-rental depreciation expense reflects the depreciation of property and equipment that is not part of the rental fleet.

Transaction expenses and other — Transaction expenses and other expense include expenses directly related to the acquisition of businesses. These expenses are comprised of travel and out-of-pocket expenses and legal, accounting and valuation or appraisal fees incurred in connection with pre- and post-closure activities. We include costs and expenses associated with post-acquisition integration activities related to the acquired businesses. Management fees pursuant to the Corporate Advisory Services Agreement with Platinum are also included in this category.

Financing and other expense (income) — Financing and other expense (income) reflects the financing expense (income) associated with sales-type lease activity, foreign currency gains and losses related to our Canadian operations, as well as other miscellaneous gains or losses from non-operating activities. Also included in financing and other expense (income) are the unrealized remeasurement gains and losses related to our redeemable warrants.

Interest expense — Interest expense consists of contractual interest expense on outstanding debt obligations, floorplan financing facilities, amortization of deferred financing costs and other related financing expenses.

Income Tax Expense (Benefit) — We have net operating loss carryforward and disallowed interest deduction carryforward assets, which are generally available to be used to offset taxable income generated in future years. Due to limitations on the use of these carryforwards under U.S. federal and state income tax regulations, we record valuation allowances to reduce the carryforward assets to amounts that we estimate will be realized. Accordingly, income tax expense or benefit generally is comprised of changes to these valuation allowance estimates and does not reflect taxes on current period income (or tax benefit on current period losses). For these reasons, our effective tax rate differs from the federal statutory tax rate.

Performance Measures

We consider the following key operational measures when evaluating our performance and making day-to-day operating decisions:

Ending OEC — Ending original equipment cost ("OEC") is the original equipment cost of units at the end of the measurement period. OEC represents the original equipment cost, exclusive of the effect of adjustments to rental equipment fleet acquired in business combinations, and is the basis for calculating certain of the measures set forth below. This adjusted measure of OEC is used by our creditors pursuant to our credit agreements, wherein this is a component of the basis for determining compliance with our financial loan covenants. Additionally, the pricing of our rental contracts and equipment sales prices for our equipment is based upon OEC, and we measure a rate of return from our rentals and sales using OEC. OEC is a widely used industry metric to compare fleet dollar value independent of depreciation.

Average OEC on rent — Average OEC on rent is calculated as the weighted-average OEC on rent during the stated period.

Fleet utilization — Fleet utilization is defined as the total number of days the rental equipment was rented during a specified period of time divided by the total number of days available during the same period and weighted based on OEC. Utilization is a measure of fleet efficiency expressed as a percentage of time the fleet is on rent and is considered to be an important indicator of the revenue generating capacity of the fleet.

OEC on rent yield — OEC on rent yield ("ORY") is a measure of return realized by our rental fleet during a period. ORY is calculated as rental revenue (excluding freight recovery and ancillary fees) during the stated period divided by the average OEC on rent for the same period. For periods less than 12 months, ORY is adjusted to an annualized basis.

Sales order backlog — Sales order backlog consists of purchase orders received for customized and stock equipment. Sales order backlog should not be considered an accurate measure of future net sales.

Operating Segments

We operate in three reportable operating segments: Equipment Rental Solutions, Truck and Equipment Sales and Aftermarket Parts and Services.

Equipment Rental Solutions ("ERS") Segment — We own a broad range of new and used specialty equipment, including truck-mounted aerial lifts, cranes, service trucks, dump trucks, trailers, digger derricks and other machinery and equipment. As of March 31, 2023, this equipment (the "rental fleet") is comprised of more than 10,000 units. The majority of our rental fleet can be used across a variety of end-markets, which coincides with the needs of many of our customers who operate in multiple end-markets. As is customary for equipment rental companies, we sell used equipment out of our rental fleet to end-user customers. These sales are often made in response to specific customer requests. These sales offer customers an opportunity to buy well-maintained equipment with long remaining useful lives and enable us to effectively manage the age and mix of our rental fleet to match current market demand. We also employ rental purchase options ("RPOs") on a select basis, which provide a buyout option with an established purchase price that decreases over time as rental revenue is collected. Customers are given credit against such purchase price for a portion of the amounts paid over the life of the rental, allowing customers the flexibility of a rental with the option to purchase at any time at a known price. Activities in our ERS segment consist of the rental and sale from the rental fleet, of the foregoing products.

