

# Rental Service Business Area

Freek Nijdam  
September 19, 2002



---

---

---

---

---

---

---

---

## Agenda

- The Equipment rental industry
- Rental Service Business Area

2



---

---

---

---

---

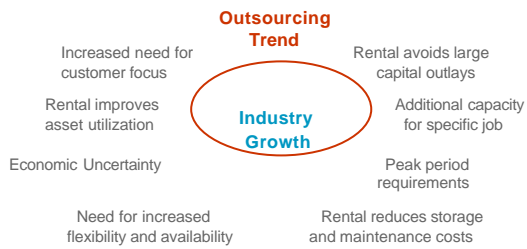
---

---

---

## Rental Industry Drivers

Why do customers rent?



3



---

---

---

---

---

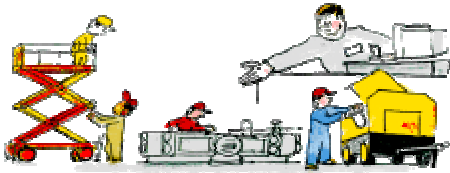
---

---

---

## Group Strategy – Growth Use of products

- Service and parts
- Consumables
- Accessories
- Equipment rental



Atlas Copco

---

---

---

---

---

---

---

---

## Rental Industry

- The majority of equipment used is still owned by contractors / industrial companies.
  - Outsourcing trend is continuing
- It's estimated that the major rental companies (10 largest) only represent about 25% of industry sales
  - The balance of the industry is made up by smaller independents, operating in local or niche markets

Atlas Copco

---

---

---

---

---

---

---

---

## Largest Rental Companies in North America

	2002 Rank	1995 Rank
United Rentals	1	
Atlas Copco	2	
Hertz	3	1
NES	4	
Sunbelt	5	
Prime Service		2
BET Plant Services		3
U.S. Rental		4
American Equipment Rental		5

