



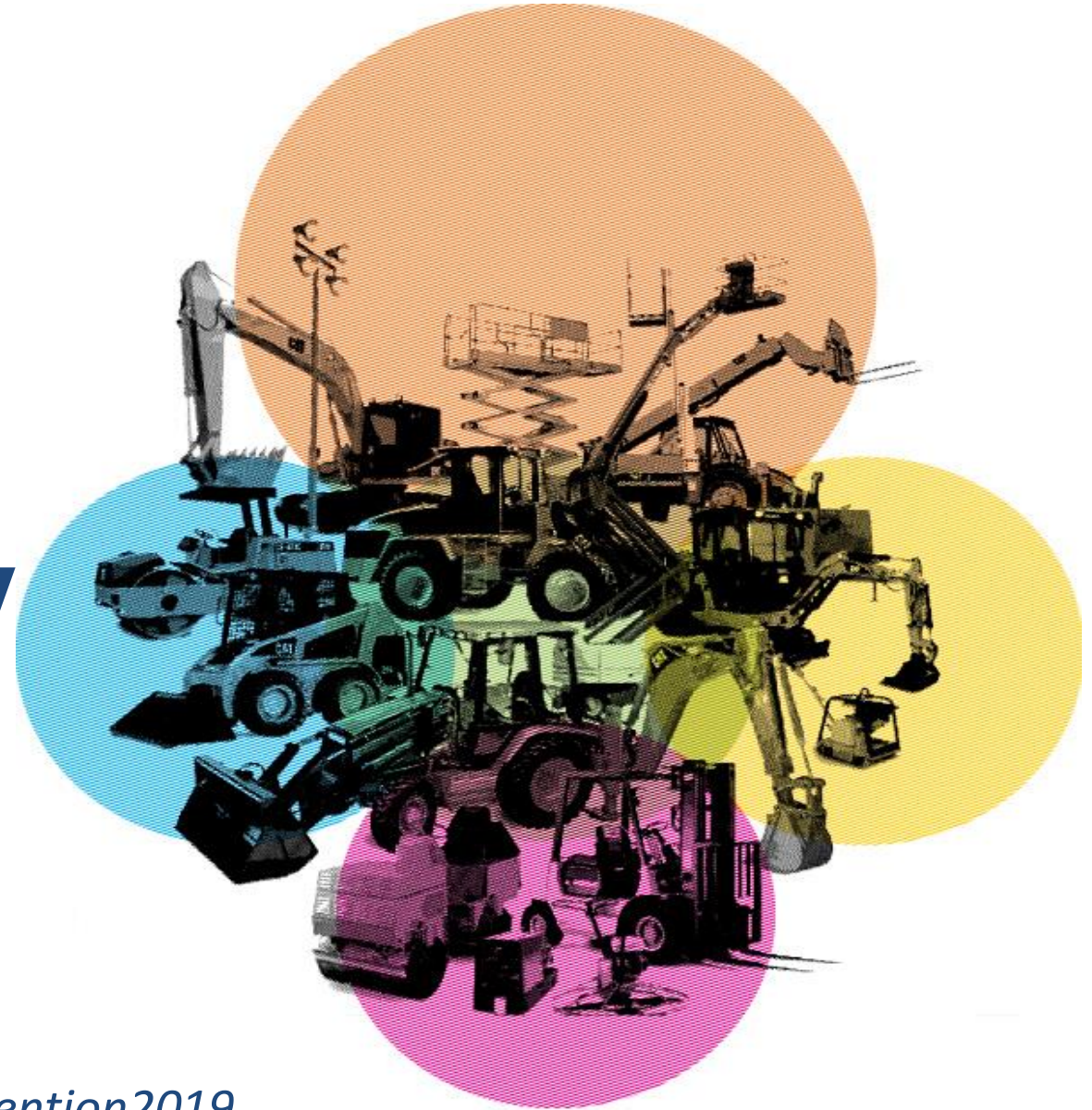
EUROPEAN
RENTAL
ASSOCIATION

Investor Perspectives on the Rental Industry

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Please react on Twitter, @era_rental, #eraconvention2019



ERA Convention 2019, "RENTAL: A SHARING ECONOMY", Madrid, 15 and 16 May



Investor Perspectives on the Equipment Rental Industry

May 15, 2019



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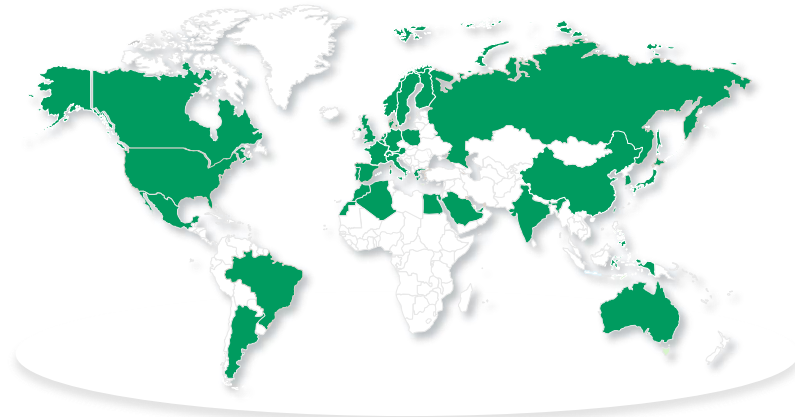
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Crédit Agricole Group

A Large Global Banking and Insurance Group



Crédit Agricole's cooperative model ("mutualiste") is the bedrock of the entire Group and the mainspring of its values:

Global presence in **47 countries**

51 million clients

141,000 employees

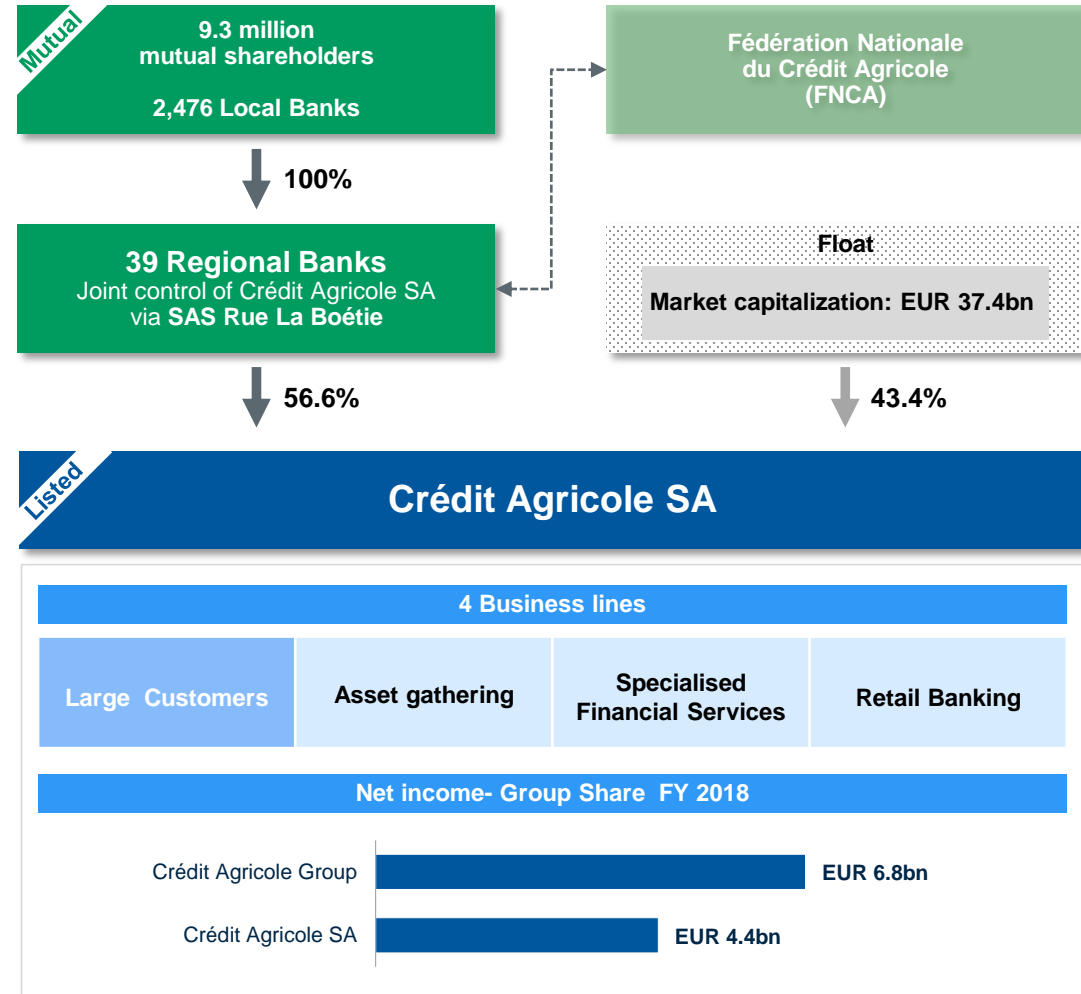
6,800 branches in France

Tier One capital base of **EUR 88bn** (Dec. 2018)

Common Equity Tier 1 ratio of **15%** (Dec. 2018)

Rating **upgraded by one notch to A+** - Stable outlook by S&P Global (Oct. 2018)

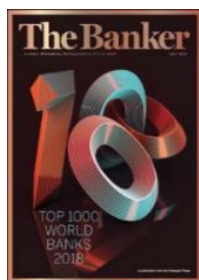
Outlook **upgraded to positive** by Moody's (Jul. 2018)



Crédit Agricole Group

No. 3 Bank in Europe by Tier One Capital

Crédit Agricole is Europe's No. 3 Bank by Tier One Capital and No. 3 Bank by Totals Assets



Source : The Banker, July 2018

Top 25 by Tier One Capital 2017 YE

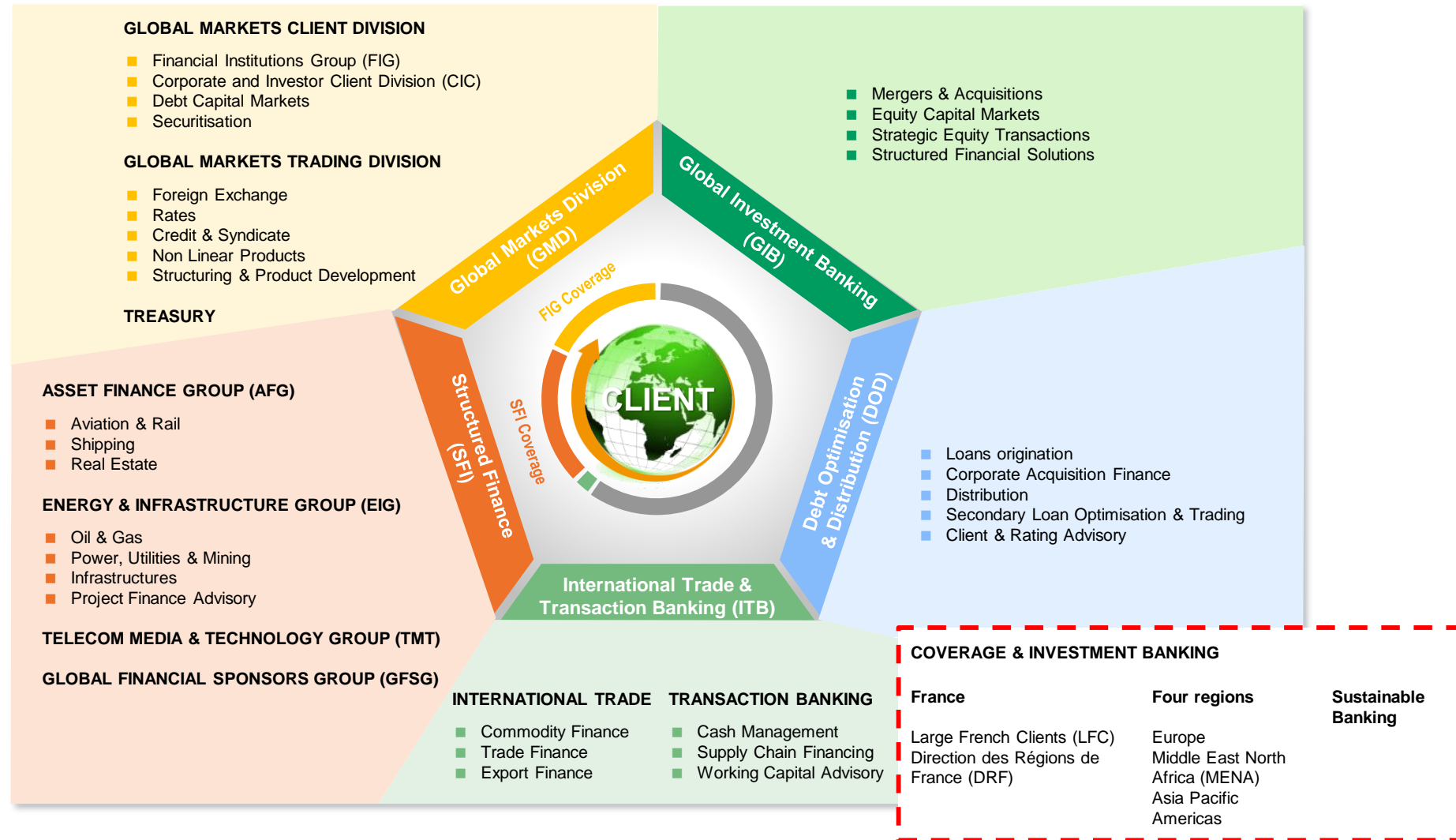
Rank	Bank Name	Country	USD Million
1	HSBC Holdings	UK	150,954
2	BNP Paribas	France	101,707
3	Credit Agricole	France	101,557
4	Banco Santander	Spain	93,112
5	Barclays	UK	72,857
6	Groupe BPCE	France	71,675
7	Deutsche Bank	Germany	69,435
8	UniCredit	Italy	65,907
9	Societe Generale	France	59,655
10	BBVA	Spain	56,602
11	Credit Mutuel	France	54,913
12	ING	Netherlands	54,478
13	RBS	UK	53,451
14	Credit Suisse Group	Switzerland	52,533
15	Intesa Sanpaolo	Italy	52,367
16	Lloyds Banking Group	UK	49,093
17	Standard Chartered	UK	44,861
18	Rabobank Group	Netherlands	44,824
19	UBS	Switzerland	44,324
20	Nordea Group	Sweden	33,745
21	Commerzbank	Germany	31,307
22	Danske Bank	Denmark	24,340
23	DZ Bank	Germany	24,146
24	ABN Amro Group	Netherlands	23,636
25	CaixaBank	Spain	22,981