Truck and Equipment Sales ("TES") Segment — We offer a broad variety of new equipment for sale to be used across our end-markets, which can be modified to meet our customers' specific needs. We believe that our integrated production capabilities and extensive knowledge gained over a long history of selling equipment have established us as a trusted partner for customers seeking tailored solutions with short lead times. In support of these activities, we primarily employ a direct-to-customer sales model, leveraging our dedicated sales force of industry and product managers, who are focused on driving national and local sales. We also opportunistically engage in the sale of used equipment purchased from third parties or received via trade-ins from new equipment sales customers. In all of these cases, we will sell used equipment directly to customers, rather than relying on auctions. Activities in our TES segment consist of the production and sale of new and used specialty equipment and vocational trucks, which includes equipment from leading original equipment manufacturers ("OEMs") across our end-markets, as well as our Load King™ brand.

Aftermarket Parts and Services ("APS") Segment — The APS segment includes the sale of specialized aftermarket parts, including captive parts related to our Load King™ brand, used in the maintenance and repair of the equipment we sell and rent. Specialized tools, including stringing blocks, insulated hot stick, and rigging equipment, are sold or rented to our customers on an individual basis or in packaged specialty kits. We also provide truck and equipment maintenance and repair services, which are executed throughout our nationwide branch network and fleet of mobile technicians supported by our 24/7 call center based in Kansas City, Missouri.

Non-GAAP Financial Measures

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial performance measure that the Company uses to monitor its results of operations and to measure performance against debt covenants and performance relative to competitors. The Company believes Adjusted EBITDA is a useful performance measure because it allows for an effective evaluation of operating performance, without regard to financing methods or capital structures. The Company excludes the items identified in the reconciliations of net income (loss) to Adjusted EBITDA because these amounts are either non-recurring or can vary substantially within the industry depending upon accounting methods and book values of assets, including the method by which the assets were acquired, and capital structures. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net income (loss) determined in accordance with GAAP. Certain items excluded from Adjusted EBITDA are significant components in understanding and assessing a company's financial performance, such as a company's cost of capital and tax structure, as well as the historical costs of depreciable assets, none of which are reflected in Adjusted EBITDA. The Company's presentation of Adjusted EBITDA should not be construed as an indication that results will be unaffected by the items excluded from Adjusted EBITDA. The Company's computation of Adjusted EBITDA may not be identical to other similarly titled measures of other companies.

The Company defines Adjusted EBITDA as net income or loss before interest expense, income taxes, depreciation and amortization, share-based compensation, and other items that the Company does not view as indicative of ongoing performance. The Company's Adjusted EBITDA includes an adjustment to exclude the effects of purchase accounting adjustments when calculating the cost of inventory and used equipment sold. When inventory or equipment is purchased in connection with a business combination, the assets are revalued to their current fair values for accounting purposes. The consideration transferred (i.e., the purchase price) in a business combination is allocated to the fair values of the assets as of the acquisition date, with amortization or depreciation recorded thereafter following applicable accounting policies; however, this may not be indicative of the actual cost to acquire inventory or new equipment that is added to product inventory or the rental fleets apart from a business acquisition. Additionally, the pricing of rental contracts and equipment sales prices for equipment is based on OEC, and the Company measures a rate of return from rentals and sales using OEC. The Company also includes an adjustment to remove the impact of accounting for certain of our rental contracts with customers containing a rental purchase option that are accounted for under GAAP as a sales-type lease. We include this adjustment because we believe continuing to reflect the transactions as an operating lease better reflects the economics of the transactions given our large portfolio of rental contracts. These, and other, adjustments to GAAP net income or loss that are applied to derive Adjusted EBITDA are specified by the Company's senior secured credit agreements.

Although management evaluates and present Adjusted EBITDA for the reasons described herein, please be aware that this non-GAAP measure has limitations and should not be considered in isolation or as a substitute for revenue, operating income/loss, net income/loss, earnings/loss per share or any other comparable operating measure prescribed by GAAP. In addition, we may calculate and/or present this non-GAAP financial measure differently than measures with the same or similar names that other companies report, and, as a result, the non-GAAP measure we report may not be comparable to those reported by others.

