



DUCKER WORLDWIDE  
Advancing Growth

## Market Dynamics Driving Change and Diversification in the Rental Industry

*Presented to:*

2015 26 MARCH  
**IPAF**  
**summit**  
WASHINGTON DC, USA

*Private and Confidential*

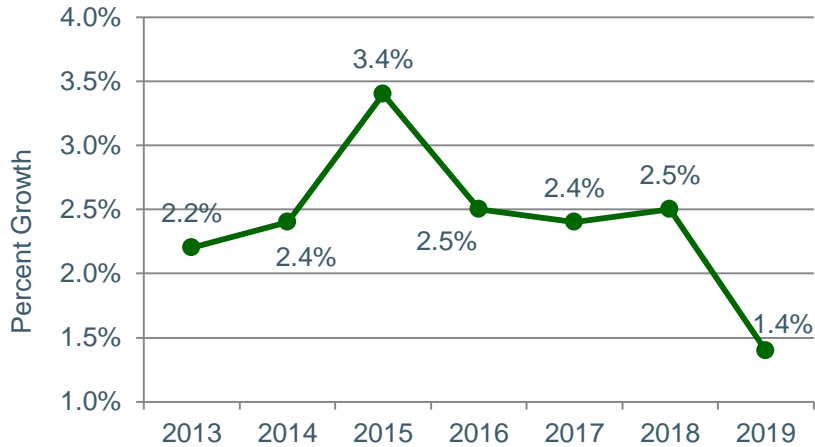


- ➊ **Market drivers suggest strong growth through 2018**
- ➋ **Changing market dynamics lead to product and market diversification**
- ➌ **Future business opportunities exist as a result of market trends**
- ➍ **Recent industry participants' actions coincide with market changes**
- ➎ **Window of opportunity exists to identify and pursue targets**
- ➏ **Ducker Worldwide serves clients in evaluating opportunities and advancing growth**

## Market drivers - real GDP and construction – support growth projections through 2018.

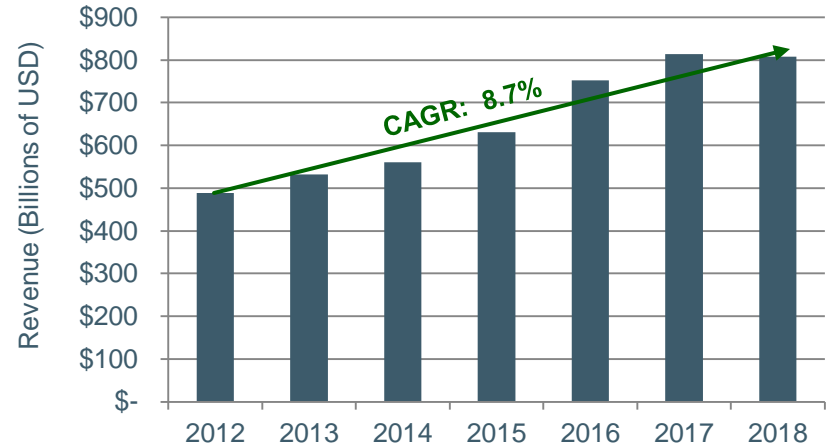
Recovery from the recession and construction collapse underway leading to increased demand for rental equipment now and into near future