Top 25 by Total Assets 2017 YE

Rank	Bank Name	Country	USD Million
1	HSBC Holdings	UK	2,521,771
2	BNP Paribas	France	2,361,749
3	Credit Agricole	France	2,124,300
4	Deutsche Bank	Germany	1,776,786
5	Banco Santander	Spain	1,740,127
6	Societe Generale	France	1,536,299
7	Barclays	UK	1,531,416
8	Groupe BPCE	France	1,517,892
9	Lloyds Banking Group	UK	1,097,445
10	ING	Netherlands	1,019,660
11	UniCredit	Italy	1,008,180
12	RBS	UK	997,373
13	Credit Mutuel	France	979,757
14	Intesa Sanpaolo	Italy	960,073
15	UBS	Switzerland	934,329
16	BBVA	Spain	831,396
17	Credit Suisse Group	Switzerland	812,540
18	Rabobank Group	Netherlands	726,495
19	Nordea Group	Sweden	700,737
20	Standard Chartered	UK	663,501
21	DZ Bank	Germany	609,149
22	Danske Bank	Denmark	569,972
23	Commerzbank	Germany	545,172
24	ABN Amro Group	Netherlands	473,700
25	CaixaBank	Spain	461,670













Crédit Agricole CIB

A Fully-Fledged Investment Bank



Current Analyst Community Perception of Equipment Rental

Investor Outlook: U.S. Publicly-Listed Companies vs. European Sector Average

	12 Months Ago Analyst Recommendations			Current Analyst Recommendations			Target Price Δ vs 12 Months Ago	Current Upside / (Downside)
	Buy	Hold	Sell	Buy	Hold	Sell		
							4%	21%
							(12%)	17%
							(19%)	28%
							(15%)	24%
U.S. Average	61%	28%	11%	74%	21%	4%	(11%)	22%
Euro Average	54%	20%	26%	49%	31%	20%	(4%)	10%

Current Focal Points

Investors

- Decelerating operational metrics (especially rate, growth)
- EBITDA margin expansion – or lack thereof
- ROIC
- Interest rate increases
- Non-residential construction spending
- Architectural Billings Index (ABI)

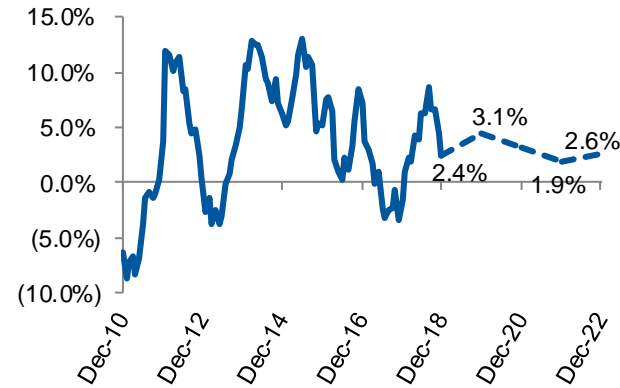
Analysts

- Increasing OEC / fleet on rent
- Rental mix
- Impact from cross-sell
- Health of broader supply chain
- Broader end market focus
- Dodge Momentum Index, ABC Contractors Backlog

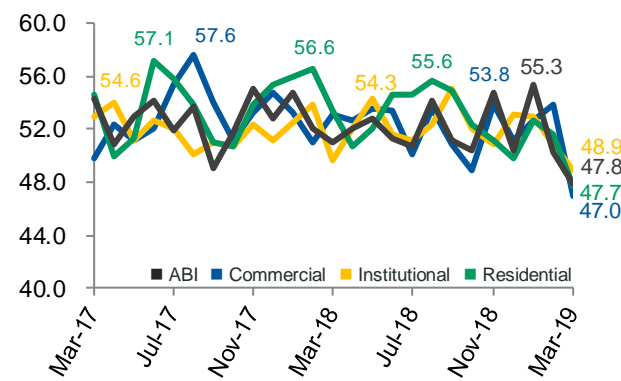
Source: FactSet as of May 10, 2019.
Euro Peers: Aggreko, Cramo, HSS Hire, Ramirent, Speedy Hire, and Vp.