Results of Operations

Three months ended March 31, 2023 compared to three months ended March 31, 2022

Consolidated Results of Operations

	Three Months Ended							
(in $000s)	**March 31, 2023**	% of revenue	**March 31, 2022**	% of revenue	**$ Change**	% change	**December 31, 2022**	% of revenue
Rental revenue	$ 118,288	26.2%	$ 109,145	29.8%	$ 9,143	8.4%	$ 127,829	26.3%
Equipment sales	301,290	66.6%	227,186	62.0%	74,104	32.6%	325,746	66.9%
Parts sales and services	32,585	7.2%	30,145	8.2%	2,440	8.1%	33,149	6.8%
Total revenue	452,163	100.0%	366,476	100.0%	85,687	23.4%	486,724	100.0%
Cost of revenue, excluding rental equipment depreciation	302,172	66.8%	237,019	64.7%	65,153	27.5%	317,596	65.3%
Depreciation of rental equipment	40,330	8.9%	44,964	12.3%	(4,634)	(10.3)%	40,803	8.4%
Gross profit	109,661	24.3%	84,493	23.1%	25,168	29.8%	128,325	26.4%
Operating expenses	69,773		74,685		(4,912)		76,677	
Operating income (loss)	39,888		9,808		30,080		51,648	
Total other expense	25,225		10,076		15,149		20,157	
Income (loss) before income taxes	14,663		(268)		14,931		31,491	
Income tax expense (benefit)	863		3,005		(2,142)		554	
Net income (loss)	$ 13,800		$ (3,273)		$ 17,073		$ 30,937	

Total Revenue - The increase in total revenue for the three months ended March 31, 2023 compared to the three months ended March 31, 2022 was primarily due to strong customer demand for new equipment and rental equipment, as wells as for parts sales and services record levels of vehicle production. The rental revenue reflects our continued expansion of our rental fleet, higher utilization and pricing gains. Equipment sales increased as the continuing improvement in supply chain challenges allowed for greater order fulfillments and our ability to replenish inventory.

Cost of Revenue, Excluding Rental Equipment Depreciation - The increase in cost of revenue, excluding rental equipment depreciation for the three months ended March 31, 2023, was driven primarily by the increase in new and rental equipment sales volume versus the three months ended March 31, 2022.

Depreciation of Rental Equipment - Depreciation of our rental fleet decreased in the three months ended March 31, 2023 as a result of the higher level of rental equipment sales.

Operating Expenses - Operating expenses decreased in the three months ended March 31, 2023 versus the three months ended March 31, 2022 primarily as a result of the runoff of amortization expense in the first quarter of 2022 associated with a prior trade name intangible asset as well as a reduction in post-acquisition integration activities expenses.

Total Other Expense - Other expense for the three months ended March 31, 2023 increased primarily due to the increase in interest expense from variable rate debt and floor plan financing liabilities. Additionally, other expense for the three months ended March 31, 2022 includes higher mark-to-market income from the private warrants liability (accounted for as a derivative financial instrument) as compared to the three months ended March 31, 2023.

Income Tax Expense (Benefit) - Our overall effective tax rate is affected by a number of factors, such as the relative amounts of income we earn in differing tax jurisdictions, tax law changes, certain non-deductible expenses (non-taxable income), such as compensation disallowance and mark-to-market adjustments on derivative financial instruments, and changes in the valuation allowance we establish against deferred tax assets. The rate is also affected by discrete items that may occur in any given year, such as legislative enactments and changes in our corporate structure that may occur. These discrete items may not be consistent from year to year. [In the three months ended March 31, 2023, discrete items, including derivative mark-to-market adjustments, transaction and integration expenses, coupled with certain tax attribute changes related to real and personal property and subsidiaries in our consolidated group, resulted in an overall effective tax rate in the period of 5.9%. The effect of these items resulted in approximately $0.9 million of tax expense being recognized in the three months ended March 31, 2023.]

Net Income (Loss) - The change in net income (loss) for the three months ended March 31, 2023 compared to the three months ended March 31, 2022 was primarily the result of gross profit expansion, partially offset by higher interest expense on variable-rate debt and variable-rate floor plan liabilities.

Key Performance Measures

We believe that our operating model, together with our highly variable cost structure, enables us to sustain high margins, strong cash flow generation and stable financial performance throughout various economic cycles. We also believe that our vertical integration of rental equipment production as the principal supplier of our rental fleet provides us a cost advantage relative to other specialty rental companies. We are able to generate cash flow through our earnings, as well as sales of used and rental equipment. Our highly variable cost structure adjusts with the utilization of our equipment, thereby reducing our costs to match our revenue. We principally evaluate financial performance based on the following measurements: average OEC on rent, fleet utilization, and OEC on rent yield. We also report sales order backlog related to our customers' orders for new vocational heavy duty trucks as an indicator of the demand environment for our products. The table below presents these key measures.

