

# ERA Convention 2011

*“Growth Again”*

**Trends in the US Rental Industry**

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**American Rental Association**

**Amsterdam**

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# Agenda

- **Overview**
- **Economic Summary**
- **US Equipment Rental Revenue Outlook**
- **Industry Trends**
- **Conclusion**

## Overview

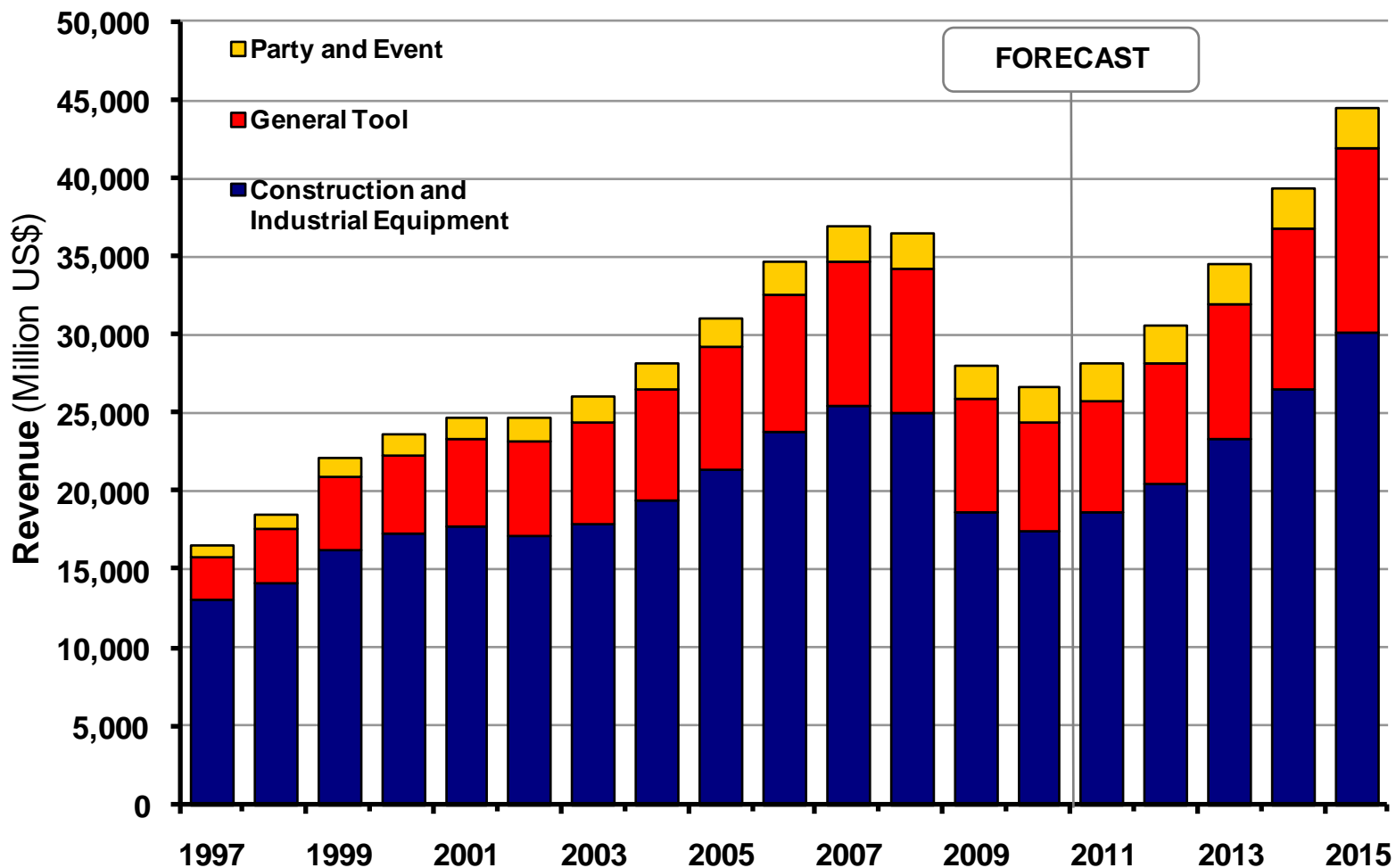
- Trends Driven from Economic Conditions
  - Financial Crisis
  - Construction Downturn
  - Unemployment
- Rightsizing the Business
  - Rental Companies' Reduced Headcount
  - Reduced Branch Numbers
  - Cut SG&A
  - Aged Fleets
- US Equipment Rental Revenue Outlook
  - Recovery Underway
  - Rental is the Sensible Option
  - CAPEX Spending is Occurring