Macro Trends within Equipment Rental

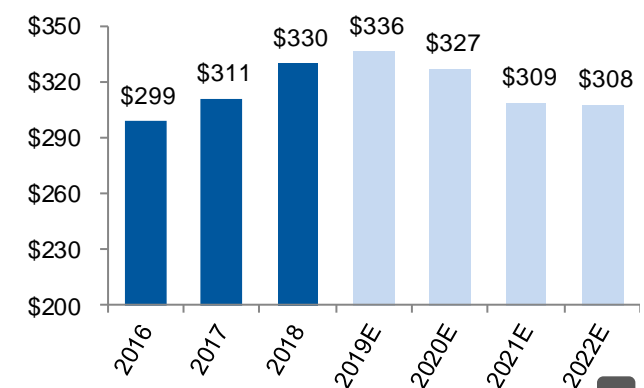
U.S. Non-Res Construction Spending



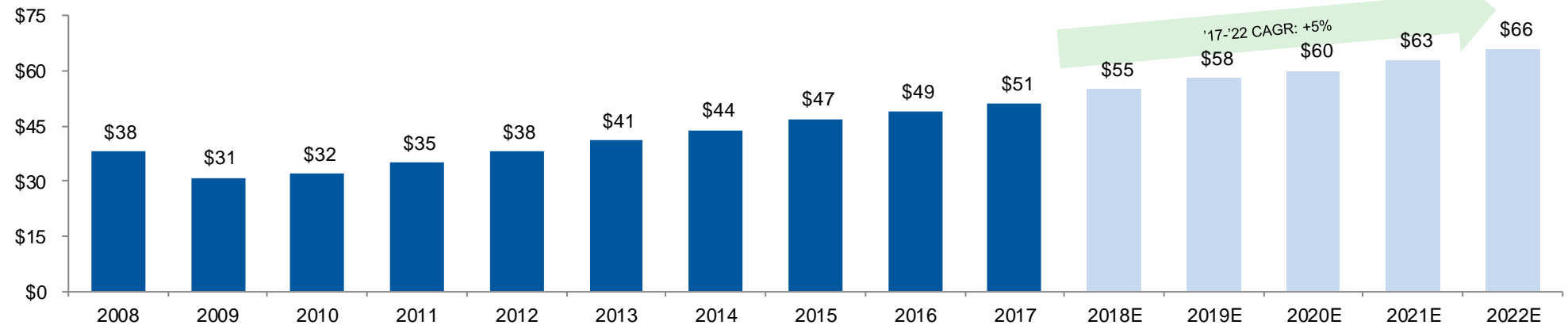
Architectural Billings Index by Sector



Industrial Spend Forecast (\$bn)



Size of North American Equipment Rental Market (\$bn)



Forward indicators are mixed, but current data points to ongoing strength (though late cycle) in the construction market – which continues to have an outsized impact on rental companies' capital markets performance

Source: Architecture Billings Index (March 2019); American Institute of Architects (April 2019); ARA / IHS Global Insight (February 2019); Industrial Information Resources U.S. (April 2019); Marketline (October 2018).

Qualitative Themes within the Sector

The Path to “Equipment Rental 2.0”

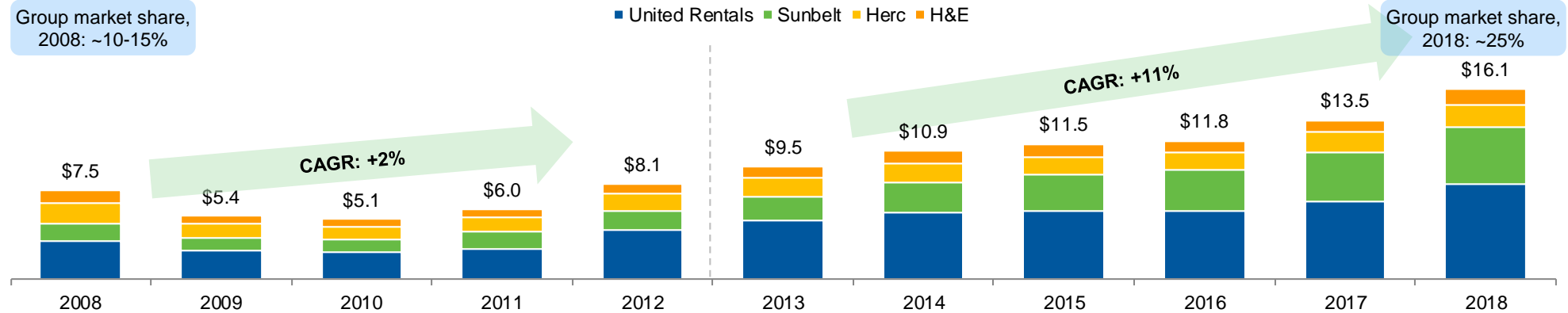


- ❑ Ongoing market consolidation
 - ❑ Increasing rental penetration
 - ❑ Broadening / diversifying rental market size
 - ❑ Shift towards higher-margin specialty business
 - ❑ Digital incentives encouraging cross-sell
 - ❑ Increasing competition and overlap of existing players
 - ❑ Current “branch-level” concerns: labor shortages, increasing new equipment prices, and rising opex

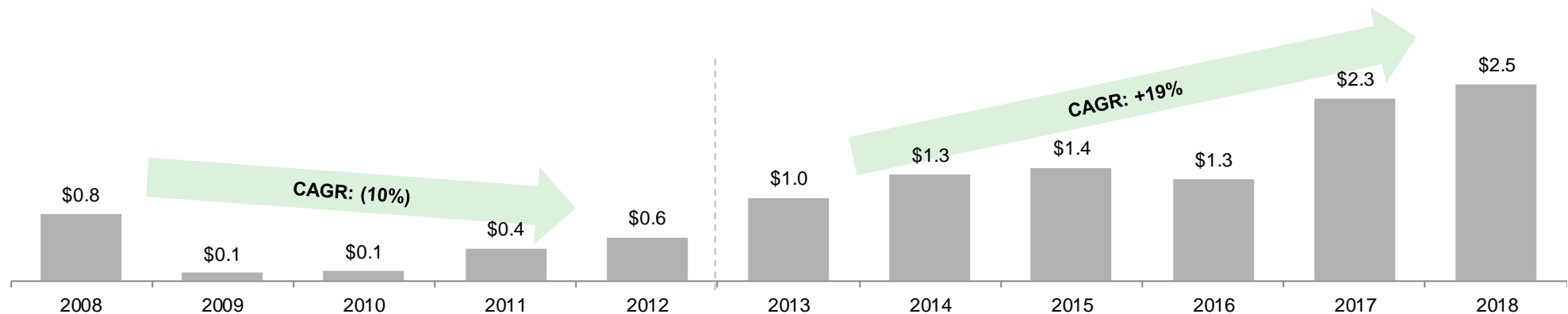
The sector has transitioned from Equipment Rental 1.0 to a new, industry 2.0 – and further evolution (and disruption) is in store

Implications on Sector Growth

Revenue Trajectory of U.S. Equipment Rental's "Publicly Traded Four" – Last Ten Years (\$bn)



Earnings Trajectory of U.S. Equipment Rental's "Publicly Traded Four" – Last Ten Years (\$bn)