	Three Months Ended					
(in $000s)	March 31, 2023	March 31, 2022	Change	% Change	December 31, 2022	% Change
Ending OEC	$ 1,457,870	$ 1,364,660	$ 93,210	6.8 %	$ 1,455,820	0.1 %
Average OEC on rent	$ 1,214,300	$ 1,119,100	$ 95,200	8.5 %	$ 1,267,600	(4.2) %
Fleet utilization	83.6 %	82.5 %	1.1 %	1.3 %	86.3 %	(3.1) %
OEC on rent yield	39.6 %	39.1 %	0.5 %	1.3 %	39.5 %	0.3 %
Sales order backlog	$ 855,049	$ 586,368	$ 268,681	45.8 %	$ 754,142	13.4 %

Ending OEC - The increase in Ending OEC compared to the three months ended March 31, 2022 was driven by positive net rental fleet additions since the first quarter 2022.

Average OEC on Rent - The increase in Average OEC on rent compared to the three months ended March 31, 2022 was driven by fleet growth and continued strong rental demand.

Fleet Utilization - Fleet utilization increased compared to the three months ended March 31, 2022 as a result of the factors noted above.

OEC on Rent Yield - OEC on Rent Yield increased compared to the three months ended March 31, 2022 as a result of the impact of the favorable pricing environment for our rental products, reflective of strong demand.

Sales Order Backlog - Sales order backlog consists of customer orders placed for customized and stock equipment. The increase in sales order backlog compared to the three months ended March 31, 2022 was driven by continued strong customer demand.

Adjusted EBITDA

The following table provides a reconciliation of net income (loss) to Adjusted EBITDA for the three months ended March 31, 2023, December, 31 2022 and March 31, 2022. As previously noted, Adjusted EBITDA is a non-GAAP financial measure and should not be considered in isolation or as a substitute for revenue, operating income/loss, net income (loss), earnings (loss) per share or any other comparable measures prescribed by GAAP.

	Three Months Ended					
(in $000s)	**March 31, 2023**	**March 31, 2022**	**$ Change**	**% Change**	**December 31, 2022**	**% Change**
Net income (loss)	$ 13,800	$ (3,273)	$ 17,073	521.6 %	$ 30,937	(55.4)%
Interest expense	22,363	17,445	4,918	28.2 %	21,432	4.3 %
Income tax expense (benefit)	863	3,005	(2,142)	71.3 %	554	55.8 %
Depreciation and amortization	52,090	62,500	(10,410)	(16.7)%	52,362	(0.5)%
EBITDA	89,116	79,677	9,439	11.8 %	105,285	(15.4)%
Adjustments:						
Non-cash purchase accounting impact (1)	7,199	9,026	(1,827)	(20.2)%	8,268	(12.9)%
Transaction and integration costs (2)	3,460	4,648	(1,188)	(25.6)%	9,026	(61.7)%
Sales-type lease adjustment (3)	2,803	529	2,274	429.9 %	1,411	98.7 %
Share-based payments (4)	3,147	3,364	(217)	(6.5)%	2,771	13.6 %
Change in fair value of derivative and warrants (5)	(525)	(5,767)	5,242	90.9 %	(2,277)	(76.9)%
Adjusted EBITDA	$ 105,200	$ 91,477	$ 13,723	15.0 %	$ 124,484	(15.5)%

(1) Represents the non-cash impact of purchase accounting, net of accumulated depreciation, on the cost of equipment and inventory sold. The equipment and inventory acquired received a purchase accounting step-up in basis, which is a non-cash adjustment to the equipment cost pursuant to our credit agreement.

(2) Represents transaction and process improvement costs related to acquisitions of businesses, including post-acquisition integration costs, which are recognized within operating expenses in our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). These expenses are comprised of professional consultancy, legal, tax and accounting fees. Also included are expenses associated with the integration of acquired businesses. These expenses are presented as adjustments to net income (loss) pursuant to our ABL Credit Agreement.

(3) Represents the adjustment for the impact of sales-type lease accounting for certain leases containing rental purchase options ("RPOs"), as the application of sales-type lease accounting is not deemed to be representative of the ongoing cash flows of the underlying rental contracts. The adjustments are made pursuant to our credit agreement. The components of this adjustment are presented in the table below.

	Three Months Ended		
(in $000s)	**March 31, 2023**	**March 31, 2022**	**December 31, 2022**
Equipment sales	$ (24,172)	$ (12,237)	$ (14,518)
Cost of equipment sales	23,225	10,370	14,509
Gross profit	(947)	(1,867)	(9)
Interest (income) expense	(3,428)	(2,888)	(4,303)
Rentals invoiced	7,178	5,284	5,723
Sales-type lease adjustment	$ 2,803	$ 529	$ 1,411

(4) Represents non-cash share-based compensation expense associated with the issuance of stock options and restricted stock units.

(5) Represents the credit to earnings for the change in fair value of the liability for private warrants.