## Economic Summary

- US economic expansion: Self-sustaining course, barring a major oil market disruption.
- Business equipment investment, exports, consumer durables, and eventual homebuilding will drive US growth.
- Large Corporate businesses flush with cash.
- Nonresidential construction, state and local government purchases will decline into 2012.
- Rising gasoline and food prices will push CPI inflation up in 2011. Real incomes will be squeezed.
- Federal Reserve will begin to raise interest rates in early 2012.



# Total US Equipment Rental Revenue




## Trends

- Industrial Rental
  - Becoming a larger percentage of Rental Revenue & Profit
- How to define Industrial?

*“Industrial equipment refers to machinery used in factories, warehouses, ports and more. The classic examples are the forklifts and material handlers, but it could include air compressors, generators and power distribution equipment.”*



-Scott Hazleton, Sr. Partner-IHS Global Insight  
***RENTAL MANAGEMENT***, April 2011

- Reports
  - Larger Rental Businesses Making Significant Strides Toward Industrial
  - Excellent Area for Growth. Less Peaks and Troughs.
  - On-Site Customer Service & Opportunity Identification =  Profitability

## Trends

- **Increased Rental Penetration**
  - Major Rental Companies are outperforming Construction Growth
  - Strong Indicator of Greater Market Penetration
  - Rental Companies are up by as much as 33% Year Over Year
  - Independents Remain Competitive
- **Access to Capital**
  - Still Challenging
  - Rules have become more stringent
  - Frank-Dodd Wall Street Reform and Consumer Protection Act
    - Promotes growth of Rental
    - Purchase requires more Justification vs. Previous Years

## Trends

- Increased CAPEX Spending
  - Increased Penetration and Fleet Age require more Equipment to be purchased and used for Rental
  - Examples
    - Ashtead Group

*In the previous 9 months, £129m (2010: £35m) of which £113m was spent on rental fleet replacement with the balance spent principally on vehicles and property improvements. Disposal proceeds were £40m (2010: £19m), giving net capital expenditure in the nine months of £89m (2010: £16m).*

*Ashtead Group: Q3 Results- 8 March 2011*

- Hertz Equipment Rental

*“At March 31, our worldwide equipment fleet age was 49 months, in line with the fourth quarter of 2010. First quarter equipment gross CapEx was \$171.6 million and disposals was \$52.3 million or \$127 million on a first cost basis. We expect net CapEx for fleet to be between \$300 million and \$400 million for the full year.”*

*-Elyse Douglas, Hertz CFO: Q1 Conference Call*



## Trends

- Rates Beginning to Firm
  - Increased Penetration and Utilization create the environment for rate stabilization and improvement.
  - Examples
    - United Rentals

“As an example, in the month of March, we were able to raise core rates on our top revenue producing equipment market categories. And that includes aerial, which had still had negative year-over-year rates on monthly rentals three months ago. Now, monthly aerial rates have gone positive as well.”

Michael Kneeland, CEO, United Rentals  
Q1 Conference Call

- RSC
  - Improved Rental Rates over the first quarter of last year by 2%  
RSC Equipment Rental, Q1 2011 Report

# Trends

- Other Trends
  - Some Strategic Acquisitions still taking place.
    - United Rentals
    - Sunbelt
  - Increased Use of Technology
    - Business Management Software
    - GPS
    - Sophisticated Fleet Management Systems
  - Customer Friendly Web Applications
    - Manage your Account
    - Order Equipment
    - Project Advice
    - Selling Used Equipment

## Conclusion

- The US Economic Recovery is proceeding at a slow pace
- Rental Recovery is proceeding at a faster pace
- Public Policy Decisions will impact potential
- ***The Rental Show 2011:***

*“We’re at a point where we see an improving marketplace, increased visibility and growth opportunities for the rental channel overall.”*

*-Chris Wehrman, CEO, ARA*





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# Questions