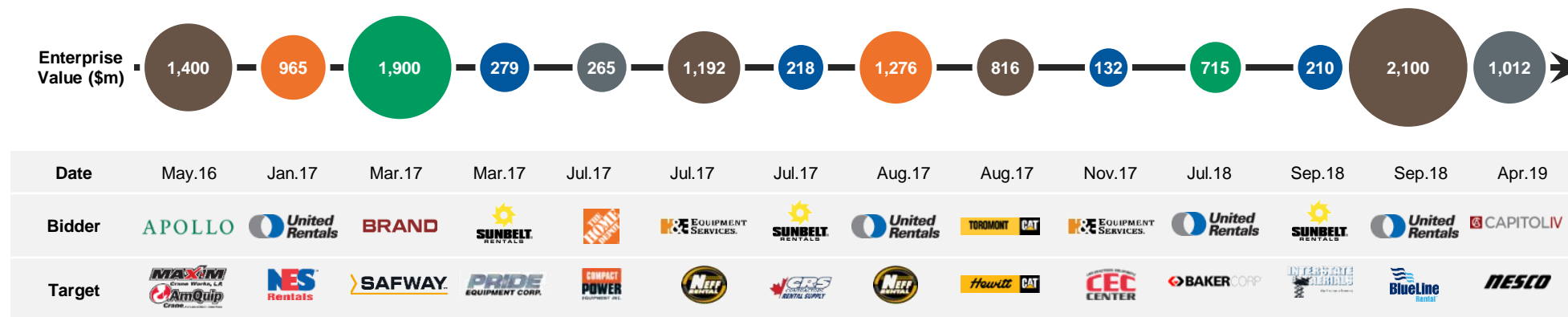


In a growing market, the four publicly-traded rental companies in North America have effectively doubled their scale and market share since the last recession

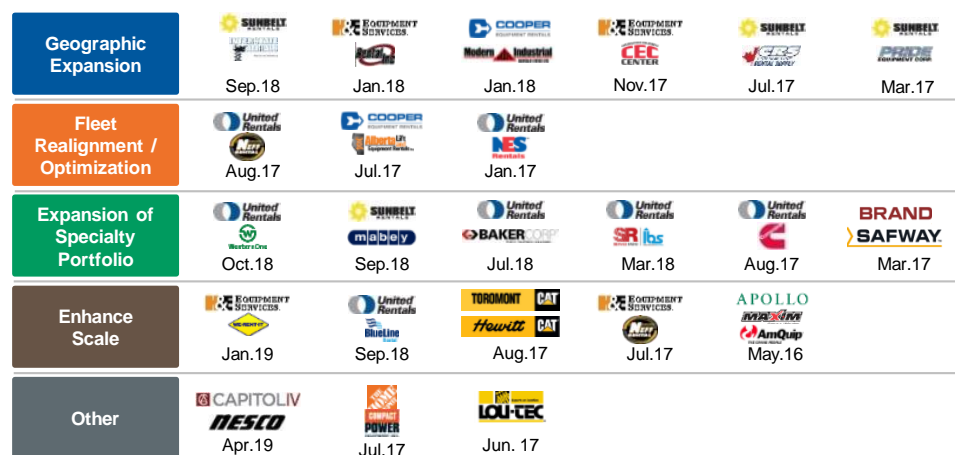
Source: FactSet and Company disclosure.
 Note: U.S. equipment rental Publicly Traded Four composed of Herc, H&E, Sunbelt, and United Rentals.

Industry Consolidation in the U.S.

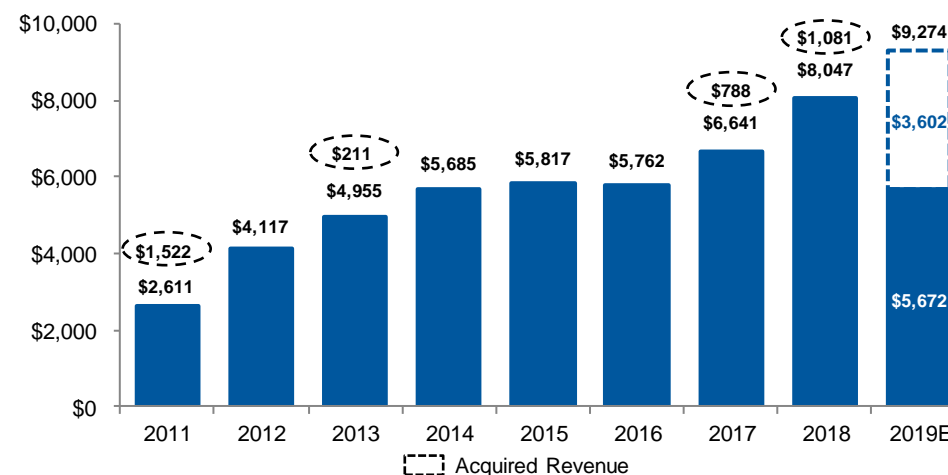
Recent Major Consolidating Activity within the Sector



Thematic View of Sector Consolidation



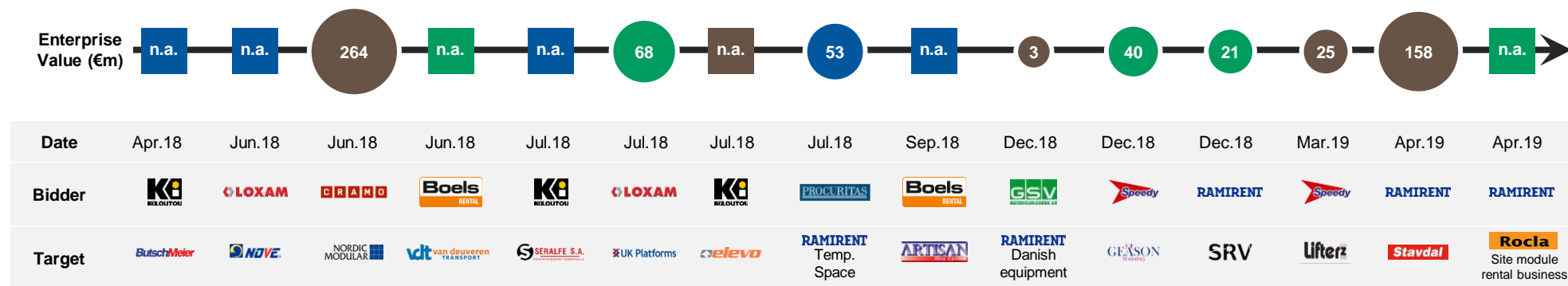
Case Study: United Rentals Revenue Growth via M&A (\$mm)



Source: Company disclosure and MergerMarket.