Operating Results by Segment

Equipment Rental Solutions (ERS) Segment

(in $000s)	Three Months Ended March 31, 2023	March 31, 2022	$ Change	% Change	December 31, 2022	$ Change
Rental revenue	$ 113,784	$ 105,561	$ 8,223	7.8 %	$ 123,429	(7.8)%
Equipment sales	92,136	59,353	32,783	55.2 %	78,472	17.4 %
Total revenue	205,920	164,914	41,006	24.9 %	201,901	2.0 %
Cost of rental revenue	29,060	24,791	4,269	17.2 %	26,735	8.7 %
Cost of equipment sales	71,081	43,230	27,851	64.4 %	57,504	23.6 %
Depreciation of rental equipment	39,512	43,966	(4,454)	(10.1)%	39,836	(0.8)%
Total cost of revenue	139,653	111,987	27,666	24.7 %	124,075	12.6 %
Gross profit	$ 66,267	$ 52,927	$ 13,340	25.2 %	$ 77,826	(14.9)%

Total Revenue - The increase in total revenue for the ERS segment for the three months ended March 31, 2023 compared to the three months ended March 31, 2022 was driven by an increase in revenues for rental equipment and equipment sales revenue. Continued demand across our infrastructure end-markets coupled with positive net fleet acquisition in the current year resulted in greater levels of fleet utilization.

Cost of Revenue - The increase in total cost of revenue for the three months ended March 31, 2023 compared to the three months ended March 31, 2022 was largely due to the increase in cost of equipment sales, resulting from an increase in demand for rental equipment purchases by our customers.

Depreciation - Depreciation of our rental fleet decreased resulting from the higher level of rental equipment sales in the current year.

Gross Profit - The increase in gross profit for the three months ended March 31, 2023 compared to the three months ended March 31, 2022 was due to the increase in rental revenues and equipment sales for the period.

Truck and Equipment Sales (TES) Segment

(in $000s)	Three Months Ended March 31, 2023	March 31, 2022	$ Change	% Change	December 31, 2022	% Change
Equipment sales	$ 209,154	$ 167,833	$ 41,321	24.6 %	$ 247,274	(15.4)%
Cost of equipment sales	175,044	144,048	30,996	21.5 %	202,887	(13.7)%
Gross profit	$ 34,110	$ 23,785	$ 10,325	43.4 %	$ 44,387	(23.2)%

Equipment Sales - Equipment sales increased for the three months ended March 31, 2023 compared to the three months ended March 31, 2022 due to the continued supply chain improvements related to the segment's inventory suppliers, which allowed for greater order fulfillments, and sustained strong customer demand.

Cost of Equipment Sales - Cost of equipment sales increased for the three months ended March 31, 2023 compared to the three months ended March 31, 2022 due to the increase in equipment sales.

Gross Profit - The increase in gross profit for the three months ended March 31, 2023 compared to the three months ended March 31, 2022 is reflective of the positive demand and pricing environment for our products.

Aftermarket Parts and Services (APS) Segment

	Three Months Ended					
(in $000s)	March 31, 2023	March 31, 2022	$ Change	% Change	December 31, 2022	% Change
Rental revenue	$ 4,504	$ 3,584	$ 920	25.7 %	$ 4,400	2.4 %
Parts and services revenue	32,585	30,145	2,440	8.1 %	33,149	(1.7)%
Total revenue	37,089	33,729	3,360	10.0 %	37,549	(1.2)%
Cost of revenue	26,987	24,950	2,037	8.2 %	30,470	(11.4)%
Depreciation of rental equipment	818	998	(180)	(18.0)%	967	(15.4)%
Total cost of revenue	27,805	25,948	1,857	7.2 %	31,437	(11.6)%
Gross profit	$ 9,284	$ 7,781	$ 1,503	19.3 %	$ 6,112	51.9 %

Total Revenue - Total revenue increased for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. Growth in demand for parts, tools and accessories sales was augmented by increased tools and accessories rentals in the Parts, Tools and Accessories ("PTA") division.

Cost of Revenue - Cost of revenue increased for the three months ended March 31, 2023 compared to the three months ended March 31, 2022 commensurate with the increase in volume of parts sales and rental activity.

Gross Profit - The changes in gross profit were due to product and service mix with gross profit margin improving in the first quarter of 2023 compared to the first quarter of 2022.

Liquidity and Capital Resources

Our principal sources of liquidity include cash generated by operating activities and borrowings under revolving credit facilities as described below. We believe that our liquidity sources and operating cash flows are sufficient to address our operating, debt service and capital requirements, including investments in our rental fleet, over the next 12 months. As of March 31, 2023, we had $32.2 million in cash and cash equivalents compared to $14.4 million as of December 31, 2022. As of March 31, 2023, we had $462.4 million of outstanding borrowings under our ABL Facility compared to $437.7 million of outstanding borrowing under the ABL Facility as of December 31, 2022.

