



The face of interaction





Equipment Rental - Construction

Doug Waugaman

Capital Markets Day

Feb. 19-20, 2001



Atlas Copco

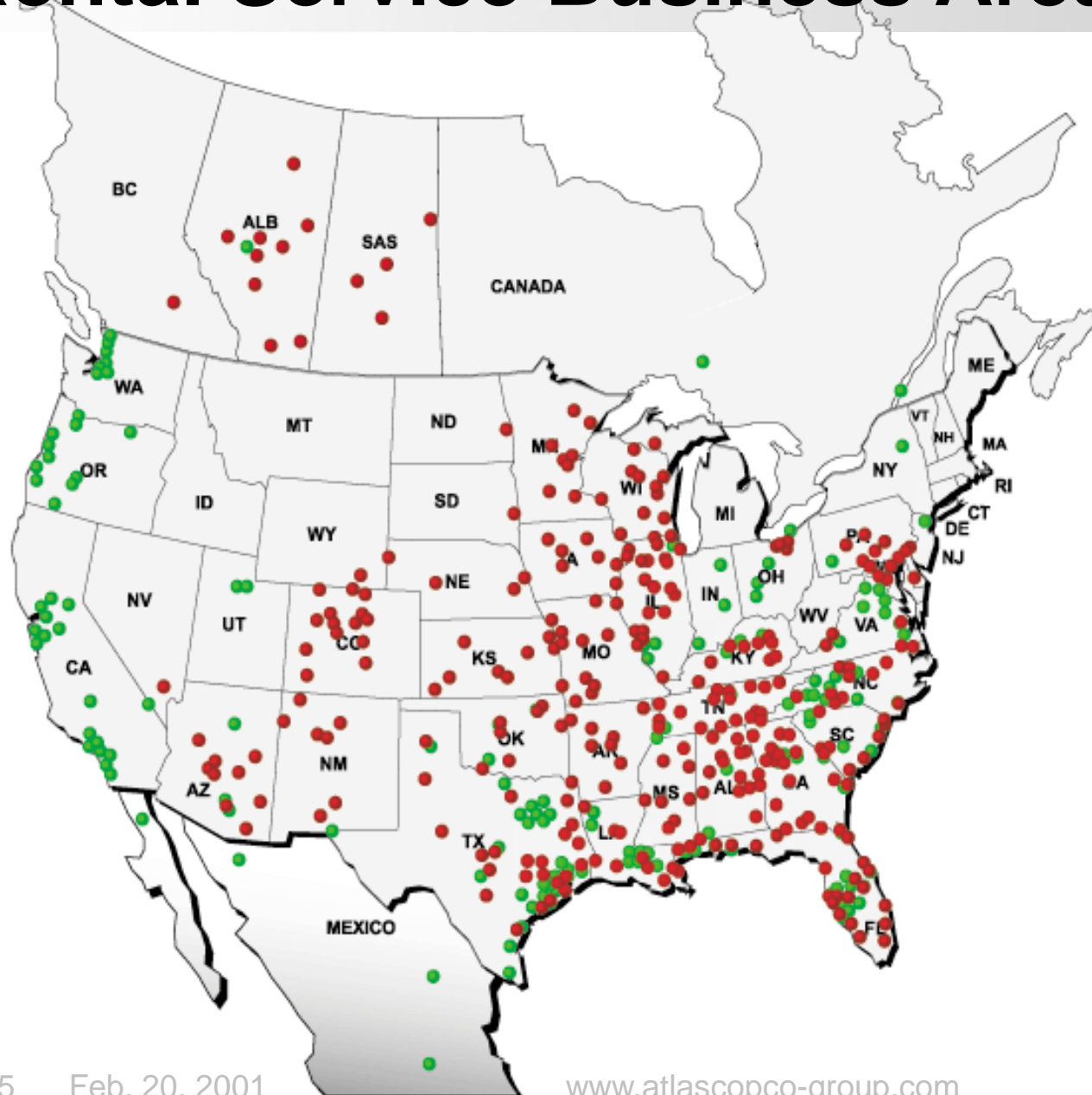
Construction Equipment Rental

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

Rental Service Corporation

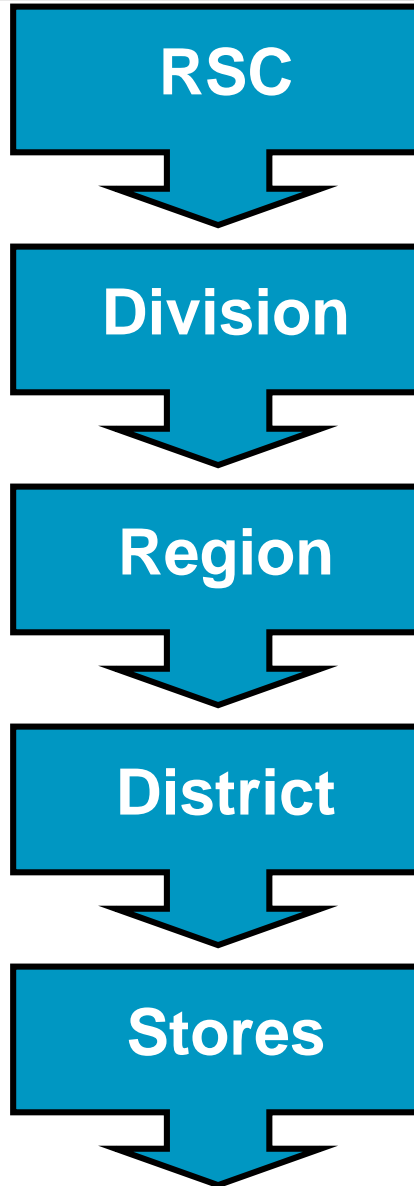
- ▶ > 575 locations
- ▶ 42 states
- ▶ 5 Canadian provinces
- ▶ Mexico
- ▶ Puerto Rico

