The face of interaction
Equipment Rental - Construction

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Capital Markets Day
Feb. 19-20, 2001
Construction Equipment Rental

- Structure Overview
- Merger Status
- Economic Outlook
- Rental Service Corporation - Overview
- Growth Strategy
- Product Management
- Customers
- Recognition & Communication
Rental Service Corporation

- > 575 locations
- 42 states
- 5 Canadian provinces
- Mexico
- Puerto Rico
Operational Structure

- RSC
- Division
- Region
- District
- Stores
Western Division by Region
Eastern Division by Region
Industrial Division

[Map of the United States showing industrial locations, Prime Energy sites, on-site locations, and MRO Supplies.]
Rental Service Corporation

  - $1.5 billion $MUSD
- Recurring operating profit margin 14.2%
- Over 7,000 employees
- Average fleet age 2.8 years
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Merger Status

- Operating structure in place December 2000
- Effective legal merger 01/01/01
- System conversion completed January 2001
- Location rationalization end of first quarter 2001
- One year payback
31 Overlapping Stores

- Alabama
- Arizona
- Florida
- Georgia
- Louisiana
- Missouri
- N. Carolina
- Oklahoma
- S. Carolina
- Tennessee
- Texas
- Virginia
Merger Costs

Estimated Merger Costs

- Real Estate
- Branding/ Communications
- Employee Cost
- Innovative Service Provider Employee/ Communication

Total USD $14.2 M
SEK 127 m. provided for in Q3, 2000
Payback

- One Year Future Payback

- Operational
  - Real Estate
  - Employees
  - Fleet Re-rent
  - Innovative Service Provider
Merger Synergies

- One legal entity and one common management
  - Fleet management / fleet sharing
    - Parts and merchandising
  - Purchasing
  - Standardization of rental rates
  - Store consolidation
  - One administrative support - ISP integration

- Common platforms and systems

- One brand per market segment
Organizational Structure

Rental Service Business Area

United States Operations

Industrial

West

East

International Operations

ISP
Merger – Customer Benefits

› “Bigger is better and stronger”
  - surety of supply
  - nationwide footprint

› Brand identity
  - First in Mind, First in Choice
Merger – Customer Benefits

- Customer focused marketing
- Customer focused organization
  - Increased geographic coverage
  - Increased availability of supply
  - Simpler - easy to understand
  - One legal entity - one invoice
Merger – Employee Benefits

- Over 7,000 employees on the same team!
- Streamline management structure
  - Common management in duplicate market areas
- Maximize quality of work force
- Common benefits at lowest costs
- Efficient communication
Most States Not Impacted
Employees

- 95% of employees not directly affected
- Clear and consistent communication
- No more unanswered questions
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Rental Market

- Industrial: 20%
- Construction: 70%
- Other: 10%

Legend:
- Industrial
- Construction
- Other
Market Segments
Rental Service Business Area

- Industrial: 35%
- Residential Construction: 15%
- Construction (non-residential and non-building): 50%
Dodge US Construction Data
Residential

(in billions)

1998 179.7
1999 194.8
2000 200.5
2001 189.4

1998 1999 2000 2001
Dodge US Construction Data
Non-Residential

(in billions)

1998: 153,9
1999: 168,2
2000: 169,2
2001: 175,5
Dodge US Construction Data
Non-Building

(in billions)

1998 1999 2000 2001

71,2 81,2 85,5 90,4
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Wide Range of Rental Equipment
2000 Revenue Breakdown

- Rental Equipment: 72%
- Used Equipment: 10%
- Merchandise, Parts, New Equipment: 18%
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How Has RSC Grown?

- Balanced growth
  - Same store Capx
  - Acquisitions
  - Cold-starts
- Hub / Satellite approach
- Via contiguous states
- Focus on smaller markets
2000 New States & Provinces
118 New Locations

US States - 104
- Idaho
- Kentucky
- Michigan
- Nevada
- New Jersey
- Wyoming
- W. Virginia

Canada - 12
- British Columbia
- Ottawa
- Ontario

Mexico - 2
How Do You Grow Effectively and Efficiently?
Hub & Satellite Structure
Typical Rental Location
Gilbert, AZ - Work Bays
Gilbert, AZ - Work Bays
Typical Satellite - Phoenix, AZ
virtual rental fleet
Construction Equipment Rental

- Structure Overview
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- **Growth Strategy**
  - Acquisitions/Greenfields
- Product Management
- Customers
- Recognition & Communication
Acquisition Guidelines and Benefits

Guideline
- Field generated
- Field ownership
- Small transactions
- Quality people

Benefits
- Existing established locations
- Customer base
- Trained employees
Greenfield Guidelines