ABL Facility

As of March 31, 2023, borrowing availability under the ABL Facility was $284.5 million, and outstanding standby letters of credit were $3.1 million. Borrowings under the ABL Facility bears interest at a floating rate, which, at Buyer's election, could be (a) in the case of U.S. dollar denominated loans, either (i) the London Interbank Offered Rate ("LIBOR") plus an applicable margin or (ii) the base rate plus an applicable margin or (b) in the case of Canadian dollar denominated loans, the CDOR rate plus an applicable margin. The applicable margin varies based on Average Availability (as defined in the ABL Credit Agreement) from (x) with respect to base rate loans, 0.50% to 1.00% and (y) with respect to LIBOR loans and CDOR rate loans, 1.50% to 2.00%. The ability to draw under the ABL Facility or issue letters of credit thereunder is conditioned upon, among other things, delivery of prior written notice of a borrowing or issuance, as applicable, the ability to reaffirm the representations and warranties contained in the ABL Credit Agreement and the absence of any default or event of default under the ABL Facility.

2029 Secured Notes

The Company issued $920.0 million in aggregate principal amount of 5.50% senior secured second lien notes due 2029 (the "2029 Secured Notes"). The 2029 Secured Notes were issued pursuant to an indenture, dated as of April 1, 2021, between the Issuer, Wilmington Trust, National Association, as trustee and the guarantors party thereto (the "Indenture"). The Issuer pays interest on the 2029 Secured Notes semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15, 2021. Unless earlier redeemed, the 2029 Secured Notes will mature on April 15, 2029.

Restrictive Covenants

The Indenture contains covenants that limit the Issuer's (and certain of its subsidiaries') ability to, among other things: (i) incur additional debt or issue certain preferred stock; (ii) pay dividends, redeem stock or make other distributions; (iii) make other restricted payments or investments; (iv) create liens on assets; (v) transfer or sell assets; (vi) create restrictions on payment of dividends or other amounts by the Issuer to the Issuer's restricted subsidiaries; (vii) engage in mergers or consolidations; (viii) engage in certain transactions with affiliates; or (ix) designate the Issuer's subsidiaries as unrestricted subsidiaries.

Events of Default

The Indenture provides for customary events of default, including non-payment, failure to comply with covenants or other agreements in the Indenture and certain events of bankruptcy or insolvency. If an event of default occurs and continues with respect to the 2029 Secured Notes, the trustee or the holders of at least 30% in aggregate principal amount of the outstanding 2029 Secured Notes of such series may declare the entire principal amount of all the 2029 Secured Notes to be due and payable immediately (except that if such event of default is caused by certain events of bankruptcy or insolvency, the entire principal of the 2029 Secured Notes will become due and payable immediately without further action or notice).

Floor Plan Financing

Daimler Truck Financial

The Company is party to the Wholesale Financing Agreement with Daimler Truck Financial (the "Daimler Facility") which bears interest at a rate of Prime plus 0.80% after an initial interest free period of up to 150 days. The total borrowing capacity under the Daimler Facility is $175.0 million. As of March 31, 2023 and March 31, 2022, borrowings on the Daimler Facility were $113.9 million and $39.0 million, respectively. The Daimler agreement is evergreen and is subject to termination by either party through written notice.

PACCAR

The Company has an Inventory Financing Agreement with PACCAR Financial Corp that provides the Company with a line of credit of $75.0 million to finance inventory purchases of new Peterbilt and/or Kenworth trucks, tractors, and chassis. Effective during the first quarter of 2023, the interest rate has become U.S. Prime Rate minus 0.6%. Previously, amounts borrowed against this line of credit incur interest at a rate of LIBOR plus 2.4%. As of March 31, 2023 and March 31, 2022, borrowings on the PACCAR line of credit were $45.1 million and $20.7 million, respectively. The PACCAR agreement extends automatically each April and is subject to termination by either party through written notice.

References to the Prime Rate in the foregoing agreements represent the rate as published in the Wall Street Journal.

PNC Equipment Finance, LLC

The Company has an Inventory Loan, Guaranty and Security Agreement (the “Loan Agreement”) with PNC Equipment Finance, LLC. As of March 31, 2023, the Loan Agreement provides the Company with a $315.0 million revolving credit facility, which matures on August 25, 2023 and bears interest at a rate of three-month term SOFR plus 3.25%. As of March 31, 2023 and March 31, 2022, borrowings on the Loan Agreement were $312.5 million and $220.3 million, respectively. The facility was increased from $315.0 million to $370.0 million on April 17, 2023.