Rental Service Business Area

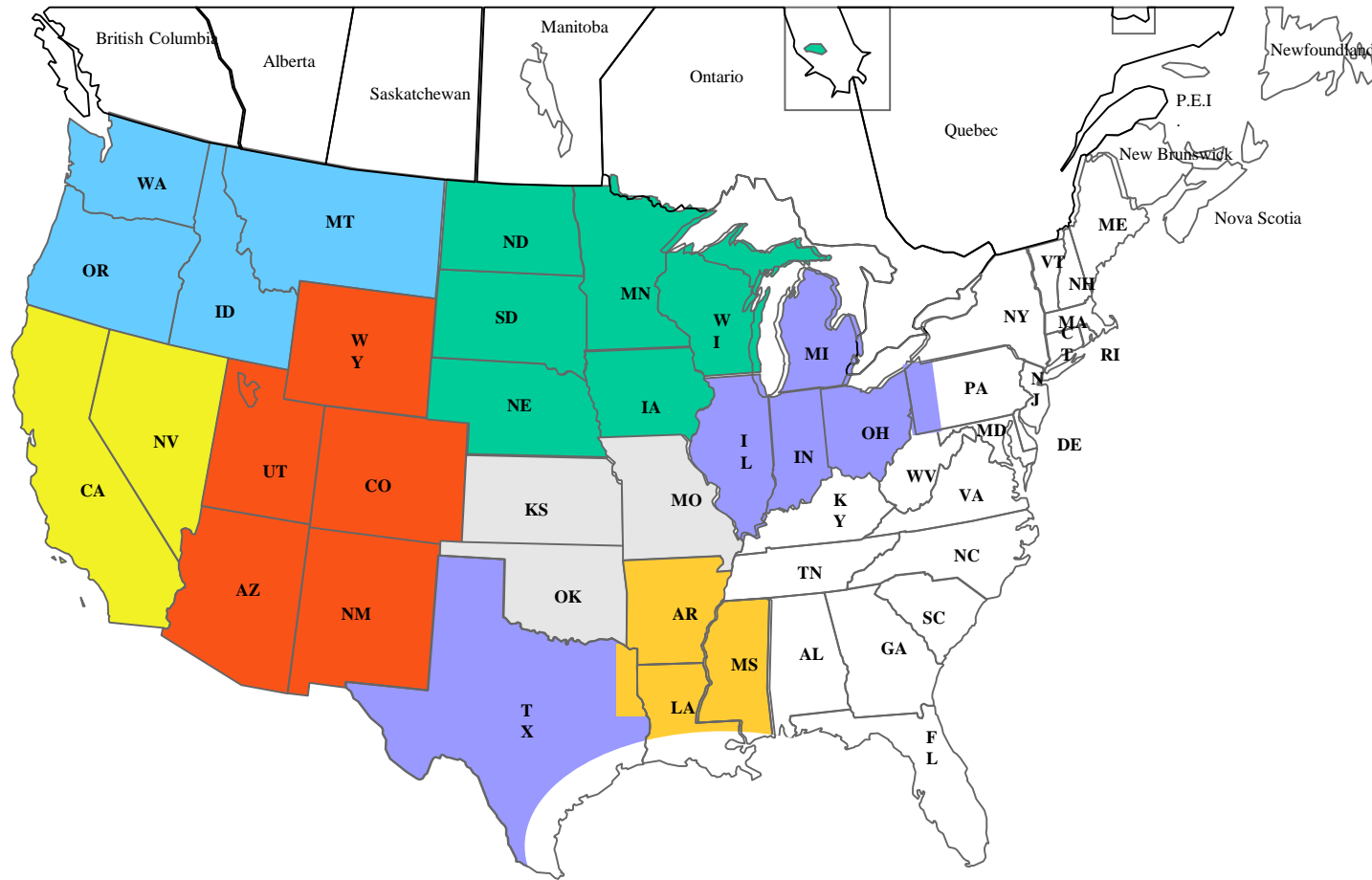


- Current Prime locations
- Current RSC locations

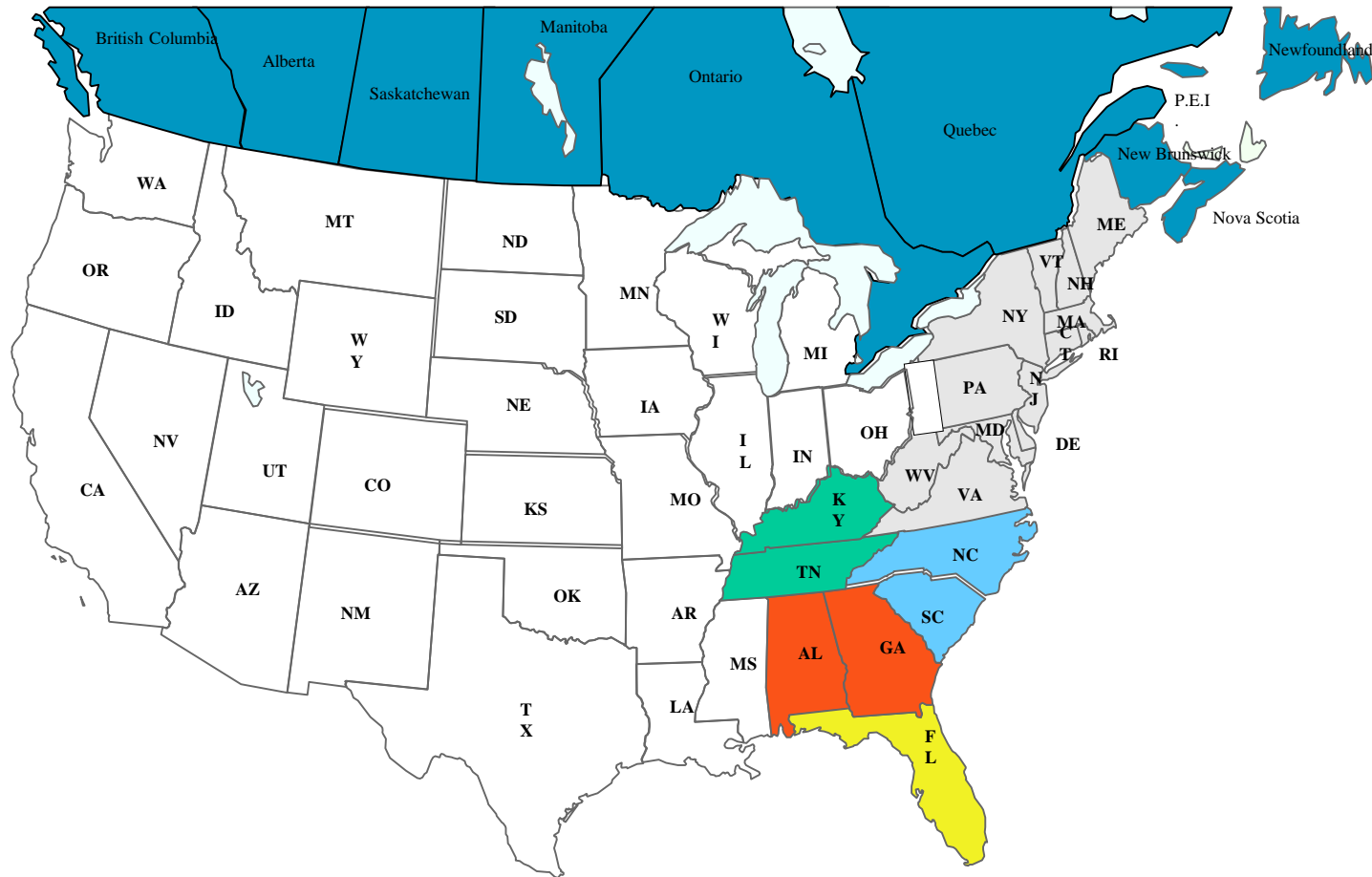
Operational Structure



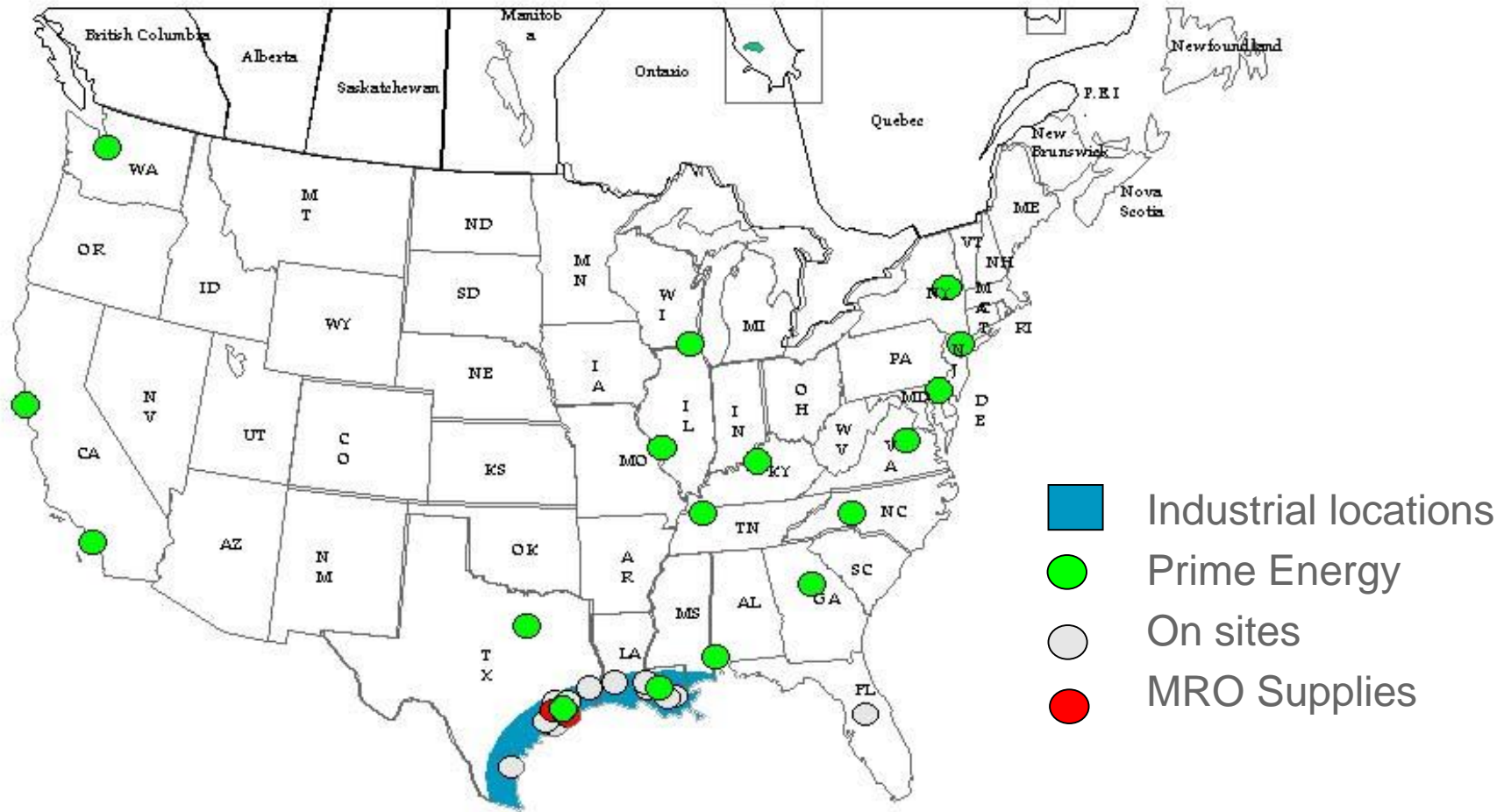
Western Division by Region



Eastern Division by Region



Industrial Division



Rental Service Corporation

- ▶ 2000 Revenues SEK 13.96 b.
 - ▬ \$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