### Real GDP Growth – USA (%)



Source: EIU Economic and Commodity Forecast, February 2015

### Construction Value - USA

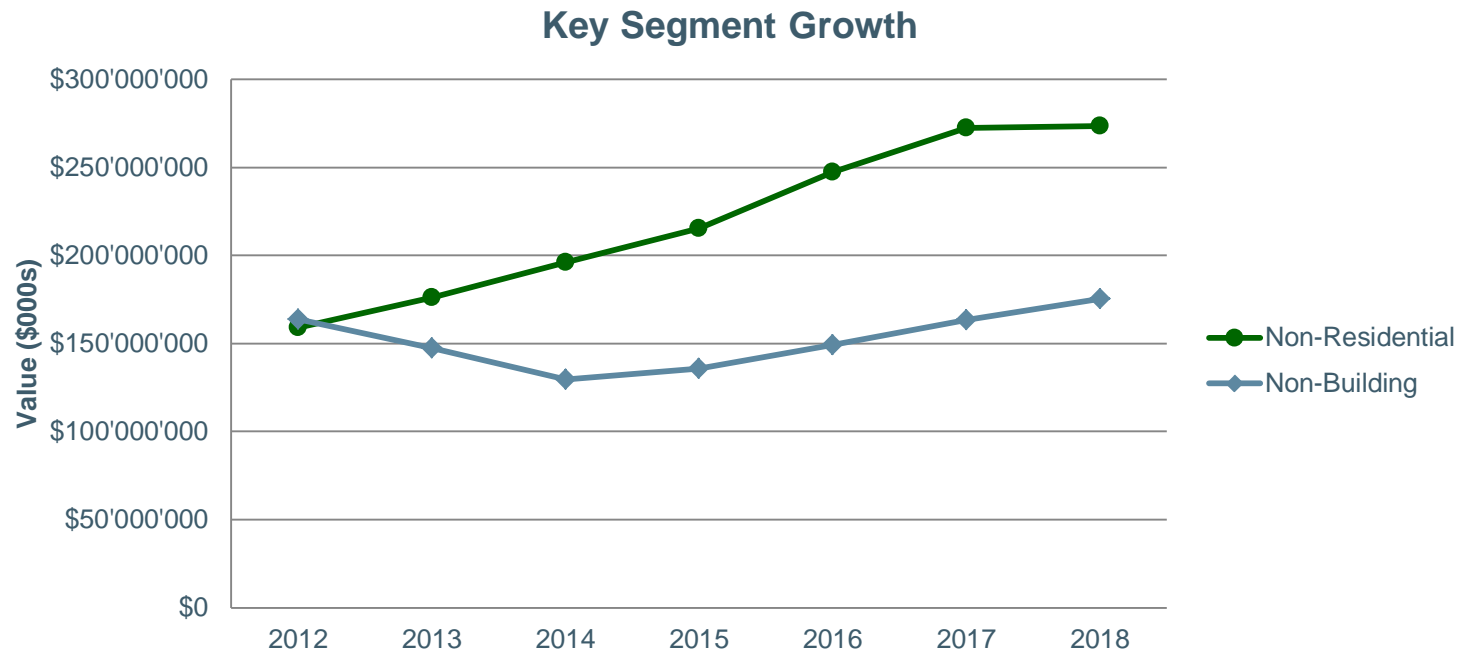


Metrics include: Residential, Non-Residential and Infrastructure  
Source: Dodge Construction Start Forecast, 2014

Continued advancement expected through 2018 in construction segments most relevant to aerial work platforms.

