

European Rental Evolution

The mistakes we made – so that you don't have to!

Kevin Appleton

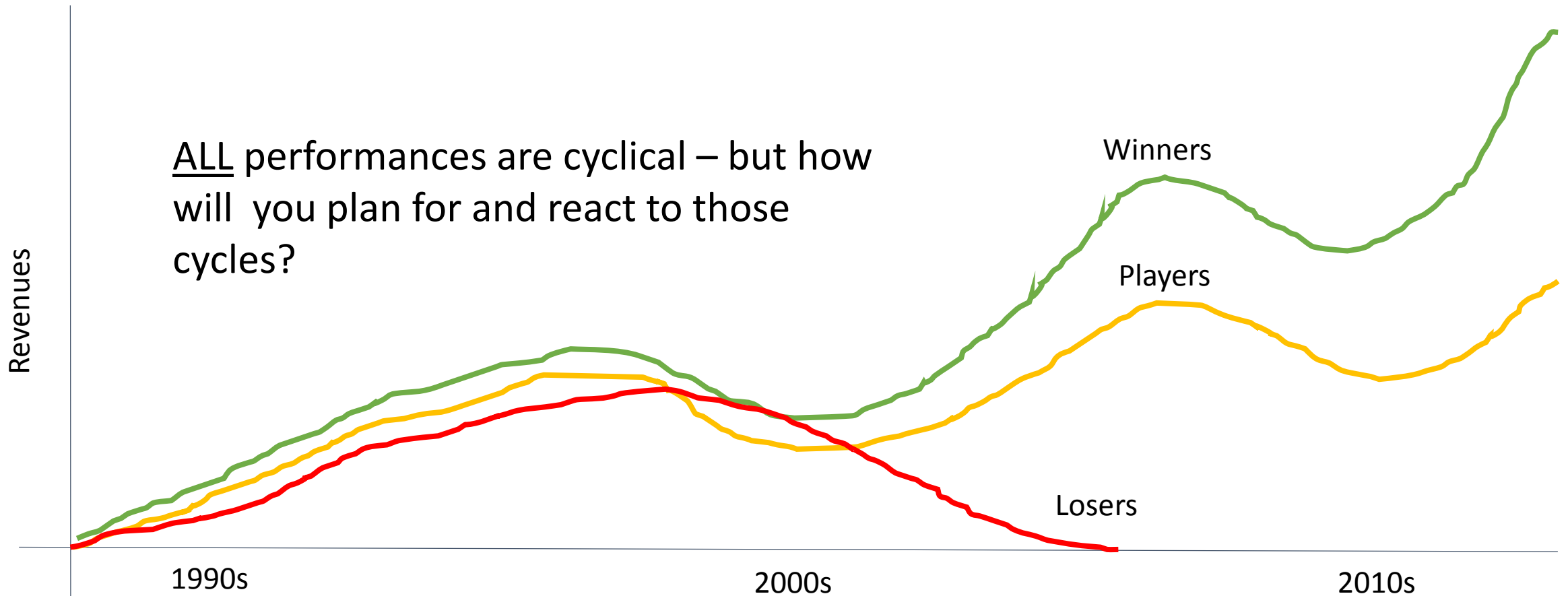
- CEO, Lavendon Group (aerial equipment rental): 2002-2012
- Non Executive Director, Ramirent (general equipment rental): 2013-now
- Non Executive Chairman, Horizon Platforms (aerial equipment rental): 2014-now
- Founding Director, European Rental Association: 2006-2012
- Contributor International Rental News: 2012-now



What we won't talk about (explicitly)

- Basic financial disciplines
- Operational performance measurement
- People selection and development
- Business attitude and culture

The European rental market – outcomes



Key determinants of success

- Market focus
- Capital allocation
- Financing strategy
- Operating model
- Commitment

Market focus – who rents what and why?