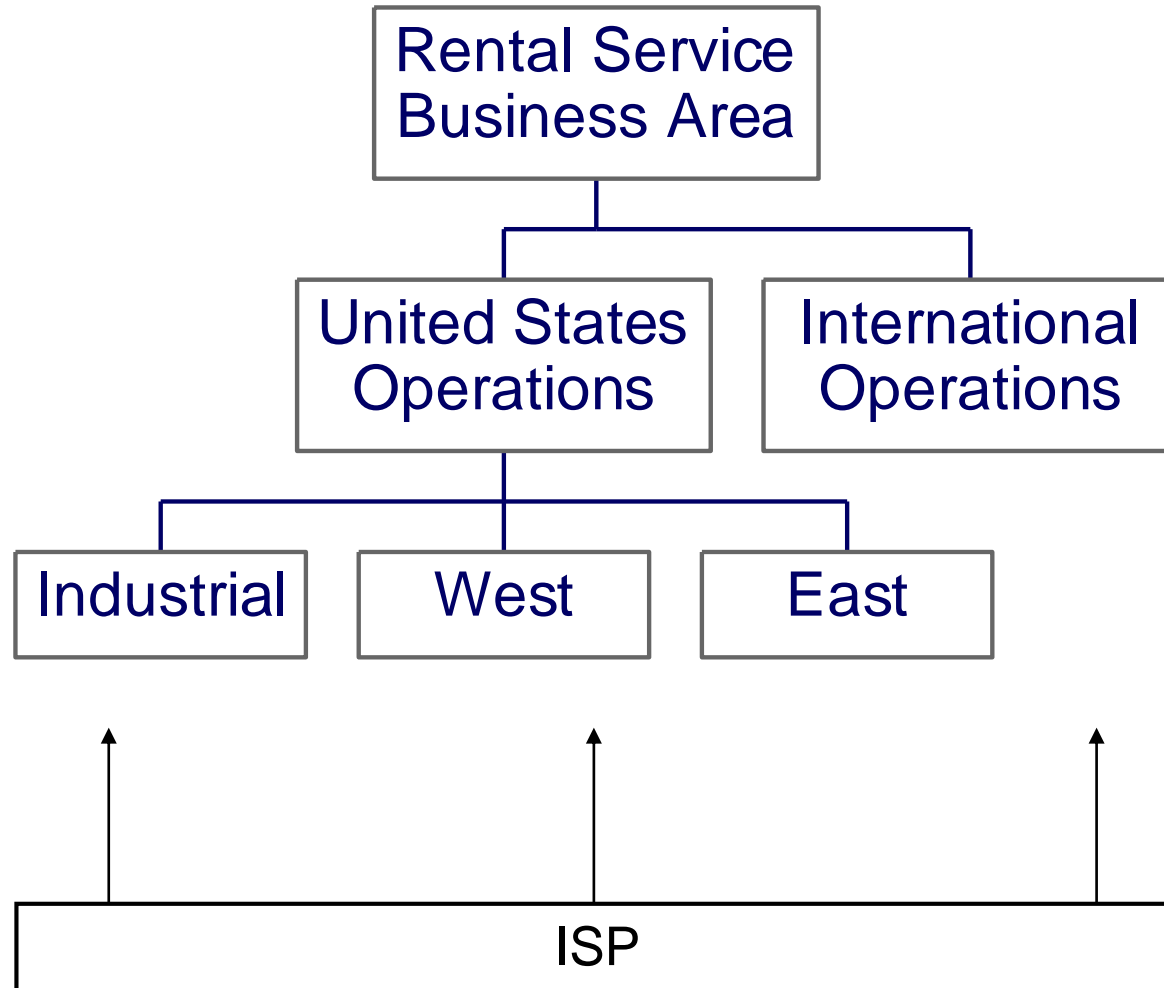
- ▶ One Year Future Payback

- ▶ 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



Merger – Customer Benefits

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

- ▶ Brand identity
 - ▾ First in Mind, First in Choice

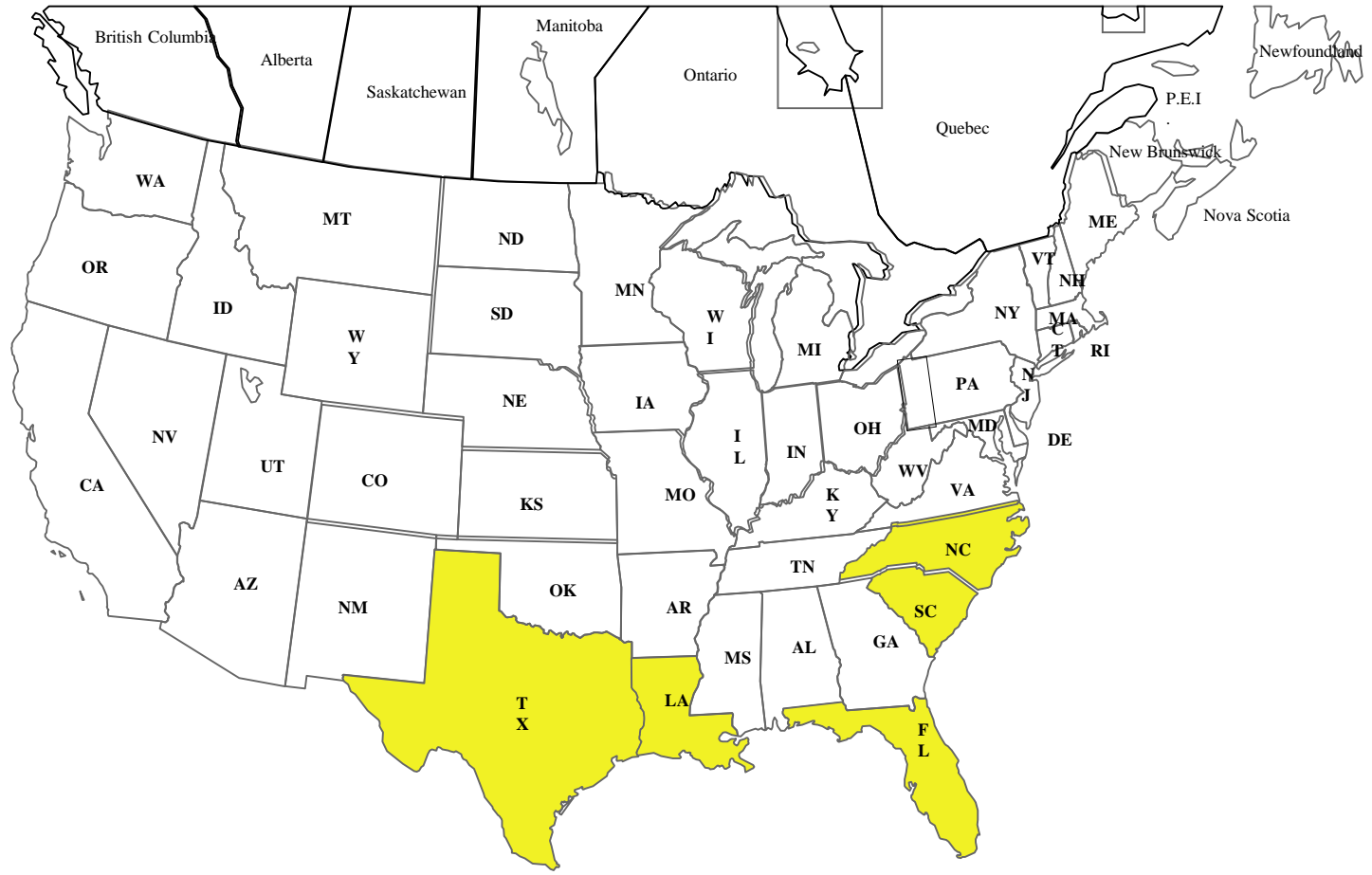
Merger – Customer Benefits

- ▶ 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



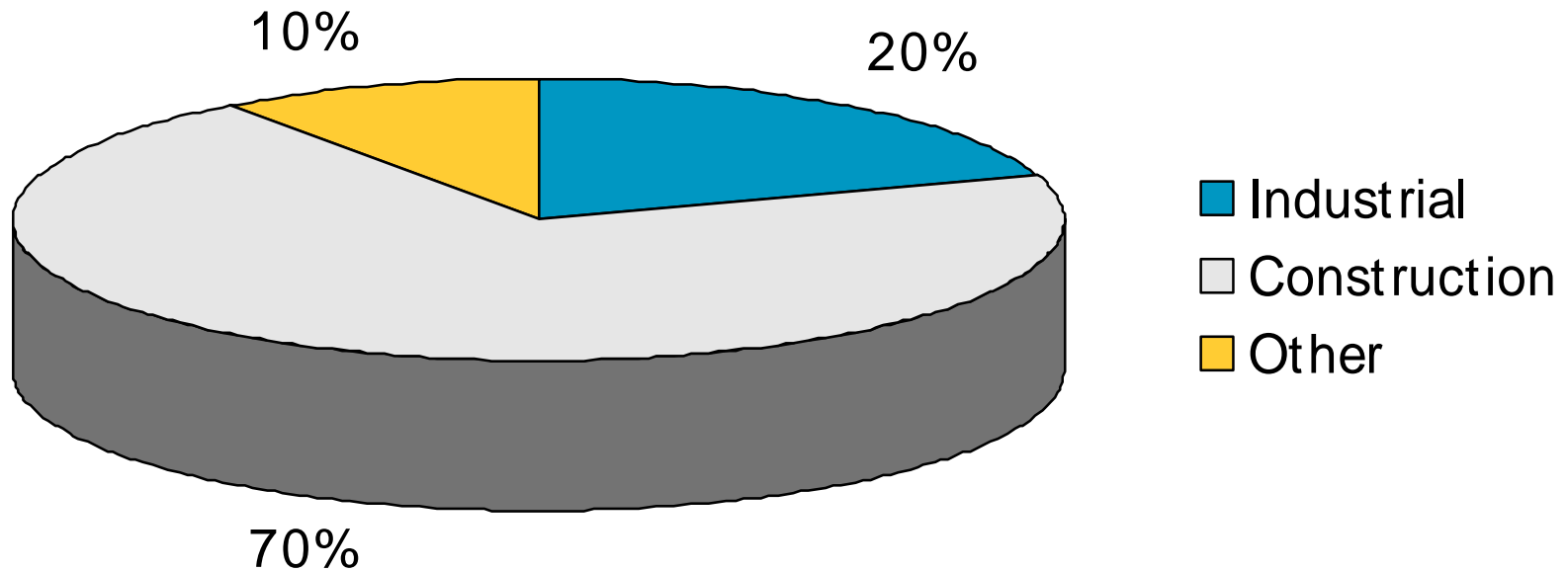
Employees

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

Construction Equipment Rental

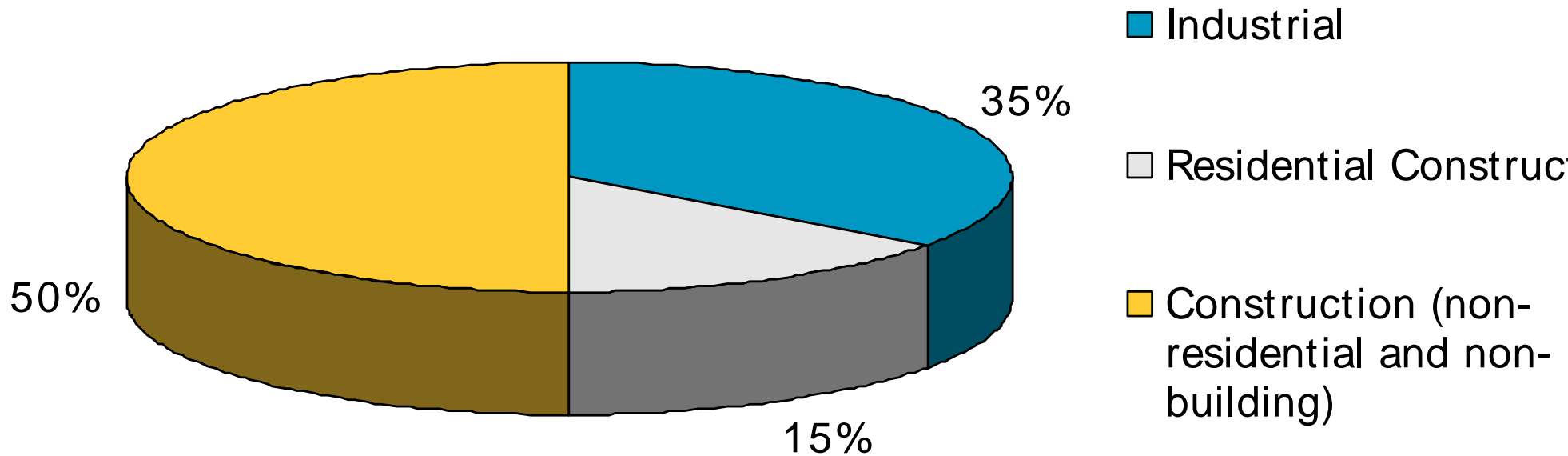
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Rental Market