**Non-Residential:**  
8.3% CAGR ('15-'18)

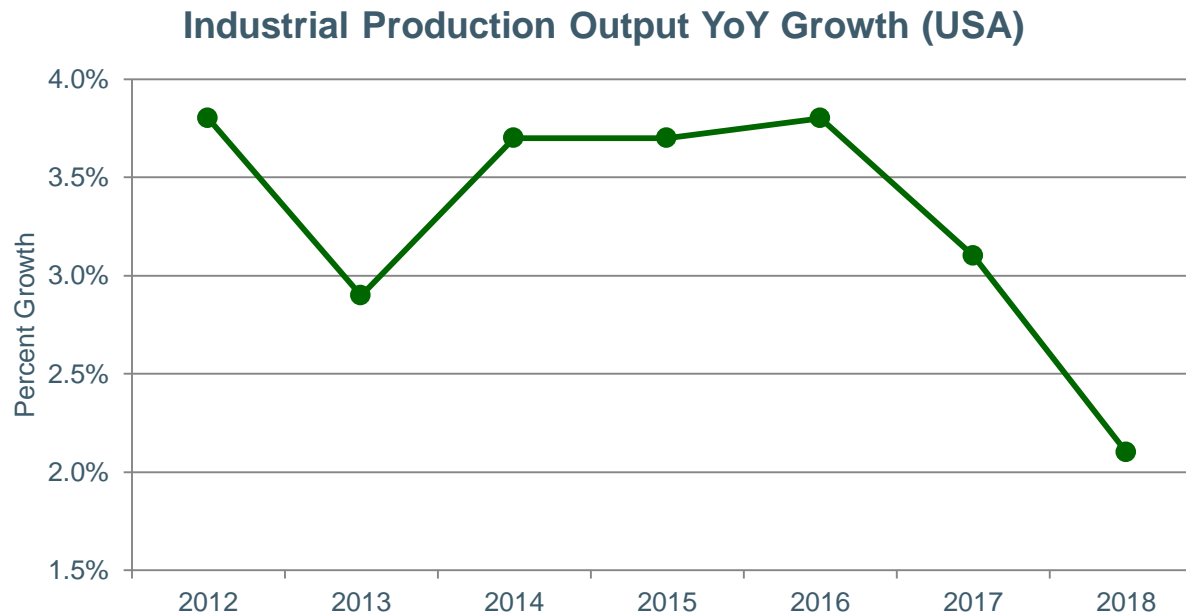
**Non-Building:**  
8.9% CAGR ('15-'18)



Source: Dodge Construction Start Forecast, 2014

**As industrial production output also impacts equipment rental opportunities, forecasts indicate continued favorable growth**

**Positive growth anticipated through 2018; however, rates slow in 2017 and 2018  
Compounded annual growth 2015-2018 = 3.0%**



*Source: IHS Industrial Output Forecast, 2014*

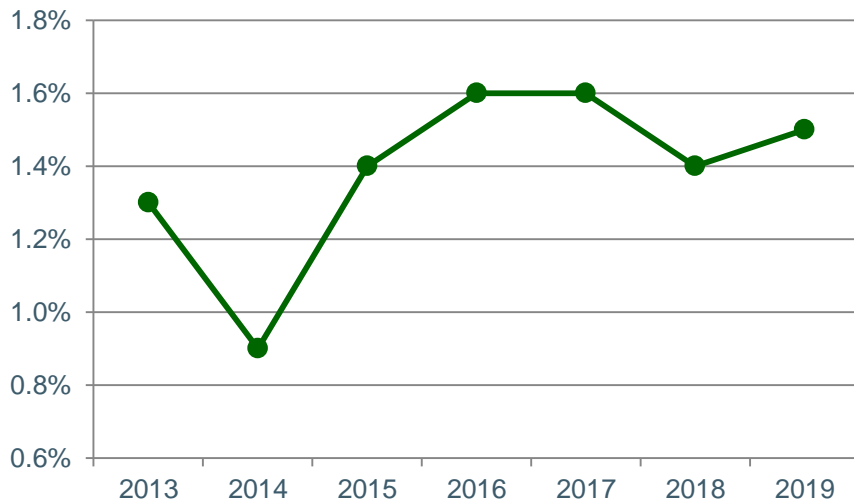
## Rental companies report diversifying into new market segments including Oil & Gas to minimize future risks

