

# ERA Convention 2011

*“Growth Again”*

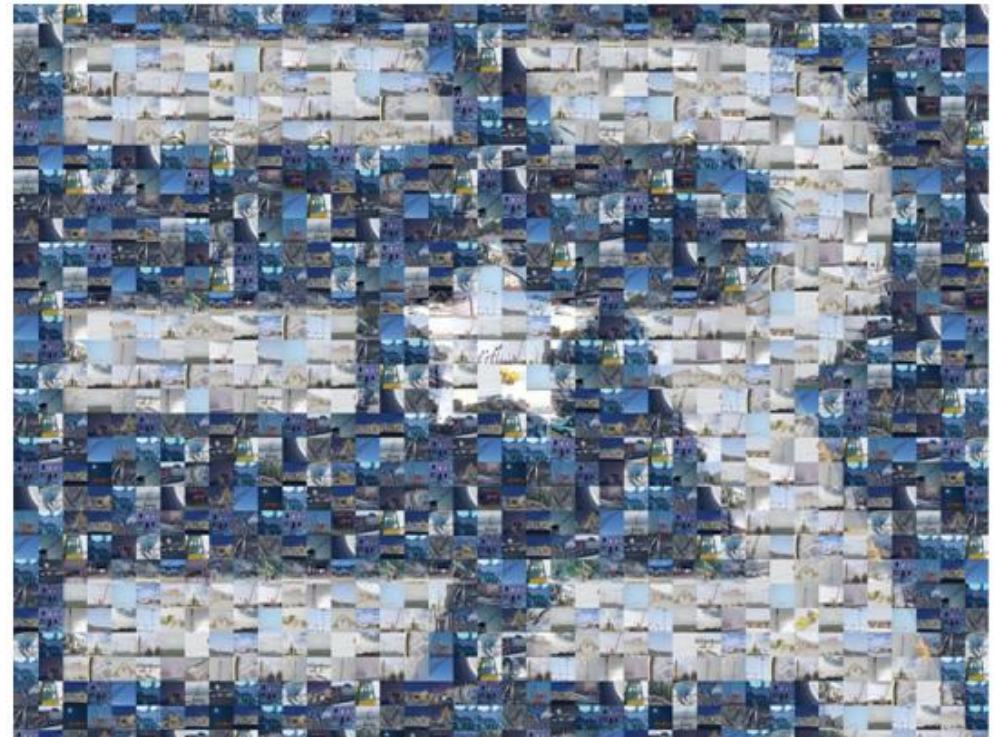
## VALUATION OF MACHINERY RENTAL COMPANIES

### EQUITY ANALYST’S VIEWS

Ari Järvinen

Equity analyst, Danske  
Markets Equities

June 9, 2011, Amsterdam



[WWW.ERARENTAL.ORG](http://WWW.ERARENTAL.ORG)

## Key valuation techniques & Rentals specifics

<b>Multiple analysis:</b>	<b>P/E, EV/EBITDA, EV/EBIT, P/BV</b>
<b>DCF –modelling:</b>	<b>Sales growth, profit margins, WACC, capex, working capital</b>
<b>Machinery rentals:</b>	<b>New industry, limited statistics, in-house vs. outsourcing, cash flow-earnings mismatch</b>

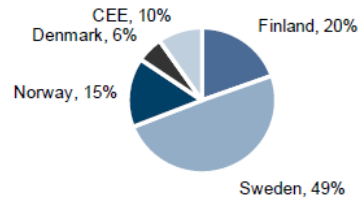
# Corporate Snapshots

## Cramo

Construction & Materials, Finland

### Key data

Price (EUR) close 25/05/2011	16.9
Target price, 12 mth (EUR)	20.0
Market cap (EURm)	701
Reuters	CRA1V.HE
Bloomberg	CRA1V.FH
No of shares (m)	41.4
Free Float	100.0%
Avg. daily vol, 12m ('000)	69.0