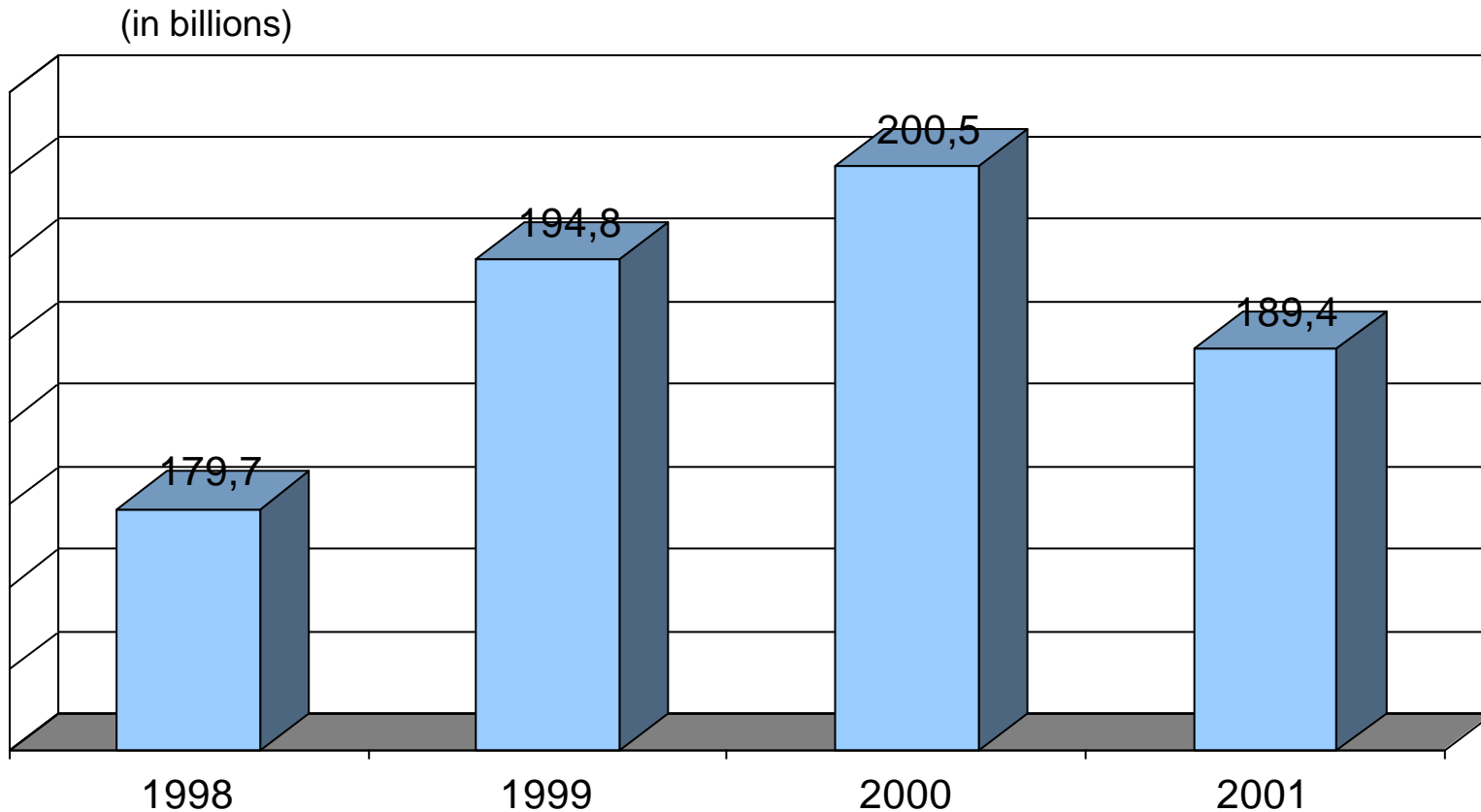
Market Segments

Rental Service Business Area

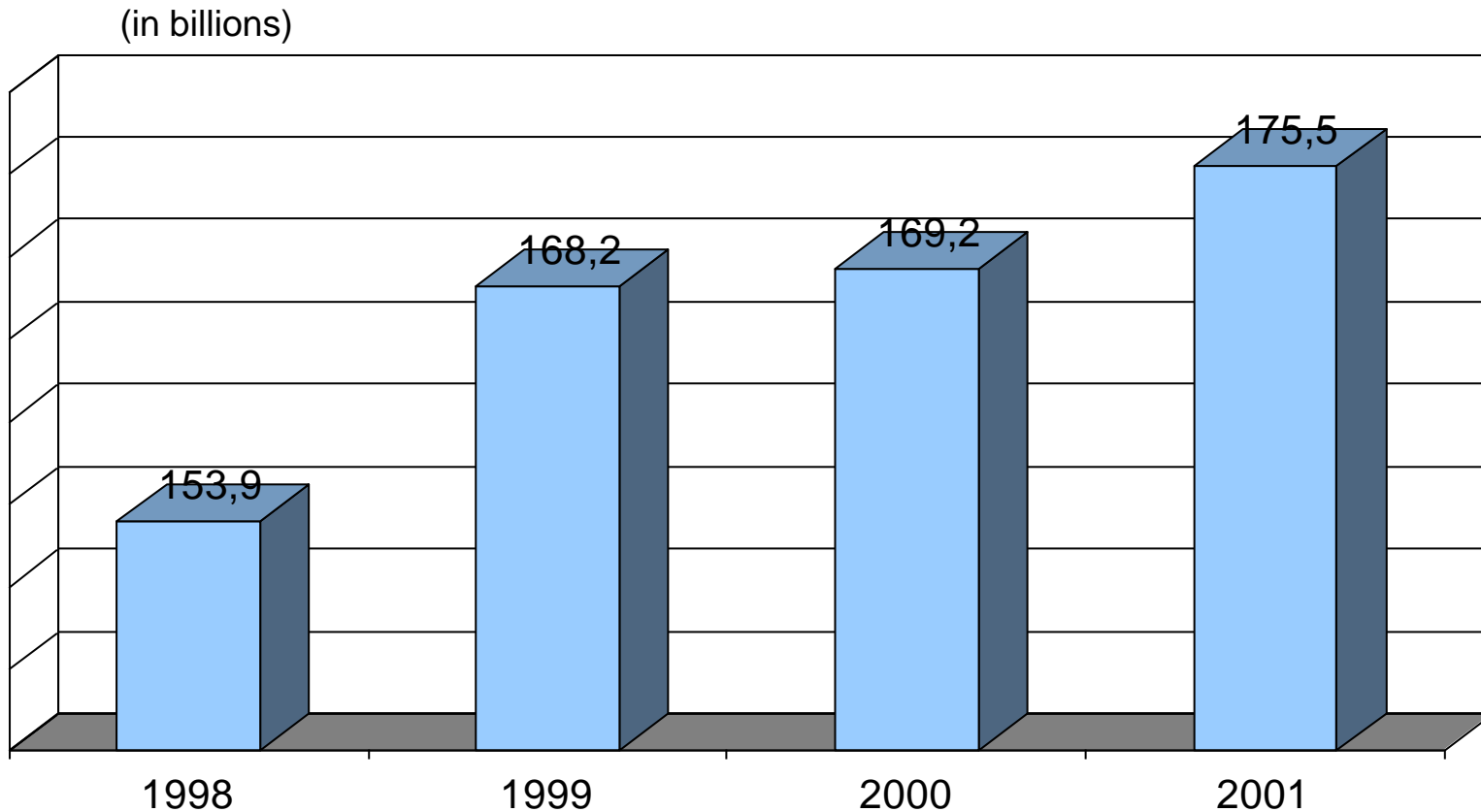


Dodge US Construction Data

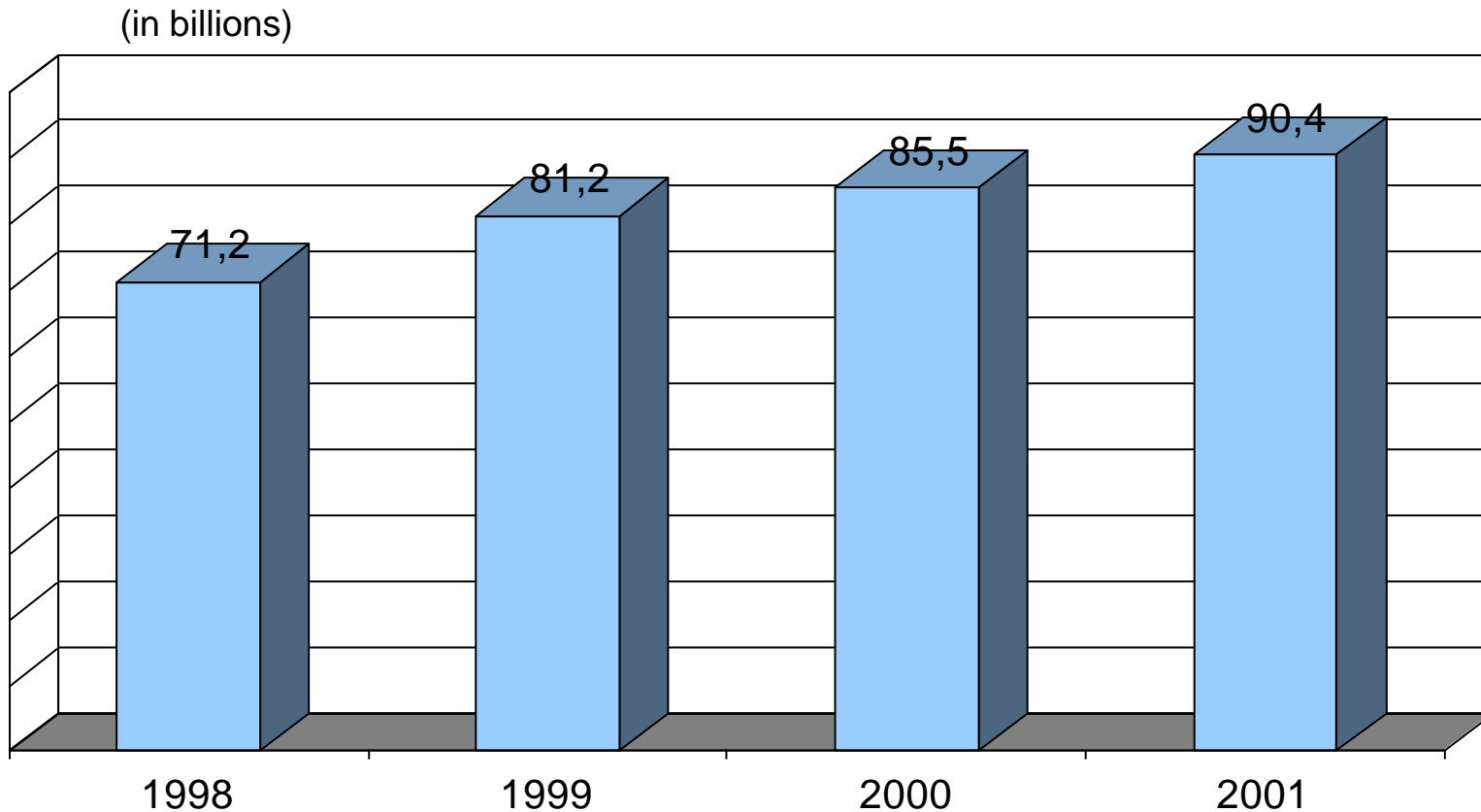
Residential



Dodge US Construction Data Non-Residential



Dodge US Construction Data Non-Building



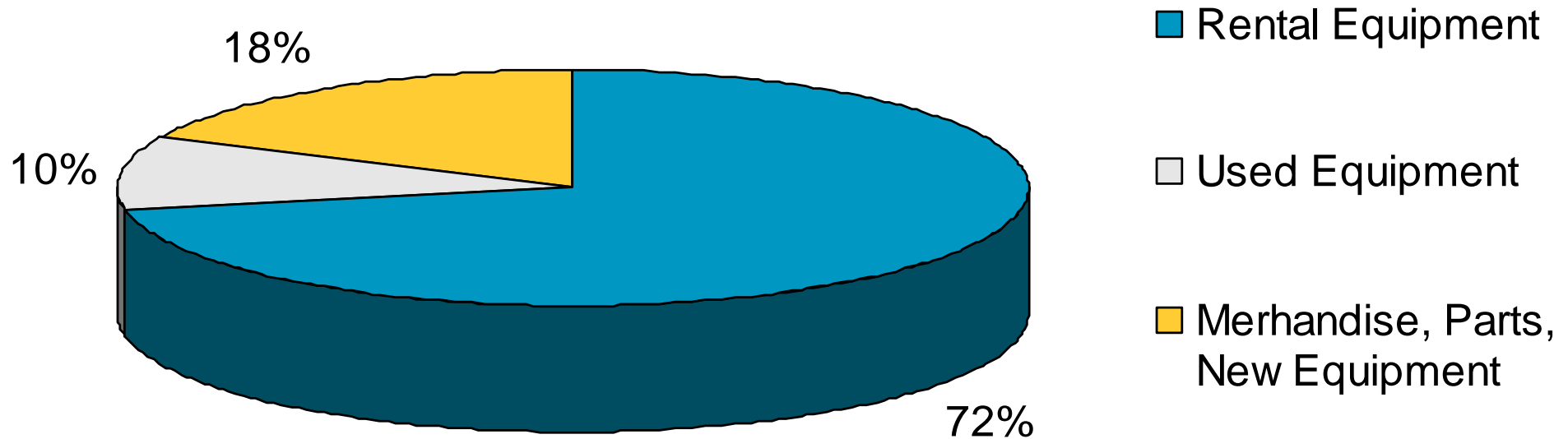