Source: Lehman Brothers, Rental Equipment Register

Atlas Copco

---

---

---

---

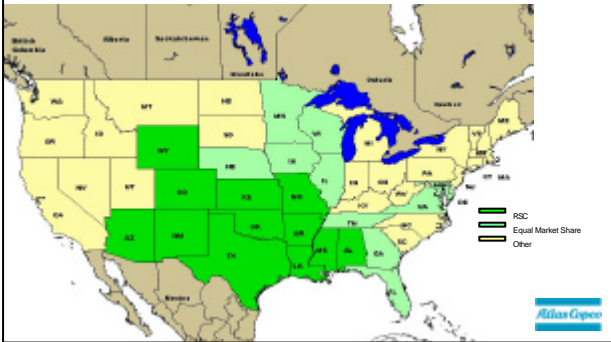
---

---

---

---

## Estimated Market Leader by State (Subjectively Based)




---

---

---

---

---

---

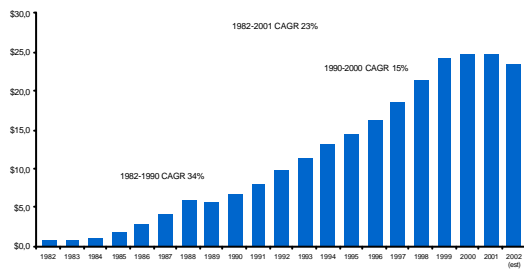
---

---

---

---

## Rental Industry Revenue Growth North America (\$ Billions)




---

---

---

---

---

---

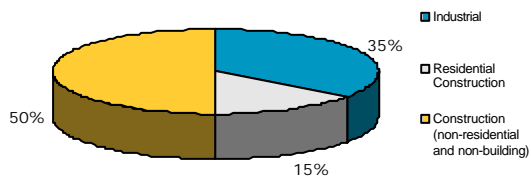
---

---

---

---

## Market Segments




---

---

---

---

---

---

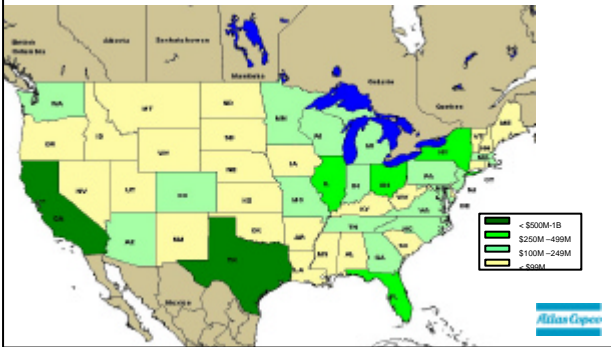
---

---

---

---

## Construction Market Rental Potential \$20Bn




---

---

---

---

---

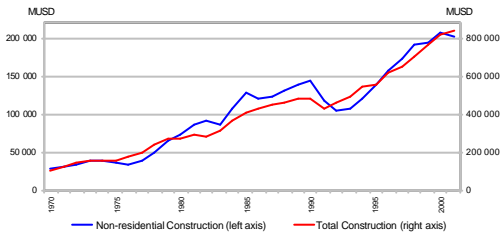
---

---

---

## U.S. Construction

**Construction Put in Place**  
Seasonally adjusted rate in current dollars  
Source: U.S. Dep. of Commerce



11




---

---

---

---

---

---

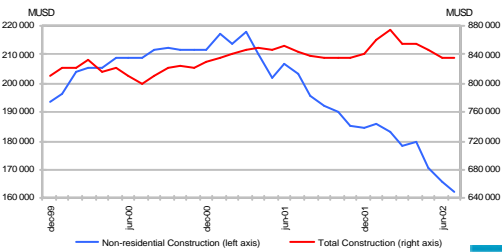
---

---

## U.S. Construction

**Construction Put in Place**  
Seasonally adjusted rate in current dollars  
Source: U.S. Dep. of Commerce  
<http://www.census.gov/pub/const/C30/c30tab4.rpt>

September 4, 2002



12




---

---

---

---

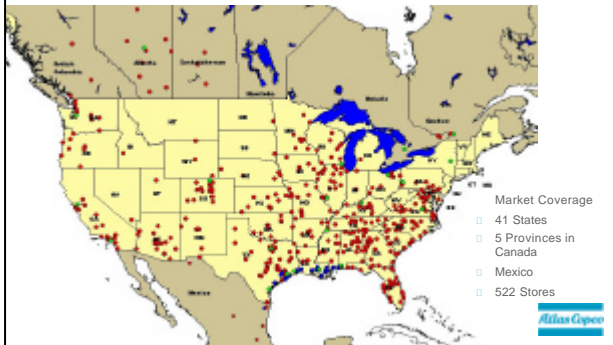
---

---

---

---

## Rental Service Business Area September 2002




---

---

---

---

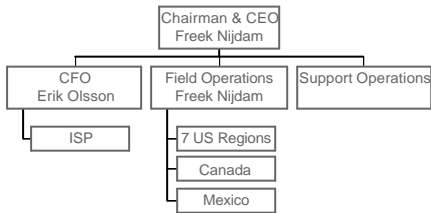
---

---

---

---

## New Organization Structure



Headcount				
1/1/2001	325	6,902	150	7,377
1/1/2002	243	5,825	193	6,261
1/9/2002	240	5,680	136	6,056
Change	-85	-1,222	-14	-1,321

14




---

---

---

---

---

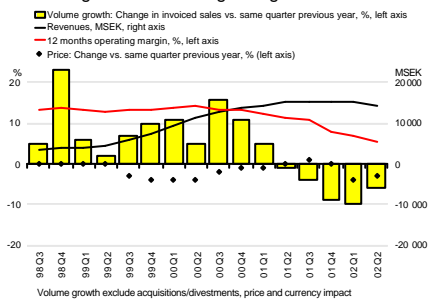
---

---

---

## Rental Service Growth and Profitability 1998-2002

- including all restructuring charges




---

---

---

---

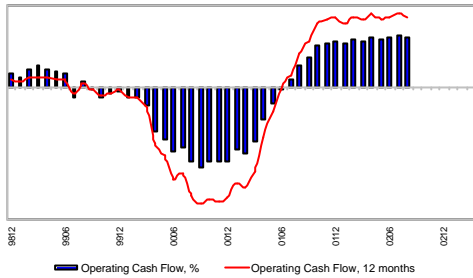
---

---

---

---

## Operating Cash Flow



16



---

---

---

---

---

---

---

---

## Rental Service

Going forward

17



---

---

---

---

---

---

---

---

## Customer Focus and Service

- Vast product availability
- Strong local presence
- Just-in-time delivery
- 24-hour service
- Comprehensive maintenance program
- Professional, experienced sales force
- E-commerce solutions