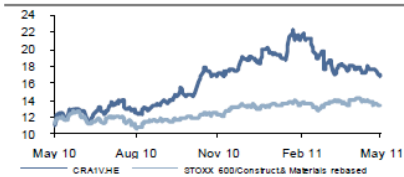


### Key financials

Year end Dec (EUR)	2009	2010	2011E	2012E
Revenues (m)	447	501	677	740
EBITDA (m)	107	118	162	224
EBIT, adj (m)	18	28	72	107
Pre-tax profit (m)	-4	5	56	87
EPS (adj)	-0.33	-0.06	0.96	1.53
Dividend yield	0.0%	0.5%	1.5%	2.4%
FCF yield	11.4%	-4.8%	-5.4%	6.7%
EBIT margin (adj)	4.1%	5.6%	10.6%	14.5%
Net debt/EBITDA	3.8	3.2	2.0	1.3
ROIC	5.5%	-1.2%	6.5%	9.3%
EV/Sales	1.7	1.9	1.5	1.3
EV/EBITDA	7.2	8.2	6.4	4.4
EV/EBIT	42.0	34.6	14.3	9.2
P/E (adj)	n.m.	n.m.	17.7	11.0
P/BV	1.1	1.6	1.4	1.3

Source: Danske Markets

### Price performance



	1M	3M	12M	5Y
Absolute	-7%	-21%	51%	35%
Rel. local market	-4%	-19%	29%	61%
Rel. EU Sector	-3%	-20%	26%	49%

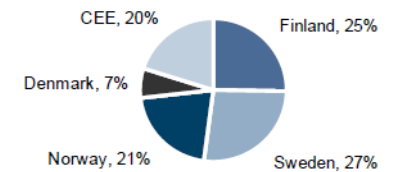
Source: Factset

## Ramirent

Construction & Materials, Finland

### Key data

Price (EUR) close 25/05/2011	10.2
Target price, 12 mth (EUR)	13.0
Market cap (EURm)	1,107
Reuters	RMR1V.HE
Bloomberg	RMR1V.FH
No of shares (m)	108.7
Free Float	100.0%
Avg. daily vol, 12m ('000)	155.7

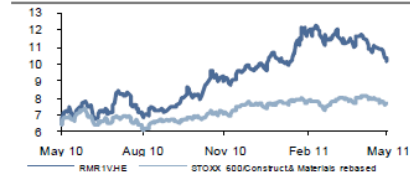


### Key financials

Year end Dec (EUR)	2009	2010	2011E	2012E
Revenues (m)	503	531	635	730
EBITDA (m)	139	129	179	227
EBIT, adj (m)	36	31	79	122
Pre-tax profit (m)	20	22	71	115
EPS (adj)	0.11	0.15	0.47	0.75
Dividend yield	2.2%	2.5%	2.9%	3.9%
FCF yield	10.5%	3.5%	1.2%	4.5%
EBIT margin (adj)	7.2%	5.8%	12.5%	16.8%
Net debt/EBITDA	1.5	1.4	1.1	0.8
ROIC	4.1%	4.4%	11.2%	16.1%
EV/Sales	1.9	2.3	2.0	1.8
EV/EBITDA	6.9	9.7	7.2	5.6
EV/EBIT	26.3	40.4	16.4	10.5
P/E (adj)	61.4	67.7	21.5	13.5
P/BV	2.4	3.4	3.2	2.8

Source: Danske Markets

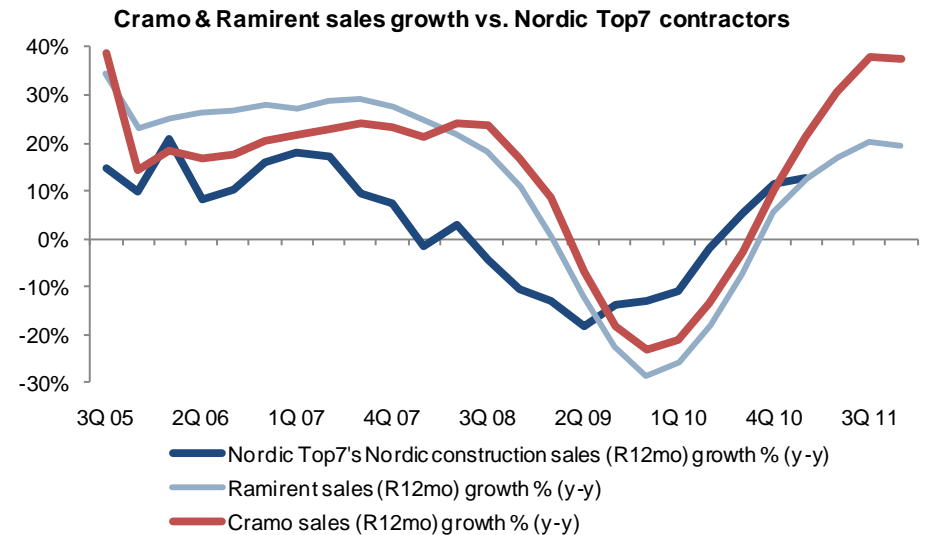
### Price performance



	1M	3M	12M	5Y
Absolute	-13%	-15%	59%	51%
Rel. local market	-10%	-12%	35%	79%
Rel. EU Sector	-9%	-13%	32%	66%