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Wide Range of Rental Equipment



2000 Revenue Breakdown



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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

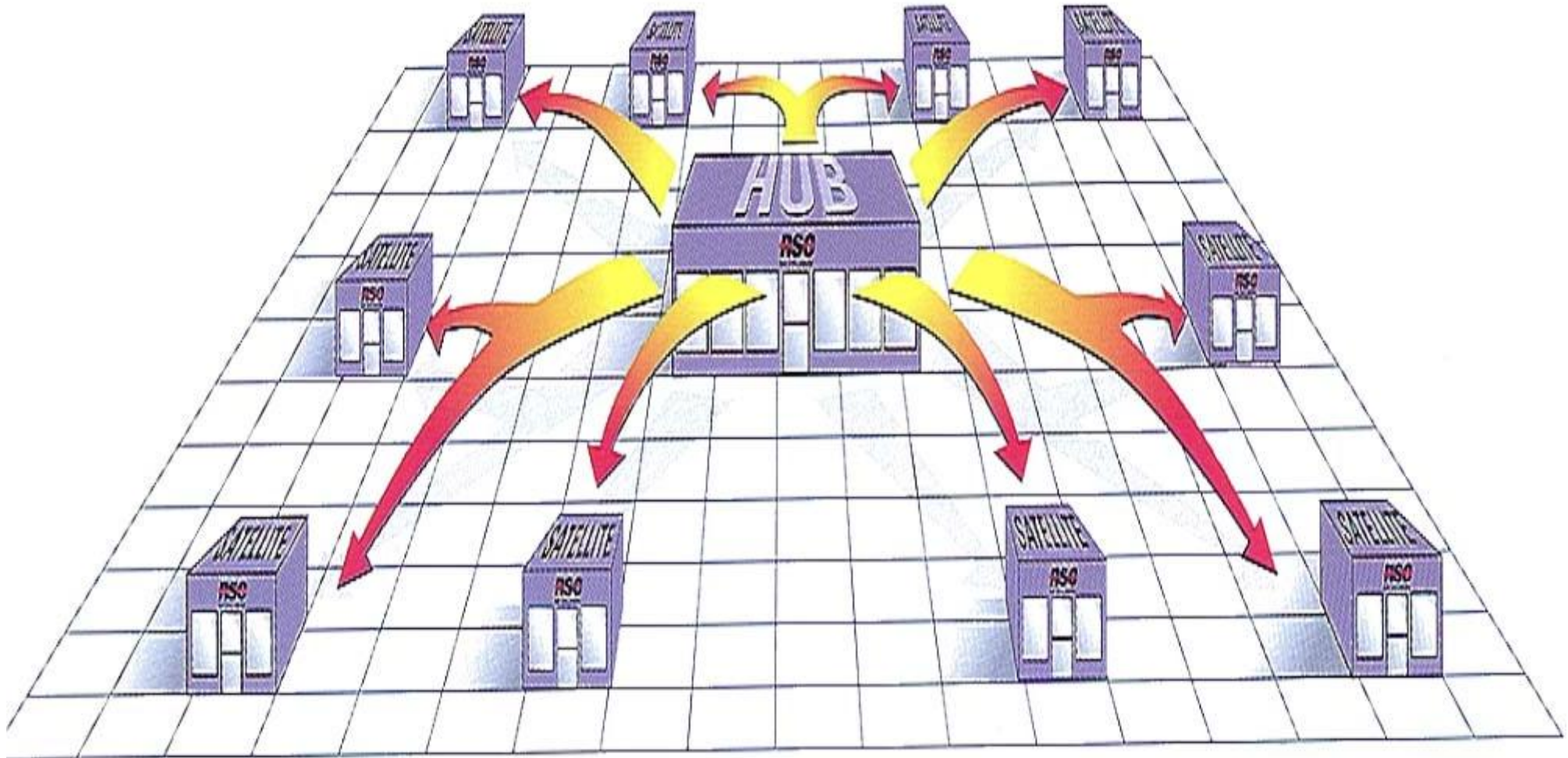


How Do You Grow Effectively and Efficiently?



