



EUROPEAN
RENTAL
ASSOCIATION

Tuning the engine

Factors in fleet investment

Kevin Appleton



Please react on Twitter, @era_rental



Fleet make up is our industry's engine



The right fleet provides revenue and profit power

Tuning the engine correctly is a particular skill

The rental industry and its suppliers depend for their future upon a largely rational approach to capex decisions

Manufacturers – remember the “Law of Ten”

Lifetime total **net** cost of ownership (LTNCO)

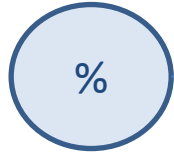
Acquisition

Utilisation

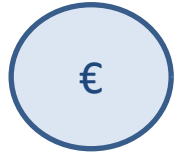
Lifetime Rental
Revenues

Lifetime **Net** Costs of
Transport, Repair &
Maintenance

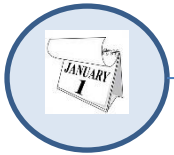
Disposal



Rental rate



Rental life



We can calculate LTNCO per fleet type...



Lifetime Rental Revenue
+/- net transport costs
+/- net damage repair costs
+ disposal proceeds



Acquisition costs (incl finance)
+ lifetime maintenance costs
+ lifetime refurbishment costs

... and set targets based on our P&L

Company cost element	% of Cos
Transport, Maintenance & Repair	20%
Depreciation charges	30%
Depot operations costs	25%
Central overhead	25%
Total	100%

Depreciation should equate to average annual capex and so, to make a profit, total lifetime contribution should be higher than (e.g.) $100/30 = 3.33 \times$

A worked example gives LTNCO of €30,650



Scissor lift	8M
Lifetime:	10 years
Cost	€8,500
Rental rate	€130/week
Utilisation	65%

Lifetime Rental Revenue	= €42,250
+/- net transport costs	= (€2,000)
+/- net damage repair costs	= €400
+ disposal proceeds	= €1,500

Total **€42,150**

Acquisition costs (incl finance)	= €8,500
+ lifetime maintenance costs	= €2,000
+ lifetime refurbishment costs	= €1,000

Total **€11,500**

... which beats the target for this company

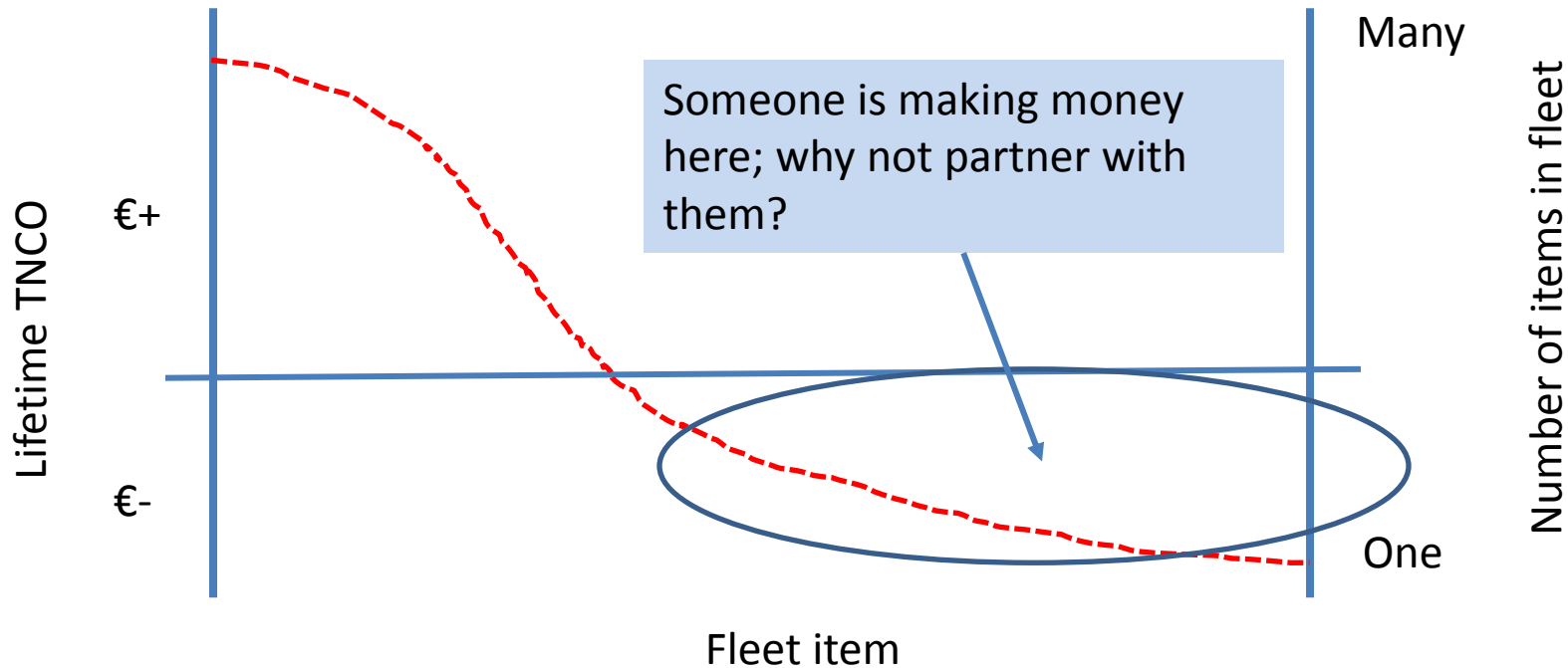
Company cost element	% of Cos
Transport, Maintenance & Repair	20%
Depreciation charges	30%
Depot operations costs	25%
Central overhead	25%
Total	100%

Depreciation should equate to average annual capex and so, to make a profit, total lifetime contribution should be higher than (e.g.) $100/30 = 3.33 \times$

$$\text{€}30,650/\text{€}8,500 = 3.6 \times$$

Beats target by 8%

Beware of the skinny tail!



I'm a manufacturer – this isn't about me

Company cost element	% of Cost Base
Transport, Maintenance & Repair	20%
Depreciation charges	30%
Depot operations costs	25%
Central overhead	25%
Total	100%
Profit Margin	10%

If you're a manufacturer, this is about you!

Company cost element	€ Million – Year 1	€ Million – Year 2
Revenues	500	450
Transport		
Depreciation		
Depot		
Central		
Profit		
Operating Cash Flow	170	132
Capital Expenditure	135	20

A 10% reduction in demand for rental companies exaggerated by market oversupply easily translates into a >50% reduction in demand for manufacturers

Chasing false trails... how to waste money

The customers insist that we have this in our range

The weekly revenues you can get are amazing!

Pushing more fleet to the market helps our manufacturing

Questions & Discussion

THANK YOU