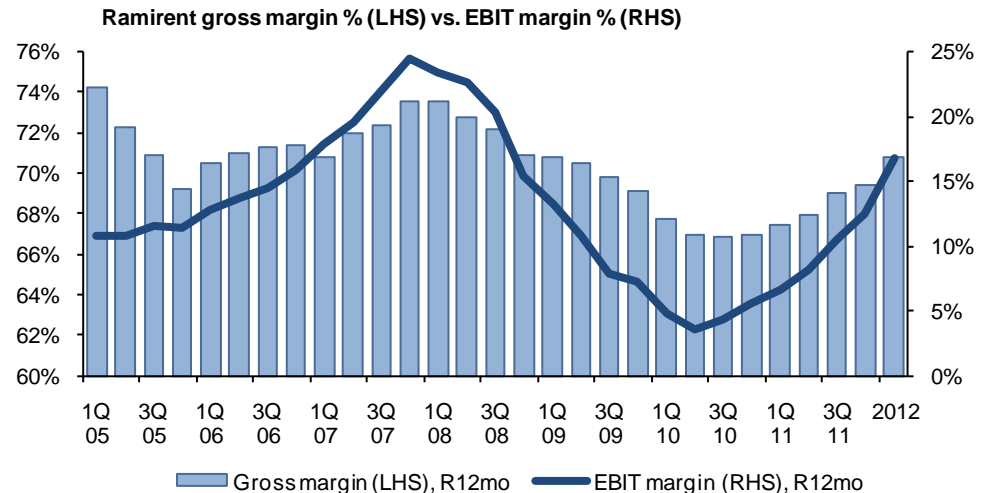
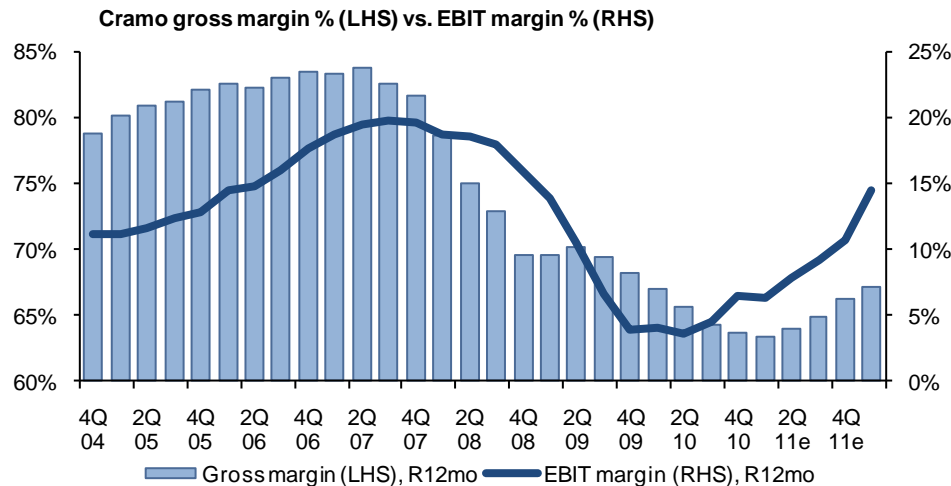
Source: Factset

# Construction is the key customer segment



- **Nordic construction order books have recovered strongly from the financial crisis**
- **Construction growth resumed in Q3 2010 and order books point to brisk volume growth this year**