Atlas Copco

Hub & Satellite Structure



Typical Rental Location



**You're
The
Winner**

**Service
Quality**

**Located
Near You**

**New And
Improved**

RSC
Rental Service Corporation

TAF





RSC Rental Service Equipment

RSC

Gilbert, AZ - aerial view



Gilbert, AZ - Work Bays



Gilbert, AZ - Work Bays



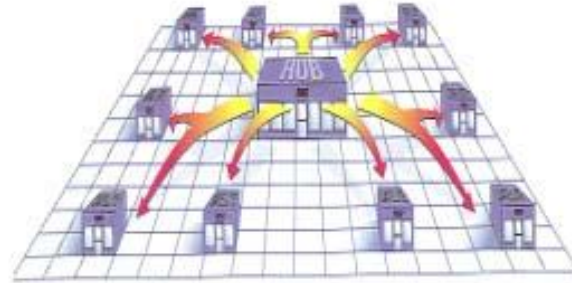
Typical Satellite - Cave Creek, AZ



Typical Satellite - Phoenix, AZ



Hub / Satellite



virtual rental fleet



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 - Acquisitions/Greenfields
- ▶ Product Management
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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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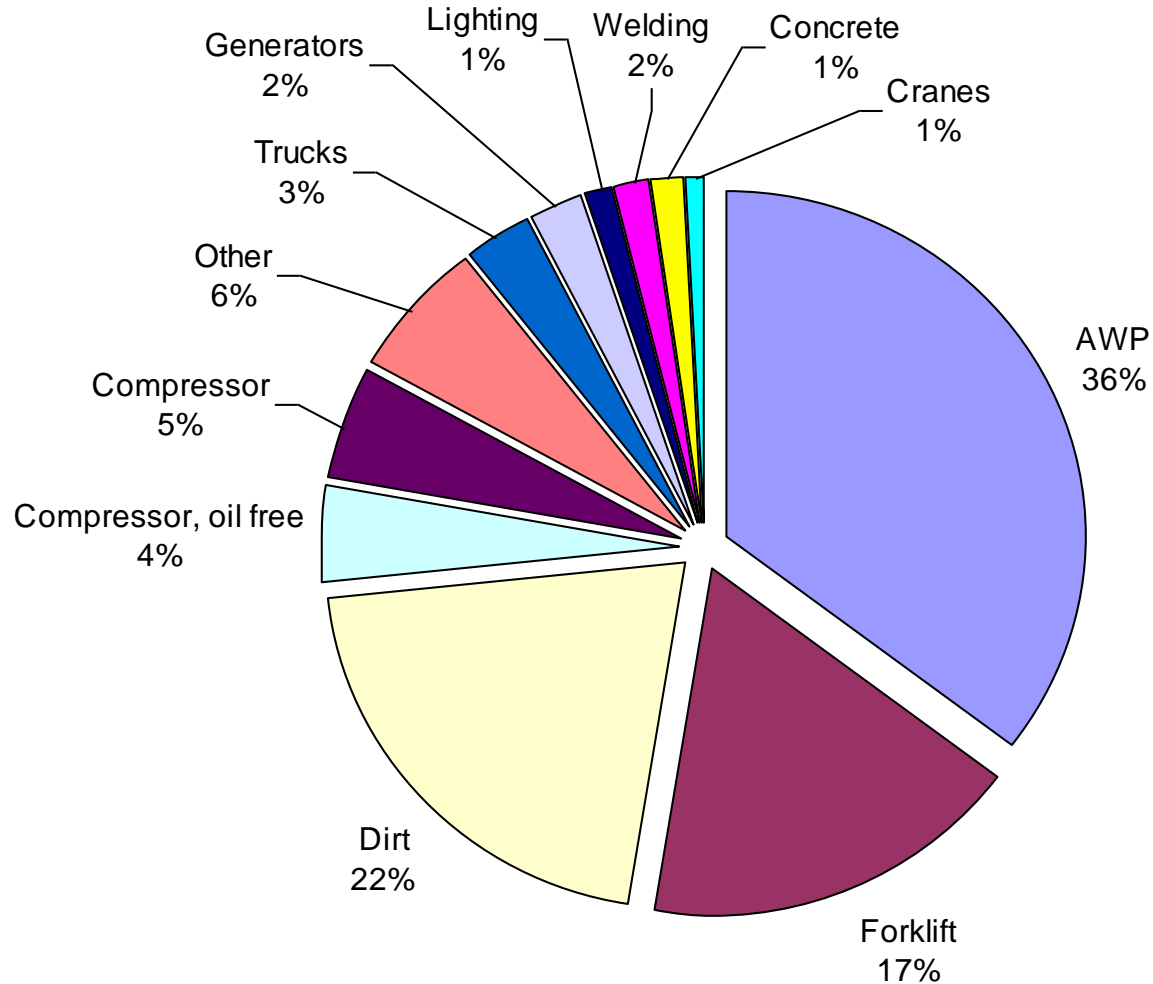
Product Management Role

- ▶ 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)



Atlas Copco Products

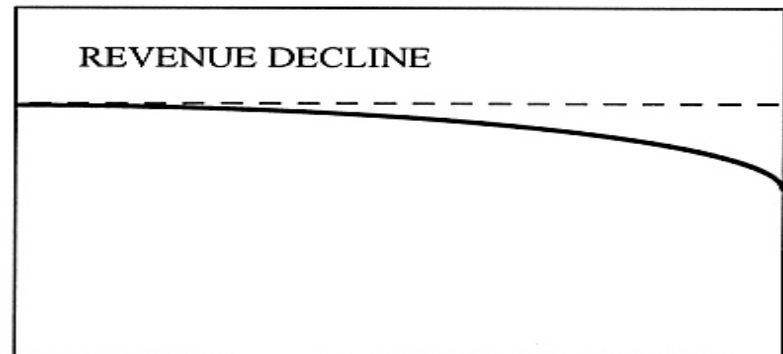
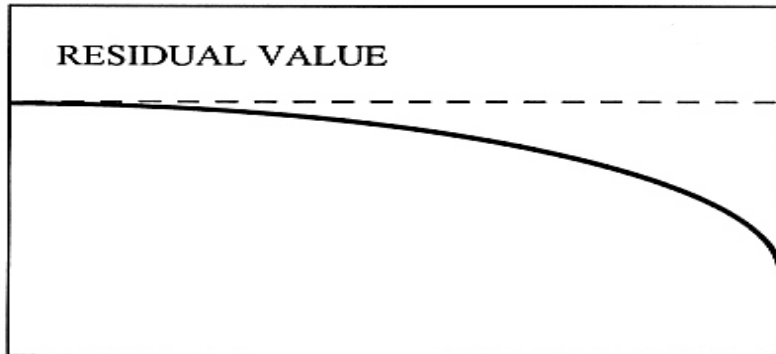
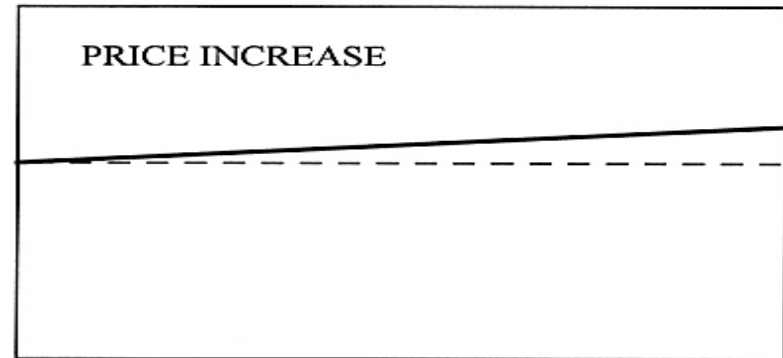
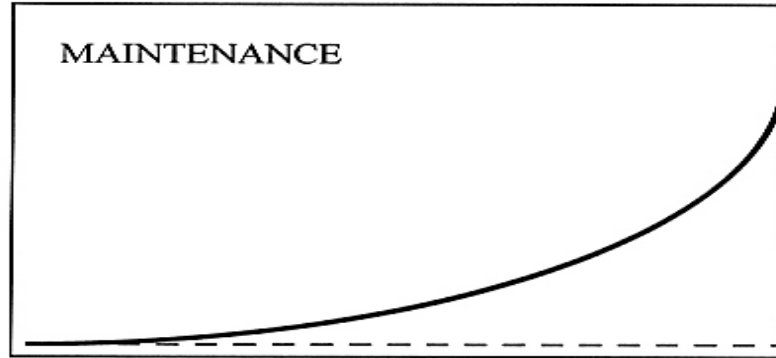
- ▶ Maximum 15% of fleet
- ▶ Current status
 - ▾ 33% complete

When to Sell

The Atlas Copco logo consists of two thick, horizontal blue bars. The top bar is positioned above the company name, and the bottom bar is positioned below it. The company name, "Atlas Copco", is written in a blue, italicized serif font between the two bars.