18



---

---

---

---

---

---

---

---

## RSBA Online Rental

Available 24/7/365 (even when stores are closed)  
 Self-service for select customers  
 No re-keying required to activate contract  
 Full Search--thousands of equipment types  
 Previous orders archived for easy access  
 EXCLUSIVE to Rental Service!

Active Rental Card	Description	Qty in Cart	Buy Card
ASR	AIR COMPRESSOR 100-100-100	1	Available
ASR	AIR COMPRESSOR 100-100-100	1	Available
ASR	AIR COMPRESSOR 100-100-100	1	Available

---

---

---

---

---

---

---

---

---

---

**Rental Reservation Summary**

**Equipment List:**

Quantity	Equipment Description
1	AIR COMPRESSOR 100-100-100
1	AIR COMPRESSOR 100-100-100
1	AIR COMPRESSOR 100-100-100

**Customer Information:**  
 Name: Murphy Rogers  
 Title: Construction Mgr.  
 Company: Attec Industries

**Quote Request**

20



"Online Rental is GREAT!  
 ...nice to be able to go online  
 before or after hours, even on  
 weekends, and do a rental!"

Murphy Rogers  
 Construction Mgr.  
 Attec Industries

---

---

---

---

---

---

---

---

---

---

## Sales & Marketing

- Continue to drive rental revenue
- Change of bonus systems and sales commission programs
- Selective store closures and cold starts
- Hub and Satellite program expanded
- Telemarketing
- Drive outsourcing trend by attracting more new customers
  - Rent vs. Buy marketing program




---

---

---

---

---

---

---

---

---

---

## Drive Rental Revenue

MUSD	Q3-01	Q4-01	Q1-02	Q2-02
Daily rental revenue	4.4	3.9	3.6	3.9
EBIT %	9.3	3.0	3.6	5.0

22



---

---

---

---

---

---

---

---

## Cost reductions

- Headcount reduction of 205 employees YTD
  - Overhead reduction
- Selective store closures
  - net 8 stores closed YTD
- Fleet cap
- New cost targets for 3<sup>rd</sup> and 4<sup>th</sup> quarter
- Interest cost reduction of 39% from p.y.
  - Continued strong cash flow
  - Interest rate reductions

23



---

---

---

---

---

---

---

---

## Profitability

### Time utilization and rental rates

- A rental company needs a high time utilization, i.e. fleet out on rent, in order to cover the fixed costs of the operation;
  - Fleet depreciation and interest
  - Stores
- However, the time utilization must be combined with high rental rates in order to provide an acceptable return

24



---

---

---

---

---

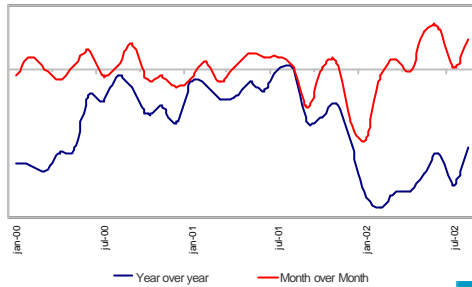
---

---

---



## Price development



25



---

---

---

---

---

---

---

---

## Profitability

### Key flows

- Balancing the need for higher rates vs. utilization by offering;
  - High level of customer service
  - Equipment that has high availability and reliability, i.e. well maintained
  - Being close to the customer
- Maximize additional revenues and fees tied to the rental; e.g. fuel, damages, environmental charge, loss and damage waiver etc.
- Minimizing support and overhead costs