Industry Consolidation in Europe

Consolidating Activity within the Sector, LTM



- A series of larger transactions occurred in the 2015 to 2017 period in Europe e.g. Loxam acquisition Lavendon and Dentressangle/HLD acquisition of Kiloutou
- The last twelve months have remained fairly active albeit smaller deal sizes

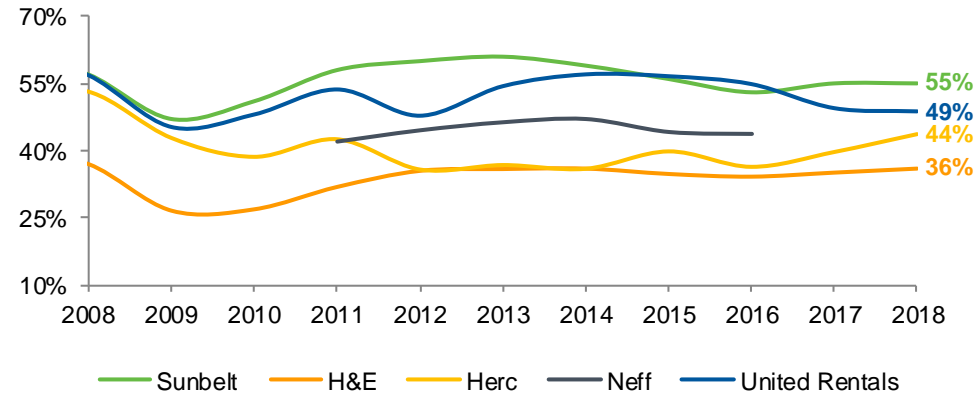
Thematic View of Sector Consolidation



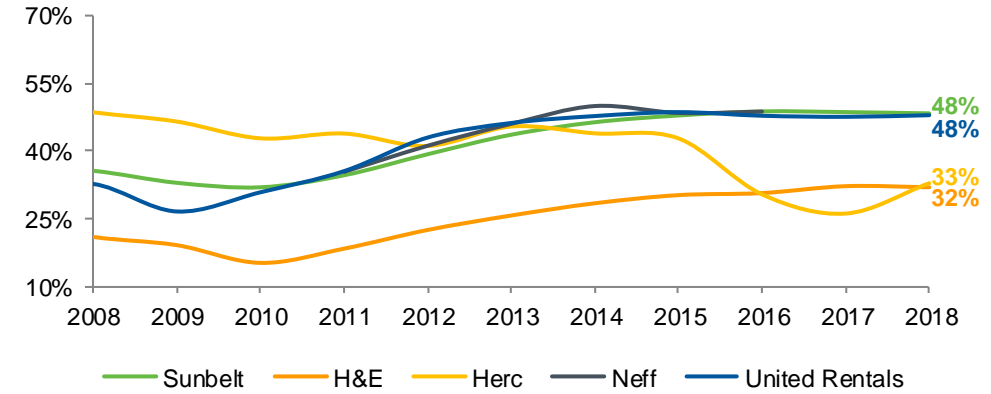
Source: Company disclosure and MergerMarket.

Quantitative Drivers within the Sector

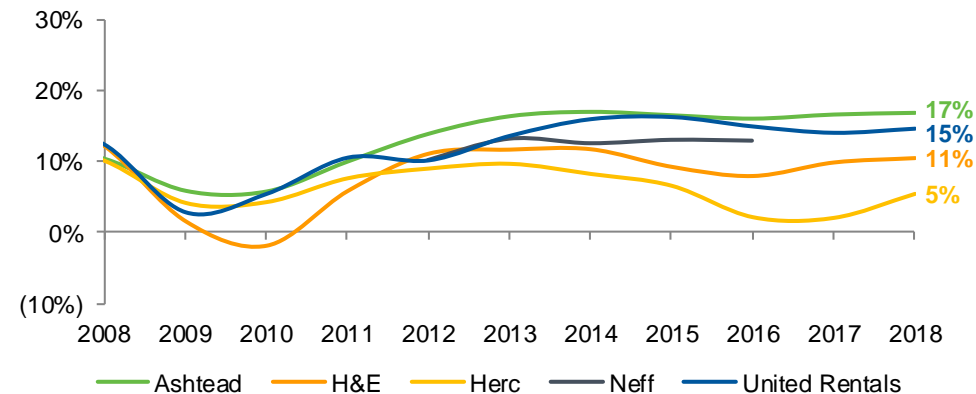
Dollar Utilization



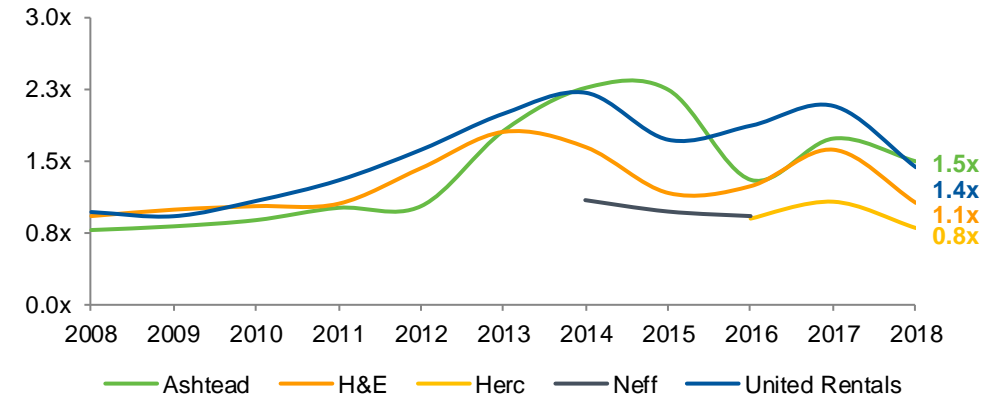
EBITDA Margin



Return on Revenue Earning Equipment⁽¹⁾



Enterprise Value / Original Equipment Cost



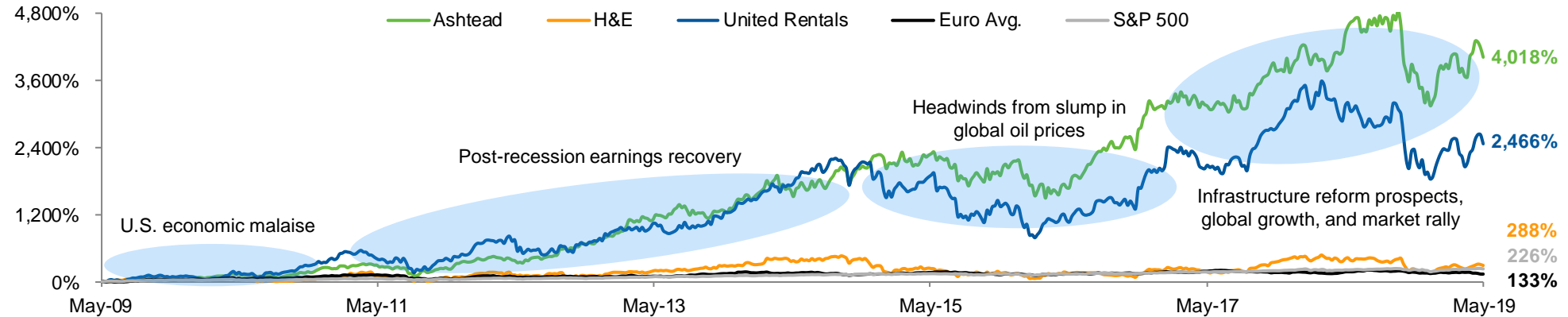
Investors, still accustomed to Equipment Rental 1.0, are hyper-focused on selling before the next downturn; they have penalized rental companies when operational metrics reach a plateau – or even see improvement decelerate

Source: Company disclosure.
 (1) Return on Revenue Earning Equipment defined as tax-affected corporate EBIT divided by average revenue earning equipment.