- Short lease with multiple options
- Acquisition too expensive
- Breakeven after six months
Greenfield Benefits

- Start small, temporary location
- Leverage existing business and reputation from hub
- Always a satellite, no hubs
- Promote from within
2001 Objectives

- Maximize efficiencies due to merger
- Biggest opportunity is FLEET
Return on Capital Employed

2001

» Focus on
  - Capital efficiencies
  - Operating efficiencies

» Total management approach
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Product Management Role

- Maximize ROI/ROCE
- Determine new investments
- Resolve under performing assets
- Vendor selection process
Construction Fleet Mix

Fleet as of Dec. '00

RSBA Equipment Fleet Mix (Original Cost)

- Forklift: 17%
- Dirt: 22%
- Compressor, oil free: 4%
- Compressor: 5%
- Lighting: 1%
- Welding: 2%
- Concrete: 1%
- Cranes: 1%
- Trucks: 3%
- Generators: 2%
- Other: 6%
- Welding: 2%
- Concrete: 1%
- Cranes: 1%
- Forklift: 17%
- Dirt: 22%
- AWP: 36%
Atlas Copco Products

- Maximum 15% of fleet

- Current status
  - 33% complete
When to Sell
Fleet Disposal Model

- Maintenance
- Price Increase
- Residual Value
- Revenue Decline

Equipment Disposal Model
Fleet Disposal Model

OPTIMAL POINT OF RESALE

EQUIPMENT DISPOSAL MODEL
Fleet Disposal Channels

- Retail
- Brokers
- Auctions
Fleet Management
Fleet Model

The Fleet Model graph illustrates the relationship between ROI and time, with four distinct quadrants:

- **Top left quadrant**: High ROI, Low Time
- **Top right quadrant**: High ROI, High Time
- **Bottom left quadrant**: Low ROI, Low Time
- **Bottom right quadrant**: Low ROI, High Time

This model helps in assessing the financial return over time and can be used to make strategic decisions regarding fleet management.
2000 Pricing Conditions

- Pricing
  - Daily - up
  - Weekly - flat
  - Monthly - down
Increase ROI

- Standardize rates
- Minimum rates
- Raise book rates
- Cut tails off of low rates
Cut the Tail

-$60 is 20% cutoff
-$111 is Average Rate

Quantities of Contracts vs Daily Rates
Cut the Tail

-$150 is 20% cutoff
-$246 is Average Rate

Weekly Rate 18%
Cut the Tail

- $300 is 20% cutoff
- $541 is Average Rate

Monthly Rates 64%

Quantity of Contracts

Monthly Rates

250 500 750 1000 1250

0 1000 2000 3000 4000 5000 6000

$300  $541
Cut the Tail

Product Summary

- Cut the Tail
  - Bottom 20% moves ROI up 2% point
  - Move to the average . . .
    . . . ROI up 16% points

- Revenue Opportunity
  - Range of $1.4m to $9.0m
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Individuals to Small Contractors

- Daily rentals
- Cash basis
- Specific purpose to solve problem
- Rental variety of items
- Perform many job functions
  - One man band
- Small general or subcontractors
Small to Medium Contractors

- Rent daily to week
- Credit customer
- Job specific
- Wide variety of items
- More specialized on job
- One job site at a time
- Subcontractors
Medium to Large Contractors

- Rent daily/weekly/monthly
- Credit customers
- Project specific
- Rent few items, high quantity
- Perform one function
  - Electric, HVAC, Steel erectors
- Many job sites
- General or subcontractors
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RSC In Two Businesses

- #1 People
- #2 Rental
People Business

- 80% are hourly employees
- Deliver service
- Customer contact
- Store size from 4 to 100 employees
Why People?

- Create a career
- Instead of a paycheck
- Everyone likes to be a winner
Recognition Programs

- RSVP (Rental Service Victory Program)
- RSC PAC
Why Do We Communicate?

- Employee understanding
  - Company vision and mission
  - Goals and Objectives
  - Status
  - Implement change

- Team ownership
  - Employee feedback

- Multi-state, multi-location, multi-timezone
Communication Tools

- Achieving Better Communications guide
- Inside Scoop - Newsletter
- Inside Scoop Live! - Video Newsletter
Communication

- Conference calls
  - All levels
- Meetings
  - Stores
  - District
  - Regional
  - National
- Clear and consistent communications
A Company Within The Atlas Copco Group
Cautionary Statement

“Some statements herein are forward-looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially effected by other factors like for example, the effect of economic conditions, exchange-rate and interest-rate movements, political risks, impact of competing products and their pricing, product development, commercialization and technological difficulties, supply disturbances, and the major customer credit losses.”