ACTIVITY

- Shop fitting
- Warehouse fit-out
- Infrastructure
- Power generation projects
- Permanent buildings – schools, hospitals, hotels
- Commercial construction
- Residential construction
- ????

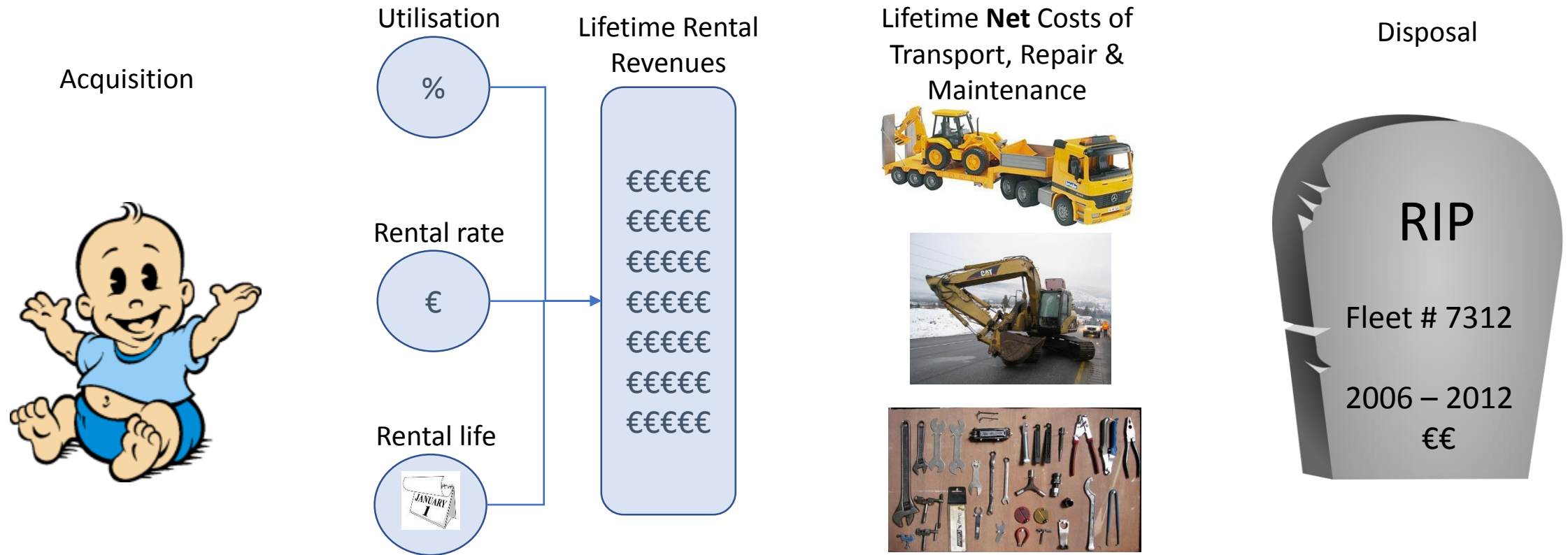


CUSTOMER TYPES

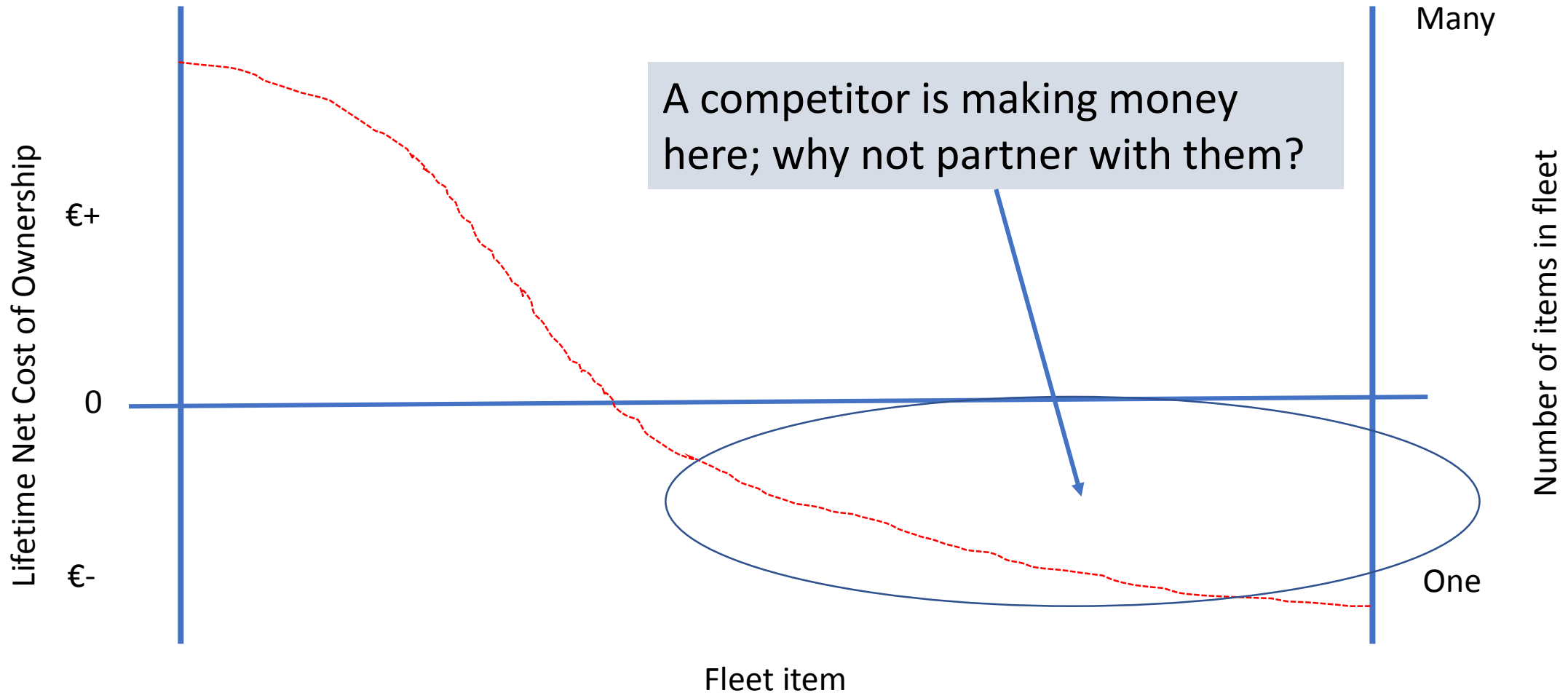
- National/Major players
- Regional operators
- Government
- Local/small businesses



Capital allocation – what fleet do you want?



Capital allocation - beware the tail of waste!



Financing strategy – don't get caught

- Typically 15% to 45% of rental companies' costs are made up of (non-cash) depreciation
- Additionally (some) manufacturers use extended credit to drive sales
- Rental businesses can absorb 15%-30% revenue declines and still service debt if they are sensible
- Key messages
 - Set a self-discipline on debt: EBITDA ratio (<4: 1)
 - Be rigorous in reducing investment in tough times
 - Ensure debt covenants are not linked to profit and, ideally, use covenant fee debt

Operating model – freedom in a framework

- Control the critical
 - Pricing frameworks
 - Clear visibility of individual fleet item usage
 - Depot roles and responsibilities template
 - Performance standards – profit, service, safety
- Allow freedom around
 - Specific pricing decisions
 - Development of local customers

Commitment – a good example

- Ashtead share price has increased 279x since its low point in 2003
- At that stage the investment market had “given up” on the company
- It has stuck to its plan and developed around the key success factors
- Many investors struggle to understand the rental business and become risk averse



Key determinants of success - reminder

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Thank you
Questions?