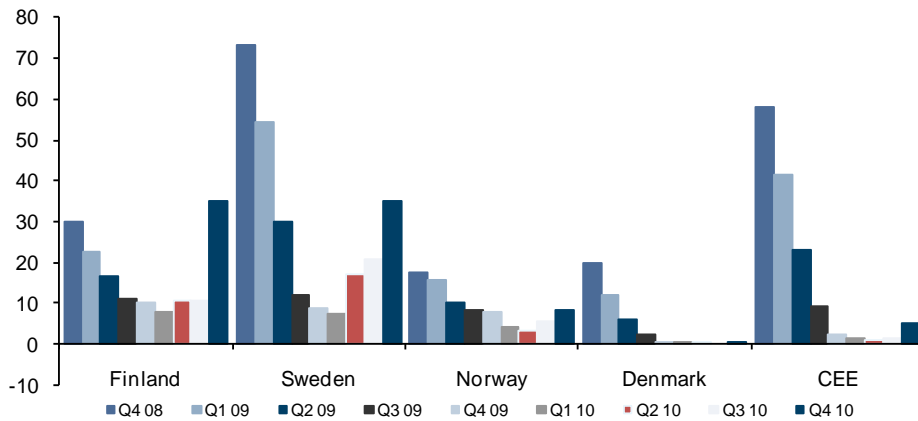
## Financial crisis hit rentals earnings hard



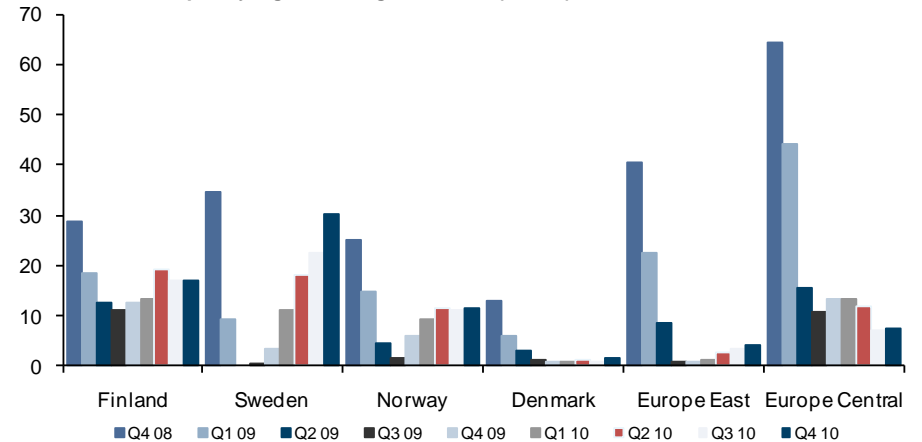
- Machinery rental earnings margins dropped sharply in 2008-09, margins bottomed year ago
- Consolidation did not improve pricing behaviour
- More outsourcing seen, controlled capex required

# Ramp-up of depot network stretched balance sheets

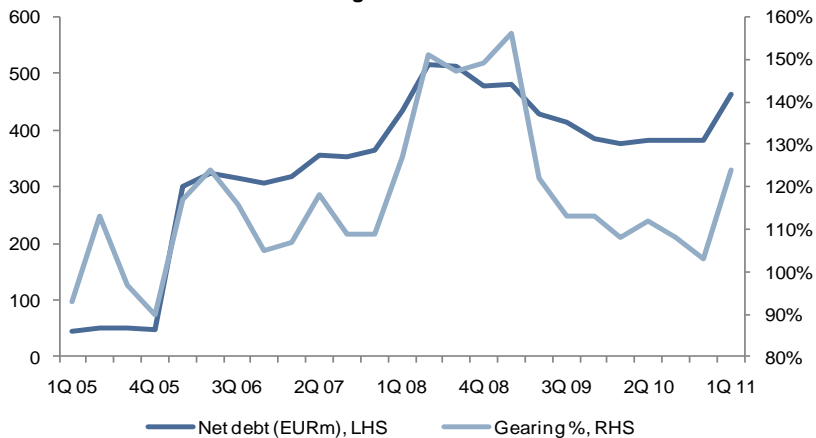
Cramo capex by region, rolling 12 months (EURm)



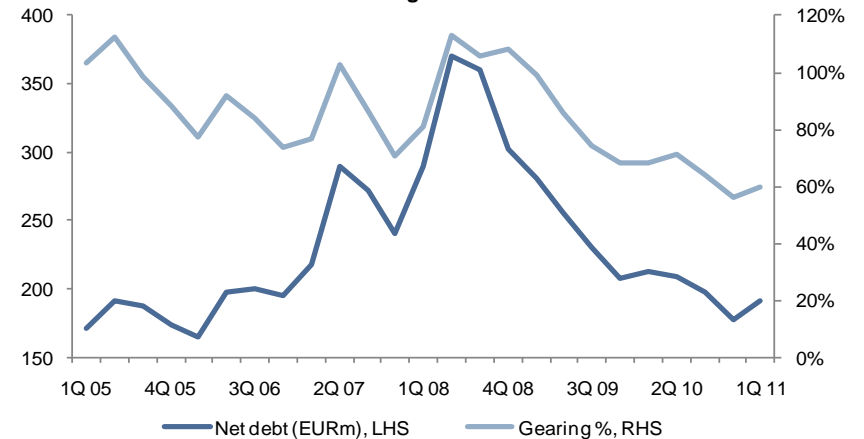
Ramirent capex by region, rolling 12 months (EURm)