Despite current downturn, demand for crude oil will continue to grow

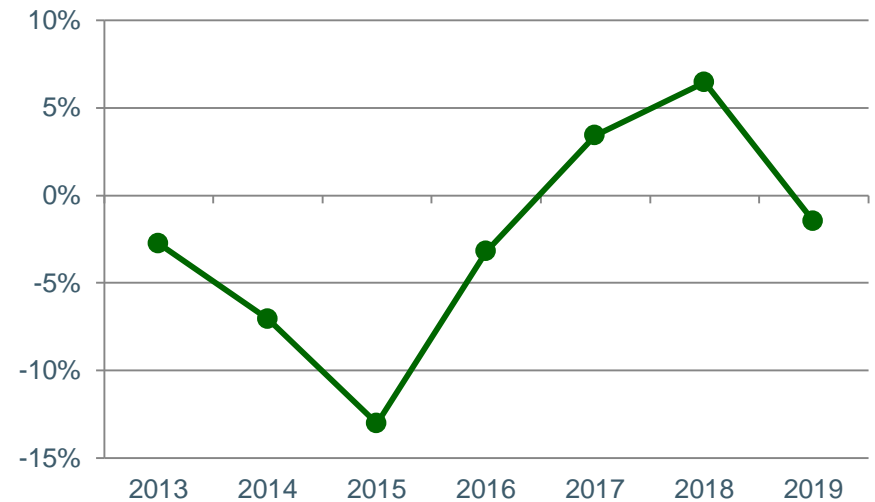
Current supply creating significant pressure on oil prices though pricing expected to rebound in upcoming years

Applications for rental equipment exist downstream (e.g., processing and storage)

### Oil Demand Growth



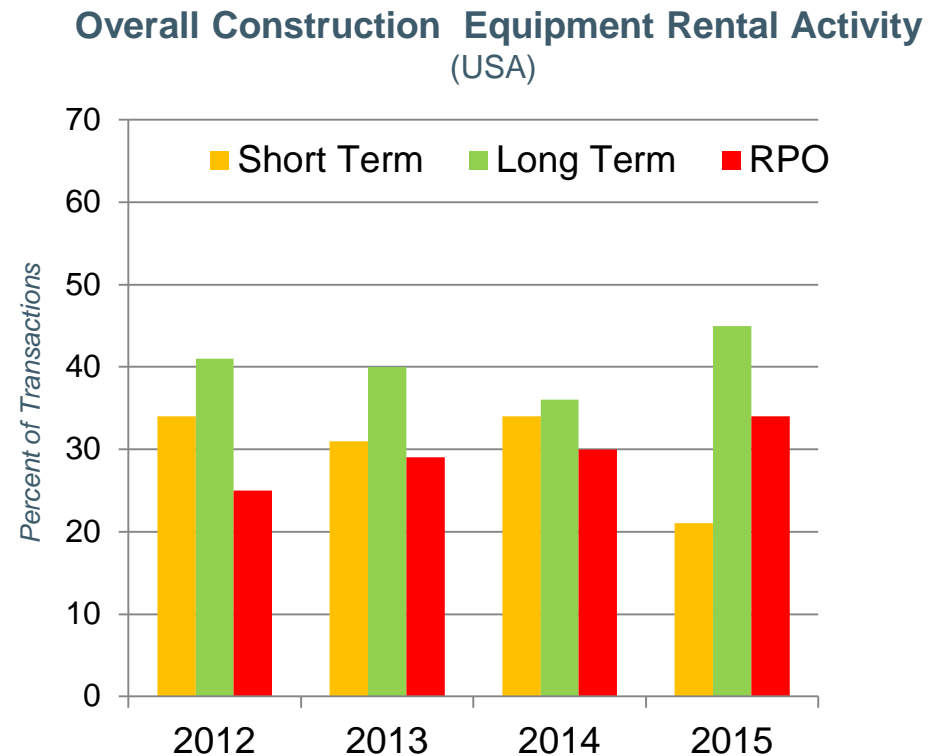
### Change in Oil Prices



Sources: International Energy Agency; The Economist Intelligence Unit; IMF, International Financial Statistics.

## Rental activity of construction equipment increased post-recession, as equipment owners saw lower risk in renting over new and used equipment purchases

- **Historically, short and long term rental agreements most popular, however use of Rental Purchase Options (RPO's) gaining share of rental transactions**
  - Dealers proactively write RPO's in initial rental agreements
  - Dealers yield significant profits on RPO transactions, and will continue to promote
- **As market continues to improve in 2015 and favorable interest rates exist, new equipment transactions are again gaining momentum over rental**



Sources: Ducker Worldwide .