26



---

---

---

---

---

---

---

---

## Capital efficiency

### Key flows

- Minimize non-available fleet by improving lead times for;
  - Pick up equipment called off rent
  - Moving equipment efficiently through washrack
  - Servicing and repairing down equipment efficiently
- Rightsize the available fleet by getting rid off underperforming or low utilized assets

27



---

---

---

---

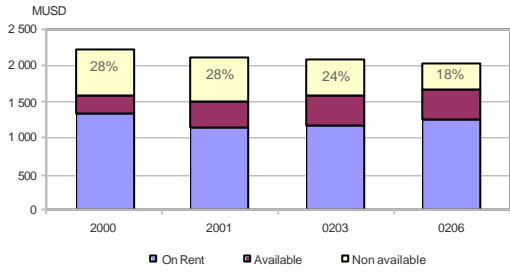
---

---

---

---

## Fleet Development



28



---

---

---

---

---

---

---

---

## Industrial Rental



---

---

---

---

---

---

---

---

## Rental Service



30



---

---

---

---

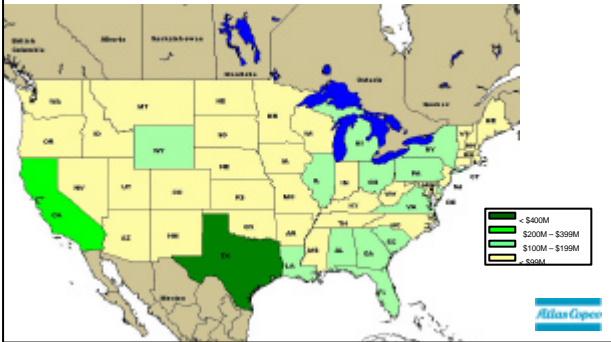
---

---

---

---

## Industrial Rental Potential \$5Bn




---

---

---

---

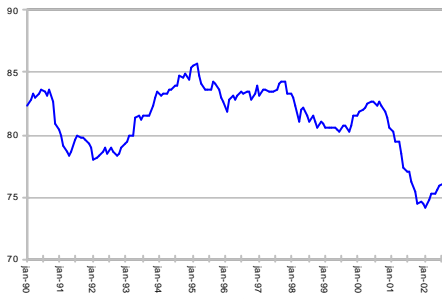
---

---

---

---

## Plant utilization



Source: <http://www.federalreserve.gov/releases/g17/Current/default.htm>

---

---

---

---

---

---

---

---

## Prime Industrial Offerings

- Industrial locations
- On site locations
- Prime Energy
- Tool Trailers
- Tool Rooms
- MRO Supplies

33




---

---

---

---

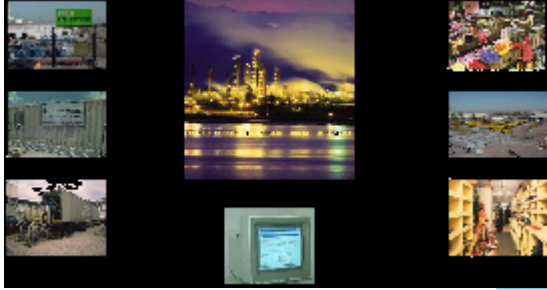
---

---

---

---

## Single Source Industrial Supplier Strategy



Total Control System



---

---

---

---

---

---

---

---

## Rental Service



35



---

---

---

---

---

---

---

---

## Prime Energy



---

---

---

---

---

---

---

---

## Prime Energy Offerings

- Products
  - Portable oil-free compression
  - Large generator 250kw and larger
  - Temperature control
    - Chillers
    - Cooling tower
- Applications
  - Snow making
  - Nuclear plants
  - Substitute clean air
  - Bottle plants
- Engineered solutions
  - Another way into plant

37



---

---

---

---

---

---

---

---

## Rental Service

Outlook

38



---

---

---

---

---

---

---

---

## Summary

- Rental in North America has a strong potential
- Stability – Profitability – Growth
- Strong Cash Flow
- Rates have to improve

39



---

---

---

---

---

---

---

---