Cramo - Net debt vs. Gearing

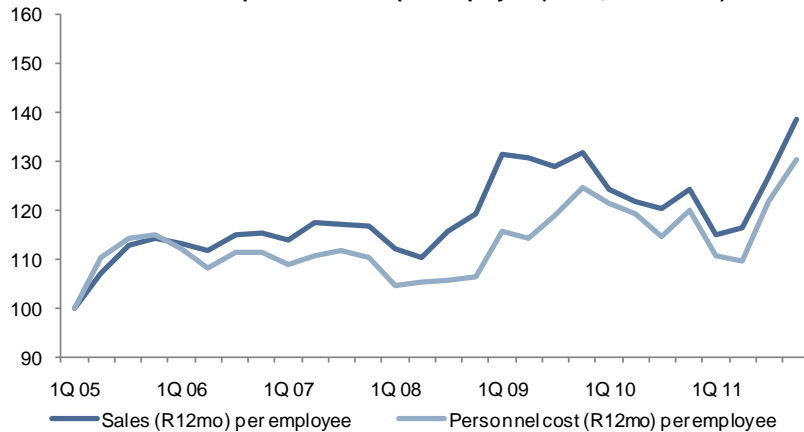


Ramirent - Net debt vs. Gearing

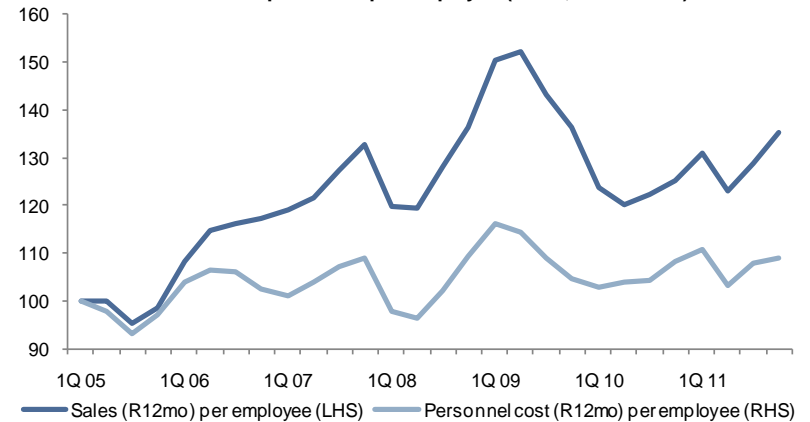


# Some economies of scale have been achieved

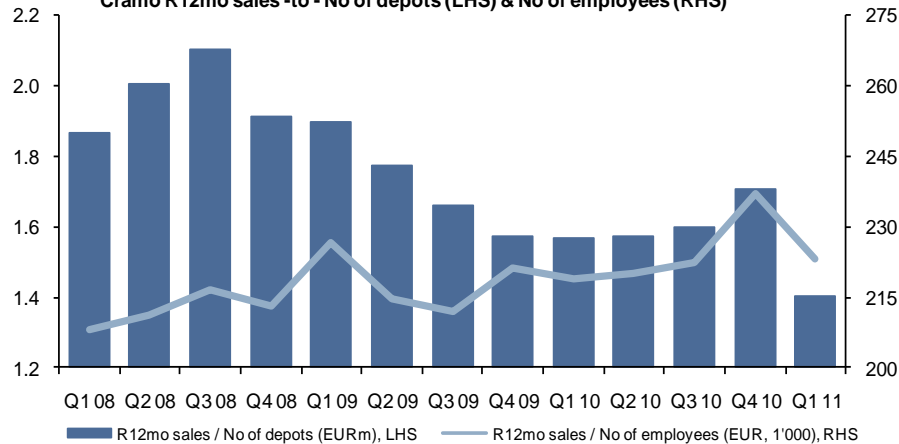
**Cramo sales vs. personnel cost per employee (index, Q1 05=100)**