Notes Payable

Our notes payable require the Company to pay monthly and quarterly interest payments and have maturities from 2023 through 2026. Notes payable include (i) debt assumed from a past business acquisition related to borrowings for facilities renovations and to support general business activities, (ii) notes payable related to past businesses acquired, and (iii) term loans. The Company consolidated certain notes payable assumed from past business acquisitions into a $23.9 million loan agreement with Security Bank of Kansas City (“SBKC”) that bears interest at a rate of 3.125% per annum, and a $3.5 million loan agreement with SBKC that bears interest at a rate of 3.5% per annum.

2023 Credit Facility

On January 13, 2023, the Company entered into a new credit agreement allowing for borrowings of up to $18.0 million (the “2023 Credit Facility”). Proceeds from the credit agreement were used to finance a portion of the Company’s acquisition of real property from a related party in December 2022. A portion of the loan proceeds will be used to finance improvements to the property. In connection with entering into the agreement, the Company received proceeds of $13.7 million with the ability to draw an additional $4.2 million upon completion of certain construction milestones. Borrowings bear interest at a fixed rate of 5.75% per annum and are required to be repaid monthly in an amount of approximately $0.1 million with a balloon payment due on the maturity date of January 13, 2028. Borrowings are secured by the real property and improvements.

Historical Cash Flows

The following table summarizes our sources and uses of cash:

	Three Months Ended March 31,	
(in $000s)	**2023**	**2022**
Net cash flow from operating activities	$ 3,906	$ (29,771)
Net cash flow used in investing activities	(39,948)	(48,458)
Net cash flow from financing activities	53,849	66,138
Effect of exchange rate changes	51	—
Net change in cash and cash equivalents	$ 17,858	$ (12,091)

As of March 31, 2023, we had cash and cash equivalents of $32.2 million, a decrease of $17.9 million from December 31, 2022. Generally, we manage our cash flow by using any excess cash, after considering our working capital and capital expenditure needs, including paying down the outstanding balance under our ABL Facility.

Cash Flows from Operating Activities

Net cash provided by operating activities was $3.9 million for the three months ended March 31, 2023, as compared to net cash provided by operating activities of $29.8 million in the same period of 2022. The use of cash in the current period is the result of our increased levels of inventory purchases and production.

Cash Flows from Investing Activities

Net cash used in investing activities was $39.9 million for the three months ended March 31, 2023, as compared to cash used in investing activities of $48.5 million in 2022.

Cash Flows from Financing Activities

Net cash provided by financing activities was $53.8 million for the three months ended March 31, 2023, as compared to $66.1 million in 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest rate risk

We are subject to interest rate market risk in connection with our long-term debt. Our principal interest rate exposure relates to outstanding amounts under our asset-based revolving credit facility and our floor plan financing arrangements. Interest rate changes generally impact the amount of our interest payments and, therefore, our future net income and cash flows, assuming other factors are held constant. As of March 31, 2023, we had $462.4 million aggregate principal amount of variable rate debt, consisting of the balance outstanding under the ABL Facility. Holding other variables constant, each one-eighth percentage point increase or decrease in the applicable interest rates would correspondingly change our interest expense on the ABL Facility by approximately $0.6 million on an annual basis.

We, from time to time, may manage a portion of our risks from exposures to fluctuations in interest rates as part of our risk management program through the use of derivative financial instruments. The objective of controlling these risks is to limit the impact on earnings and cash flows caused by fluctuations in the interest rates of our variable-rate debt.

Foreign currency exchange rate risk

During the three months ended March 31, 2023, we generated $13.9 million of U.S. dollar denominated revenues in Canadian dollars. Each 100-basis point increase or decrease in the average Canadian dollar to U.S. dollar exchange rate for the year would have correspondingly changed our revenues by approximately $0.1 million. We do not currently hedge our exchange rate exposure.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation with the participation of our Chief Executive Officer and Chief Financial Officer. Based on that assessment, the Chief Executive Officer and Chief Financial Officer concluded as of March 31, 2023, the Company’s disclosure controls and procedures were not effective because of the material weakness in our internal control over financial reporting described below.

Inadequate General Information Technology Controls and Business Process Controls

On April 1, 2021, we completed the acquisition of Custom Truck LP, which resulted in a significant change in the Company’s internal control over financial reporting. We are in the process of completing the integration of policies, processes, people, technology and operations for the combined company. As part of this integration, we identified deficiencies in the design and operating effectiveness of internal controls associated with the control activities component of the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) framework.

