

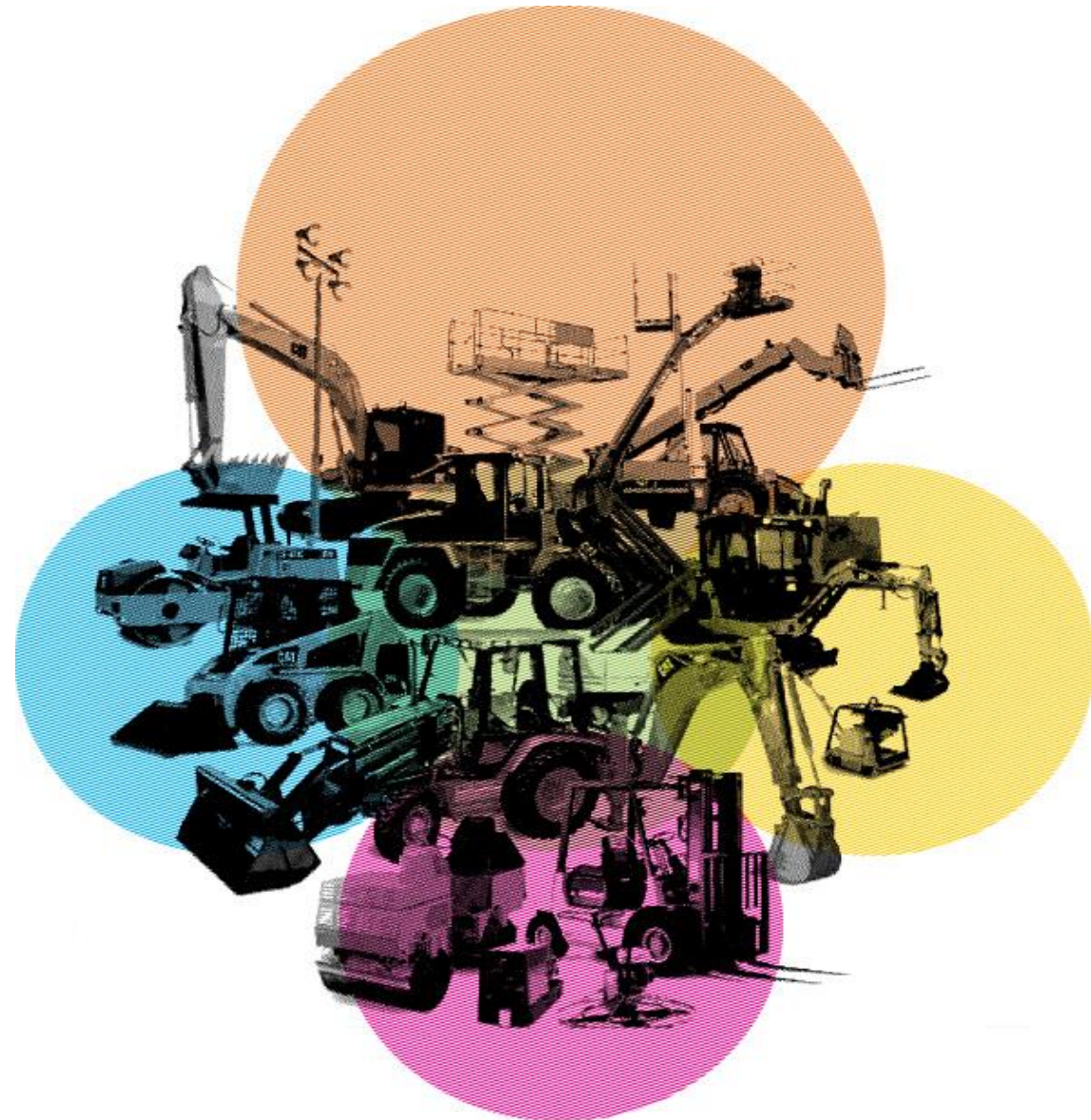


EUROPEAN
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Inflation and Rental: three focus areas to thrive with inflation

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Three focus areas for rental survival and success

Jeff Eisenberg

Rental, sustainability, finance, restructuring, M&A consultant

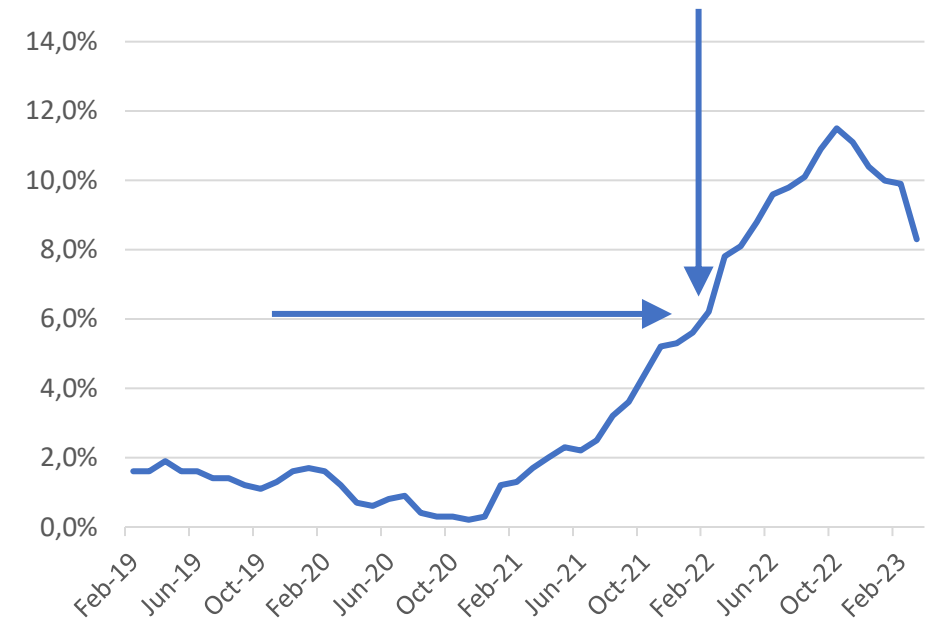
What is inflation? How long will we have it?