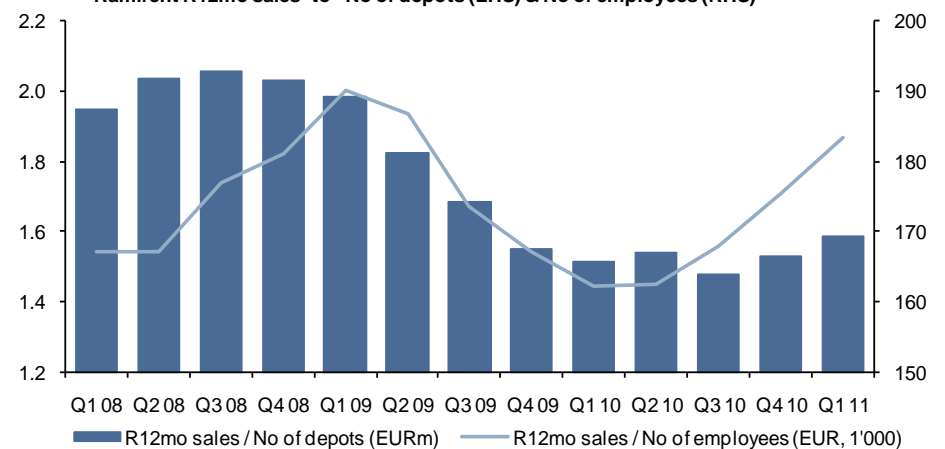
**Ramirent sales vs. pers. cost per employee (index, Q1 05=100)**



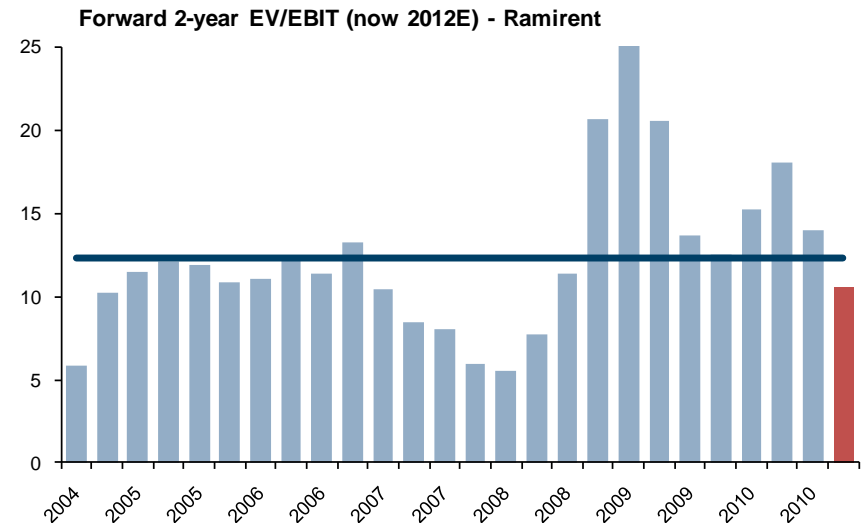
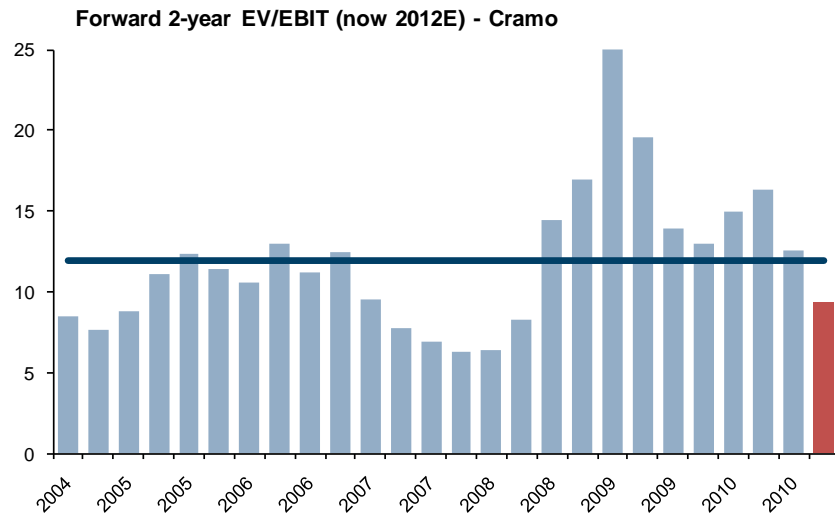
**Cramo R12mo sales -to - No of depots (LHS) & No of employees (RHS)**