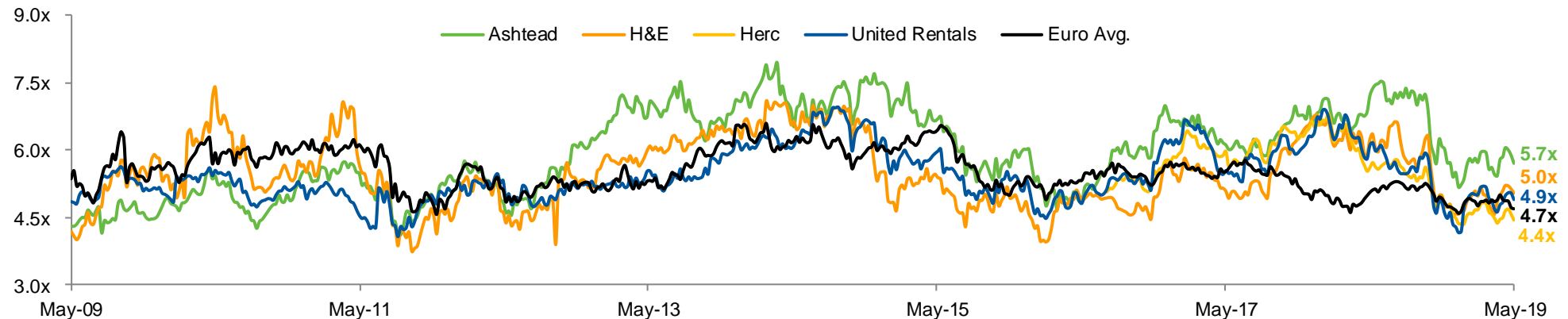
Ten Year Historical View

Related Implications on Market Performance and Valuations

Indexed Stock Price Performance – Last Ten Years



EV / NTM EBITDA Valuations – Last Ten Years



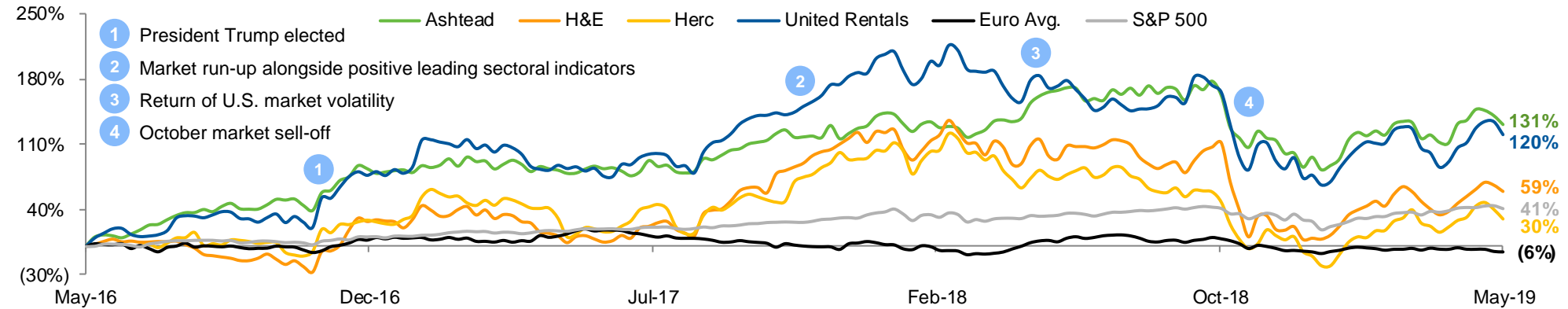
Top-line growth and margin expansion have been the deciding factors in share price performance, while multiples have somewhat improved on average as the industry decreases its exposure to construction

Source: FactSet as of May 10, 2019.
Euro Peers: Aggreko, Cramo, HSS Hire, Ramirent, Speedy Hire, and Vp.