- Definition of Inflation
- Causes – Energy costs, Ukraine War
- It was already rising before the invasion of Ukraine (Feb 22)
- Self fulfilling prophecy
 - Expected inflation leads to real inflation
 - Even after underlying causes change

Rental Companies are particularly exposed to:

- Energy costs
- Transport
- Rental equipment costs
 - Materials, Steel, aluminium
 - Labour costs
 - « Stick factor » after years of low inflation
 - Finally manufacturers have a chance to re-negotiate prices after many years

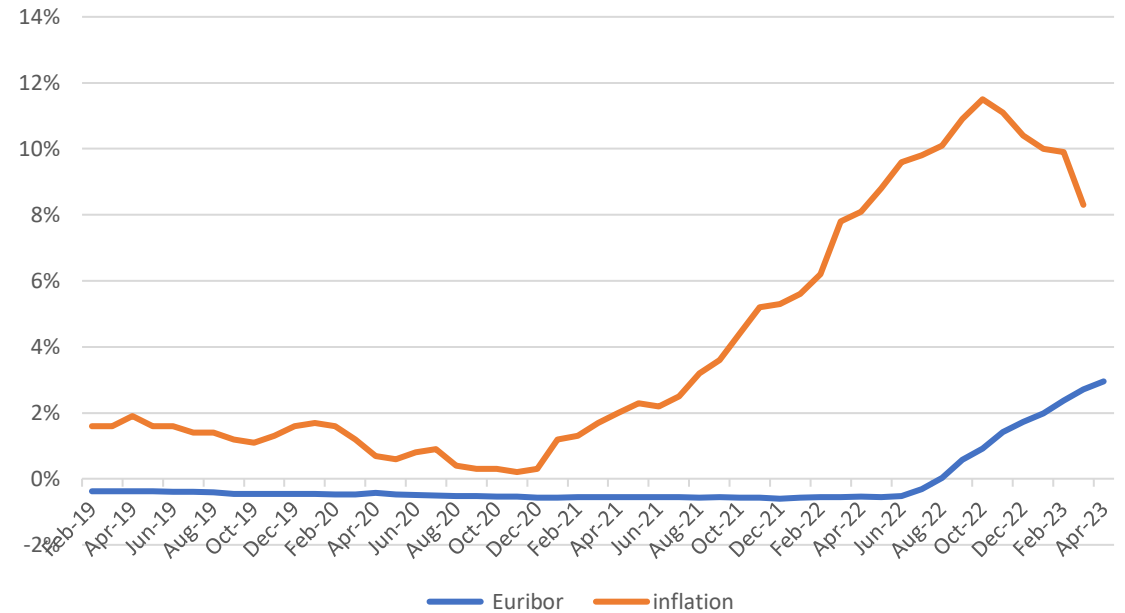
European Union Inflation Rate
source Eurostat CPI



Inflation and finance

- Interest rates are rising
 - But Inflation is still higher
 - So **do not fear debt** if it is correctly managed
 - Prioritise **cashflow producing assets**
 - Watch repayment profiles and maturities
- Leasing vs asset based lending (ABL) financing structure
 - What is an ABL?
 - Large rental companies using ABL have a cashflow advantage
 - These structures are available to smaller and smaller rental companies

Euribor vs Inflation Rate



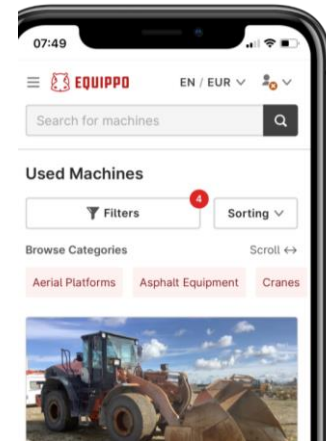
Asset management and rental fleet

Information is key – and more available than ever

- Data and interpretation is **replacing «rules of thumb»** and guidelines
 - Why do so many rental companies keep their fleet for 5 years?
 - Lessons from other industries
- Using Artificial Intelligence – Examples
 - Carmax investment in UvEye – 1.4m cars per year
 - Spartan Solutions using AI for predictive maintenance – Oil and Gas, Rental, water pumping applications
 - Equippo pricing model using AI for used equipment
- **Watch out for obsolescence risk**
- Stage 5, hybrid and full electric transition
- Fuel efficiency and carbon footprint
- Used equipment in second life markets



Carmax UvEye



Equippo



Spartan Solutions

Know your customer and their business

- How are they dealing with inflation
- Are they adjusting **their** revenue to their new costs?

Is the customer's own business sustainable ? (vis-à-vis inflation)

- Information from public sources, plus ...just ask them !
- In their industry, how are their prices to their customers?
- Can they pay their suppliers?

- Receivables – if inflation is 1% per month... 90 days terms is effectively a 3% discount

- Inflationary times can mean customers are more receptive to renegotiation



Conclusions:

- Inflation will likely be with us for some time
- Use information, including AI, challenge assumptions and « rules of thumb »

- Don't be afraid of investing, or debt, but get the financial structure right

- Asset management - Re-examine everything with **inflation and sustainability** in mind
 - Use information, including AI, challenge assumptions and « rules of thumb »

- Know your customer – how are they dealing with inflation?