During the fourth quarter ended December 31, 2021, we identified control deficiencies related to overall information technology general controls (‘ITGCs”) for both user access and program change-management for systems supporting all of the Company’s internal control processes and controls, controls over the completeness and accuracy of information used in business process controls and management review controls. Our business process controls (automated and manual) and management review controls were also deemed ineffective because they are adversely impacted by ineffective ITGCs. These control deficiencies could result in misstatements potentially impacting all financial statement accounts and disclosures that may not be prevented or detected.

Accordingly, these deficiencies constitute a material weakness. The material weakness did not result in any identified misstatements to our consolidated financial statements, and there were no changes to previously released financial results.

(b) Remediation of the Material Weakness in Internal Control Over Financial Reporting

The Company is in the process of implementing changes associated with the design, implementation, and monitoring ITGCs in the areas of user access and program change-management for systems supporting all of the Company’s internal control processes to ensure that internal controls are designed and operating effectively. A significant portion of our remediation plan to address the control deficiencies encompassed implementation of our new enterprise resource planning (“ERP”) system, which was completed in the second quarter of 2022. The new ERP system allows us to address segregation of duties by establishing user roles specific to the nature of each job function. We are also establishing controls to ensure appropriate authorization of new user access requests, including performance of routine reviews of user access, and controls over program-change management. Additionally, we are in the process of enhancing relevant process level controls that are relevant to the preparation of consolidated financial statements. The material weakness cannot be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

(c) Changes to Internal Control Over Financial Reporting

Other than the ongoing remediation plans described above, there were no changes to our internal control over financial reporting that occurred during the quarter ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We may, at any given time, be named as a defendant in certain lawsuits, investigations and claims arising in the ordinary course of business. While the outcome of these potential lawsuits, investigations and claims cannot be predicted with certainty, we do not expect these matters to have a material adverse impact on our business, results of operations, cash flows or financial condition. In the opinion of management, there are no pending litigations, disputes or claims against the Company that, if decided adversely, would have a material adverse effect on its consolidated financial condition, cash flows or results of operations.

Item 1A. Risk Factors

No material changes occurred to the indicated risk factors as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

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

Issuer Purchases of Equity Securities

On August 2, 2022, our Board of Directors authorized a stock repurchase program for up to $30.0 million of the Company's common stock. This authorization does not have an expiration date. Repurchases under the program may be made in the open market, in privately negotiated transactions or otherwise, with the amount and timing of repurchases depending on market conditions and corporate needs.

The following table contains information regarding our purchases of our common stock during the three months ended March 31, 2023:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in $000s)
January 1, 2023 - January 31, 2023	65,178	$ 6.37	64,535	$ 19,311
February 1, 2023 - February 28, 2023	—	$ —	—	$ 19,311
March 1, 2023 - March 31, 2023	153,509	$ 6.44	142,570	$ 18,394
Total	218,687	$ 6.42	207,105	

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
10.1	Second Amended and Restated Stockholders' Agreement, dated as of April 14, 2023, among Custom Truck One Source, Inc. and certain holders identified therein (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 001-38186) filed on April 14, 2023).
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Furnished herewith.

SIGNATURES

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

	CUSTOM TRUCK ONE SOURCE, INC.
	(Registrant)
Date: May 9, 2023	/s/ Ryan McMonagle
	Ryan McMonagle, Chief Executive Officer
Date: May 9, 2023	/s/ Christopher J. Eperjesy
	Christopher J. Eperjesy, Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ryan McMonagle, certify that:

1 I have reviewed this Quarterly Report on Form 10-Q of Custom Truck One Source, Inc. for the quarterly period ended March 31, 2023;

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

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

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

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

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

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

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

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

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

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

Date: May 9, 2023

/s/ Ryan McMonagle

Ryan McMonagle
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher J. Eperjesy, certify that:

1 I have reviewed this Quarterly Report on Form 10-Q of Custom Truck One Source, Inc. for the quarterly period ended March 31, 2023;

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

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

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

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

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

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

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

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

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

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

Date: May 9, 2023

/s/ Christopher J. Eperjesy

Christopher J. Eperjesy
Chief Financial Officer

Exhibit 32

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

In connection with the Quarterly Report on Form 10-Q of Custom Truck One Source, Inc. (the “Company”) for the quarterly period ended March 31, 2023, as filed with the Securities and Exchange Commission (the “Report”), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

May 9, 2023	/s/ Ryan McMonagle
	Ryan McMonagle
	Chief Executive Officer
May 9, 2023	/s/ Christopher J. Eperjesy
	Christopher J. Eperjesy
	Chief Financial Officer