**Ramirent R12mo sales -to - No of depots (LHS) & No of employees (RHS)**



## Forward valuation multiples close to 7-year averages

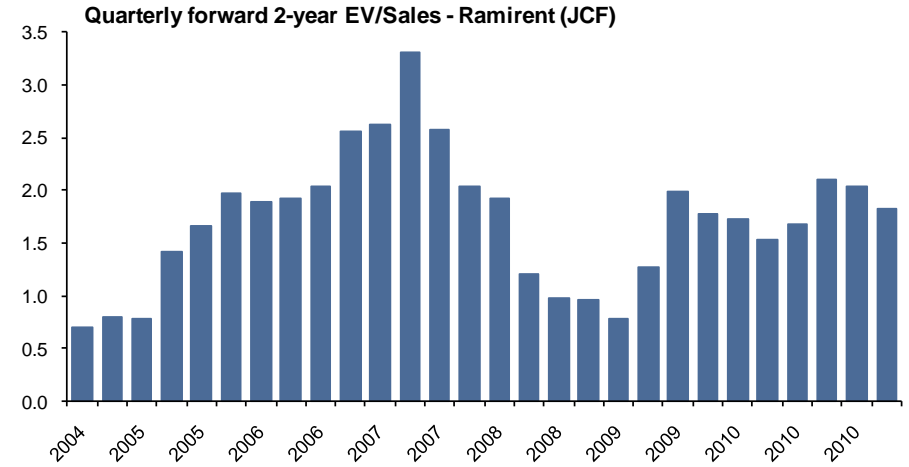
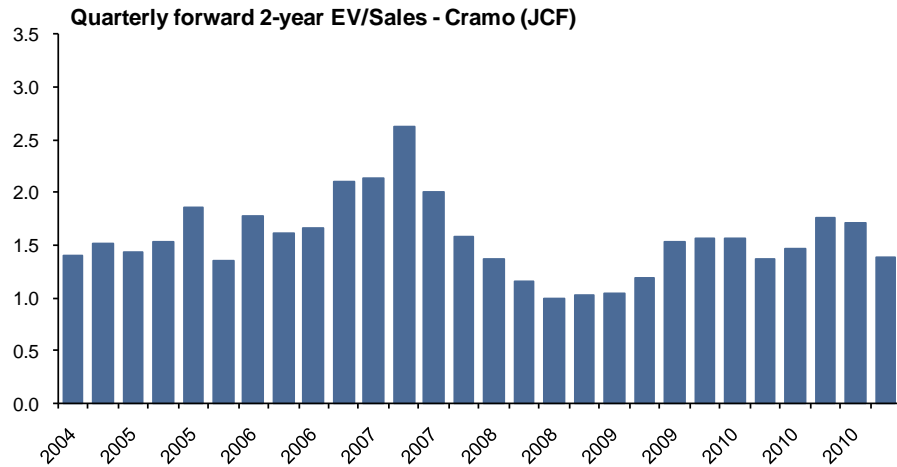


- Pan-European network in rentals is something new
- Penetration levels are still very low in CEE & Russia
- Big volatility in forward-looking valuation multiples

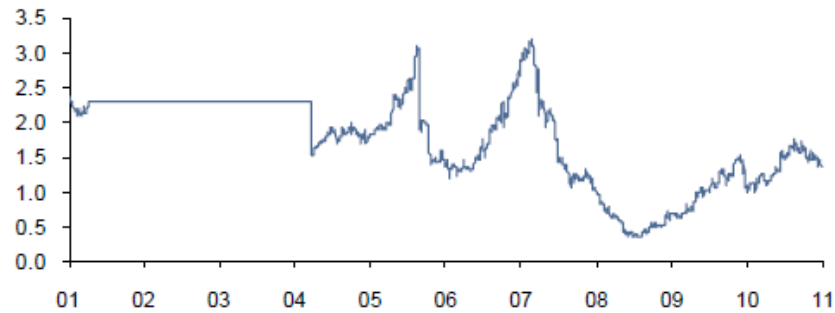




# Forward valuation multiples close to 7-year averages



P/BV - 12 months forward



P/BV - 12 months forward