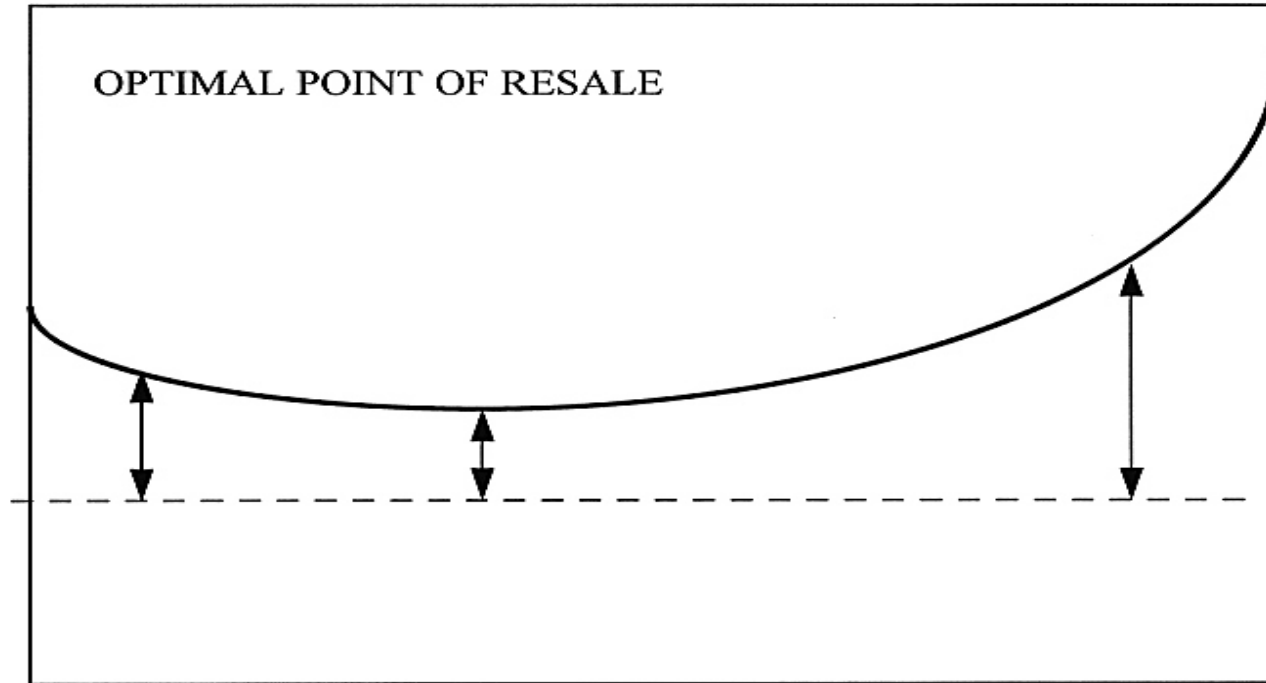
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Fleet Disposal Model