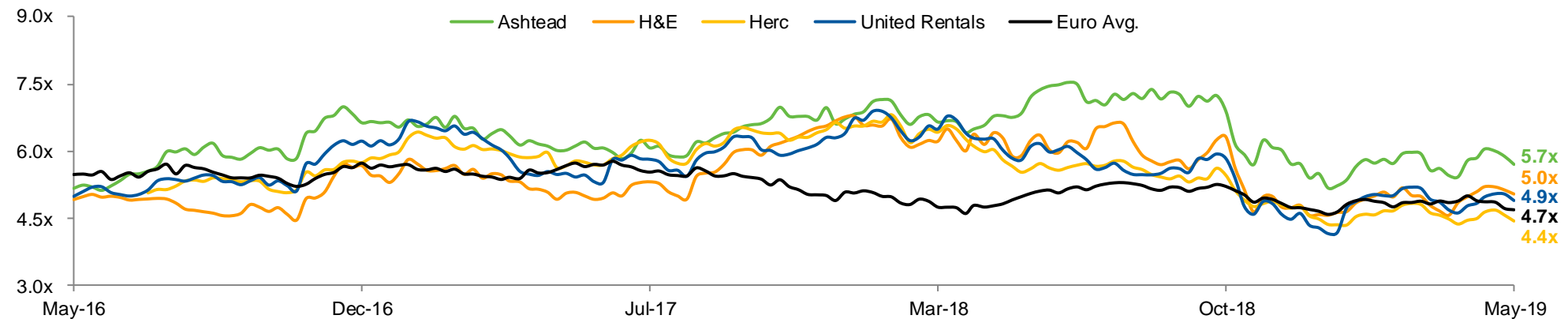
Three Year Historical View

Related Implications on Market Performance and Valuations

Indexed Stock Price Performance – Last 3 Years



EV / NTM EBITDA Valuations – Last 3 Years

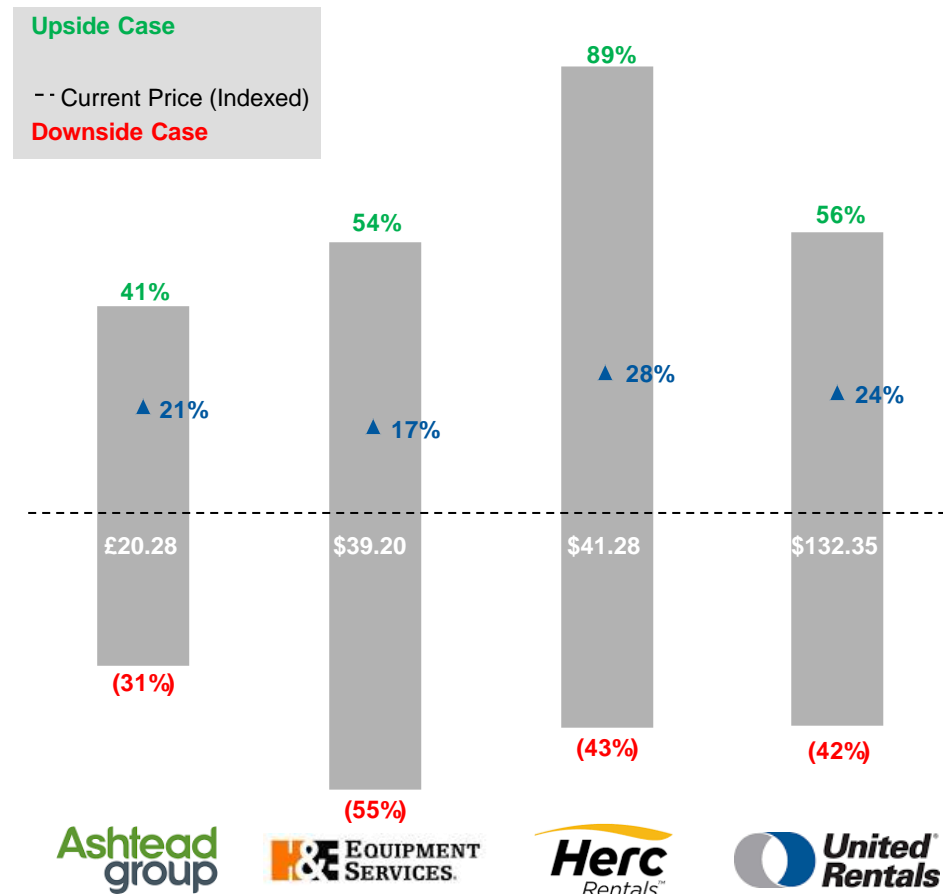


Initial enthusiasm over a Trump administration and expected infrastructure boom have faded, but strong economic data has led to equity outperformance year-to-date

Source: FactSet as of May 10, 2019.
 Euro Peers: Aggreko, Cramo, HSS Hire, Ramirent, Speedy Hire, and Vp.

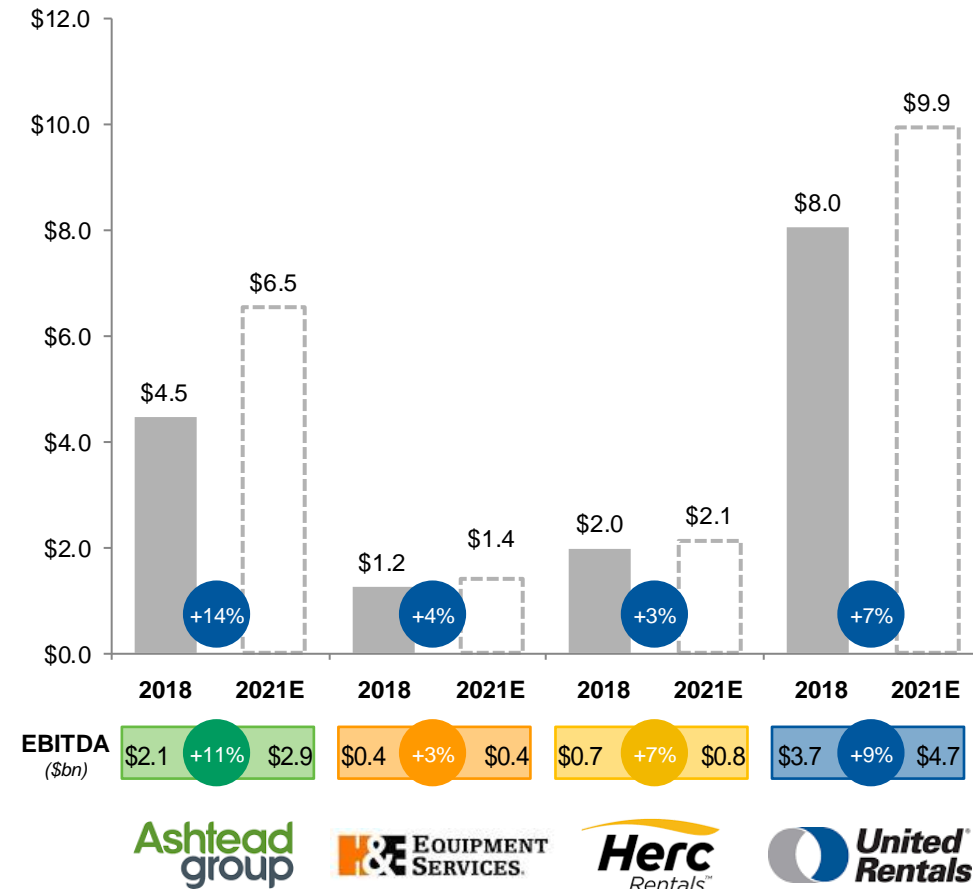
What are Investors Thinking? What Comes Next?

Analyst Stock Performance Ranges



Can the smaller players outperform the larger ones' stock price appreciation?

Revenue Growth Expectations (\$bn and 3-year CAGR)



Can the larger players continue to deliver outsized growth vs. the smaller ones?

Source: FactSet as of May 10, 2019 and Wall Street Research.

What are the Implications for Rental Companies?

- 1 Implications from Tax Reform**
 - ▶ Immediate expensing of capex, loss of like-kind exchange, interest deductibility
- 2 Sustainability of Industrial Growth Cycle**
 - ▶ Accelerating level of capex intensity, capacity utilization, and new investment to support growth
- 3 Profitability Expansion**
 - ▶ Level of gross margin expansion
- 4 Capital Deployment Alternatives**
 - ▶ Level of inorganic growth in light of higher valuations vs. return of capital to shareholders in light of record equity valuations
- 5 Cash Generation**
 - ▶ Optimization of working capital performance and cash conversion cycle