EQUIPMENT DISPOSAL MODEL

Fleet Disposal Model



EQUIPMENT DISPOSAL MODEL

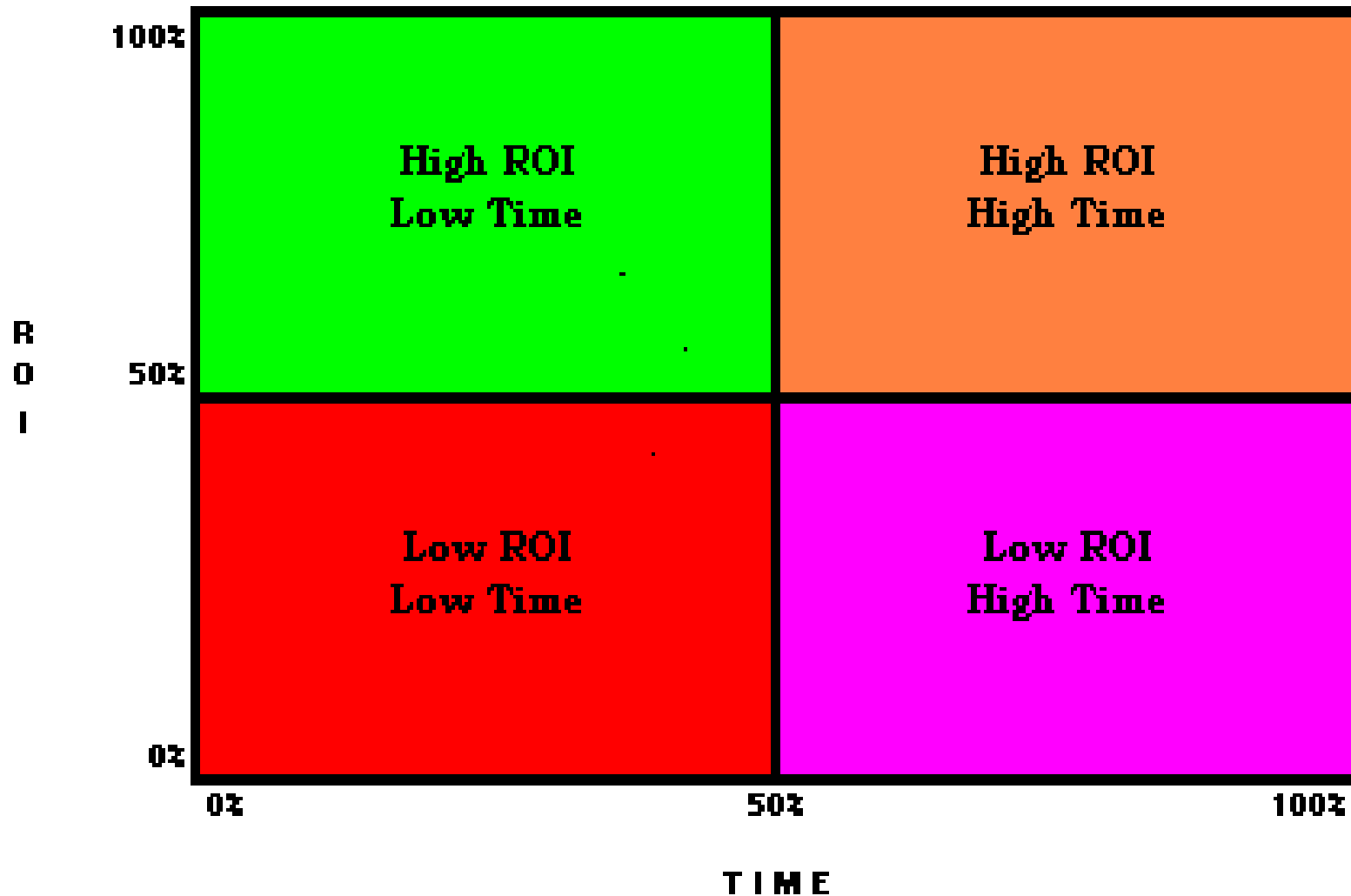
Fleet Disposal Channels

- ▶ Retail
- ▶ Brokers
- ▶ Auctions

Fleet Management



Fleet Model



2000 Pricing Conditions

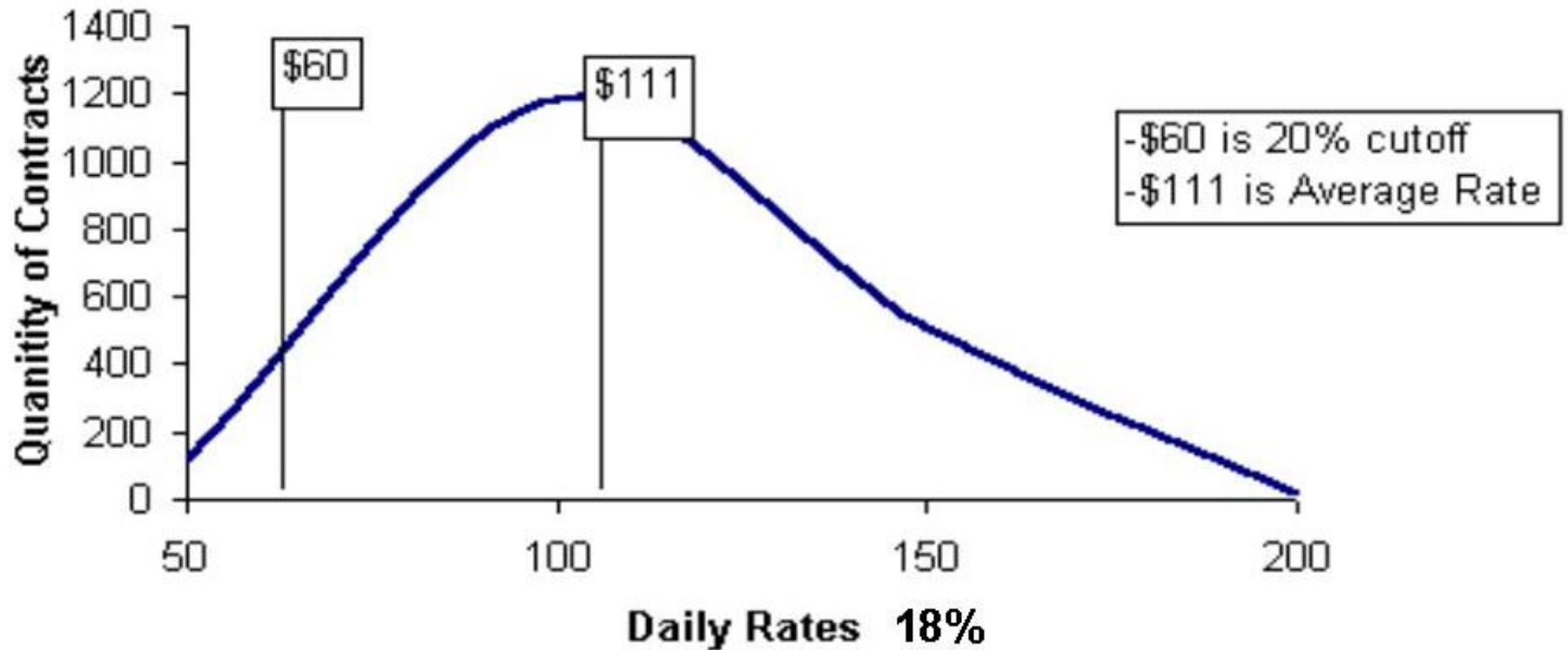
▶ Pricing

- ▾ Daily - up
- ▾ Weekly - flat
- ▾ Monthly - down

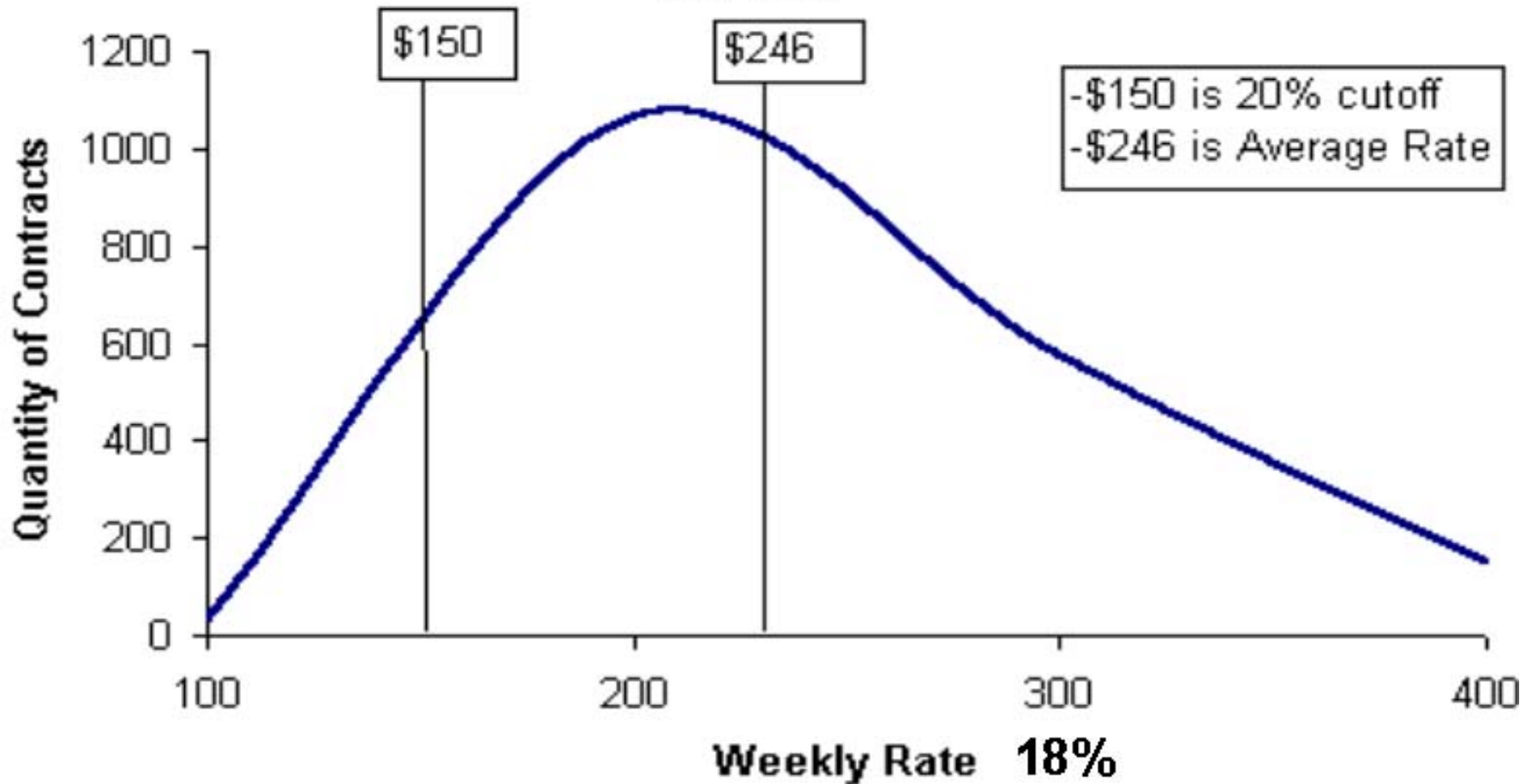
Increase ROI

- ▶ Standardize rates
- ▶ Minimum rates
- ▶ Raise book rates
- ▶ Cut tails off of low rates

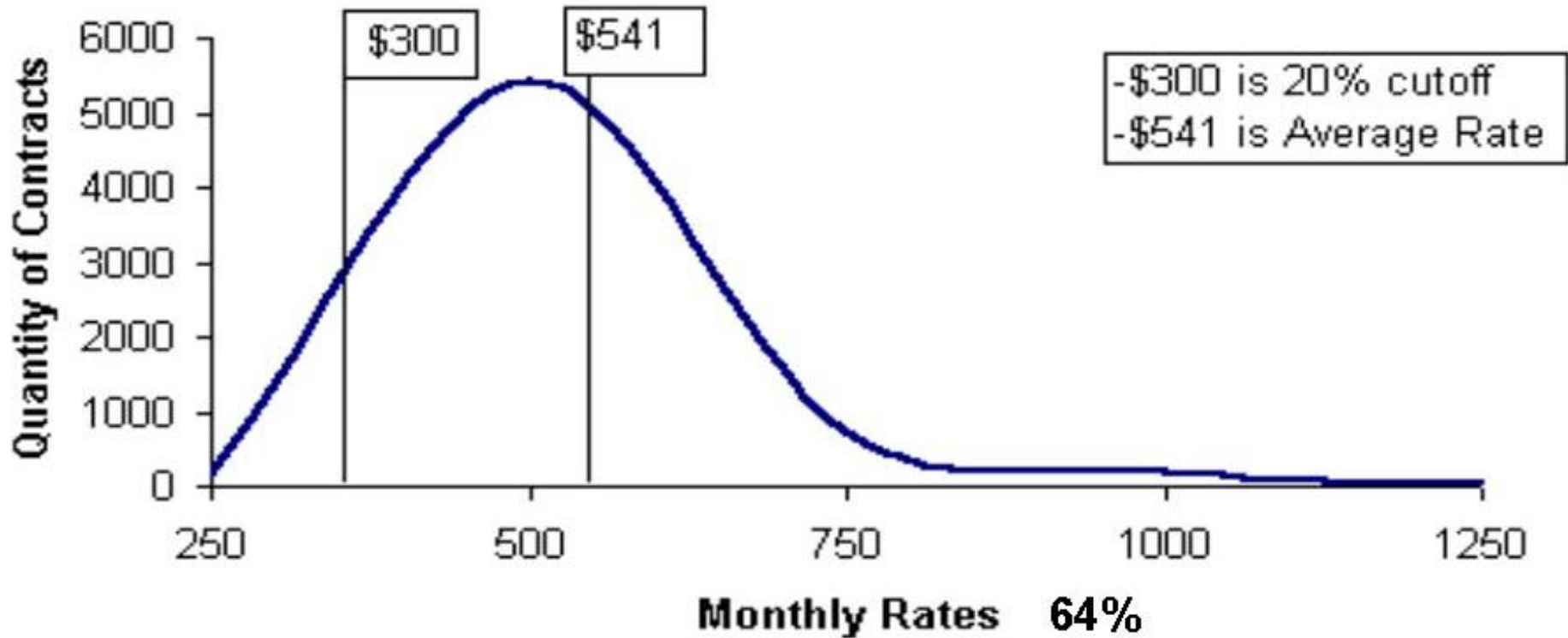
Cut the Tail



Cut the Tail



Cut the Tail



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

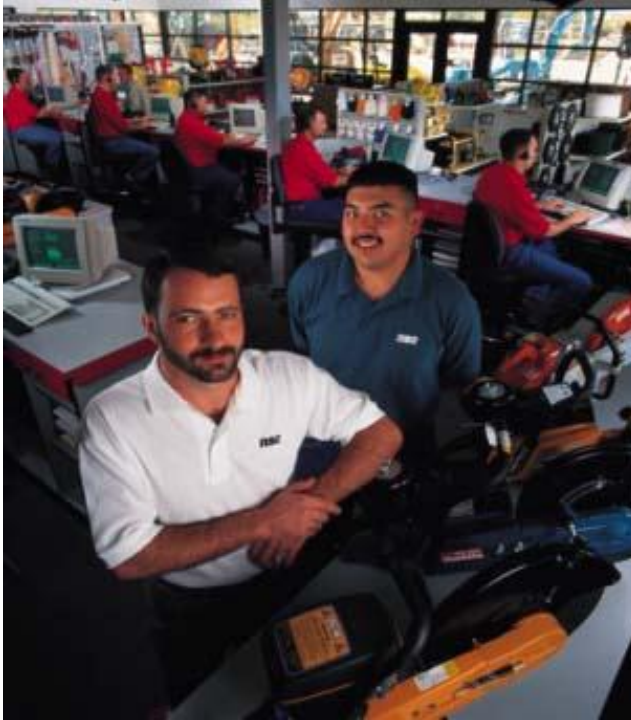
- ▶ Rent daily/weekly/monthly
- ▶ Credit customers
- ▶ Project specific
- ▶ Rent few items, high quantity
- ▶ Perform one function
 - ▾ Electric, HVAC, Steel erectors
- ▶ Many job sites
- ▶ General or subcontractors

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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



Achieving Better Communications



Communication

- ▶ Conference calls
 - ▾ All levels
- ▶ Meetings
 - ▾ Stores
 - ▾ District
 - ▾ Regional
 - ▾ National
- ▶ Clear and consistent communications



Rental Service Corporation

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.”