## Construction Equipment Rental Market Timeline

- Market still soft, customers continue to hold back on new equipment purchases
- Shift toward rental continues
- Construction equipment dealers see rental boom permanently affecting new/used sales

- RPOs and conversion gaining momentum
- Rental activity significantly increases
- Dealer rental fleet discounts decrease, dealers begin renting from new equipment inventory
- Increase rental rates to offset emissions regulation increases
- Rental practices allow new Tier 4 product to be closely monitored

**Recession**  
**2008-2009**

2010-2011

2012

**Post Recession**  
**2013**

2014

2015

- **Dramatic shift toward used transactions**
- **New equipment sales suffer**
- **Dealers yield higher profit margins on rental and used over new equipment sales**

- **Market recovering**
- **Dealers focus on rental fleets**
- **Manufacturers incentivize dealers to place Tier 4 product in rental fleet**
- **Using rental fleets to introduce Tier 4 Interim product and rent down price premium**

- **Rental fleets continue to grow**
- **Further increase in writing RPO into initial rental agreement**
- **New and used sales increase as market continues to rebound**

- **Rental rates increase to offset further Tier 4 Final regulations**
- **Rental remains strong, however equipment leasing also rebounding as market stabilizes**



## Strategic opportunities for revenue and profit growth include diversifying into new product and end-market opportunities

### Product opportunities

1. Power & HVAC Units
2. Pumps and Pumping Systems
3. Tools – contractors and homeowners



### End-market opportunities

1. Oil & Gas
2. Energy & Power Production



## Larger market participants recently pursue inorganic growth to safeguard against future downturns in the construction industry

Company	Action	Target	Outcome(s)
<b>United Rentals</b>	Acquisition (May 2014)	Blue-Stream Services, LLC	<ul style="list-style-type: none"> <li>• Add/expand market reach to oil and gas, disaster recovery, industrial, construction, entertainment</li> <li>• Product play to add high margin/growth Power and HVAC equipment to offerings</li> </ul>
	Acquisition (March 2014)	National Pump and GulfCo.	<ul style="list-style-type: none"> <li>• Market entrance strategy – aimed to capitalize on growth potential within pump market</li> </ul>
<b>BlueLine Rental</b>	Acquisition (February 2015)	Trico Lift	<ul style="list-style-type: none"> <li>• Provides access to new customers</li> <li>• Increases the strength of AWP segment and market share</li> </ul>
	Acquisition (September 2014)	JustRuss Rental Inc.	<ul style="list-style-type: none"> <li>• Market share play to expand efforts regionally</li> </ul>
<b>Sunbelt Rentals</b>	Acquisition (February 2015)	Theros Equipment Rentals	<ul style="list-style-type: none"> <li>• Increase market reach</li> <li>• Expand product offerings to include: excavation, restoration, electric tools, ladders &amp; scaffold and lawn &amp; garden</li> </ul>
	Acquisition (August 2014)	Hebbronville Lone Star Rentals	<ul style="list-style-type: none"> <li>• Increase oil and gas fleet of Sunbelt</li> <li>• Market play to further gain share in the Southwest</li> </ul>

Sources: RER Mag and Corporate Websites

## Small to midsize rental companies also grow organically and through acquisition

Company	Action	Target	Outcome(s)
<b>Southeastern Equipment</b>	Organic Expansion (March 2015)	Cambridge, OH	<ul style="list-style-type: none"> <li>Increased rental volume and geographic reach</li> <li>New end-market, small contractors and homeowners</li> <li>Increase sales to oil &amp; gas, municipalities, farms</li> </ul>
	Product Expansion (December 2013)	Equipment Offerings	<ul style="list-style-type: none"> <li>Add Bomag pavers and Kobelco excavators</li> <li>Increase product offerings to fit existing and new markets (i.e. construction, road maintenance, landscaping, etc.)</li> </ul>
<b>4 Rivers Equipment</b>	Purchase Dealerships (2013)	Deere construction	<ul style="list-style-type: none"> <li>Increase rental volume by 59%</li> <li>Expand geographic presence in target regions</li> </ul>
<b>Leppo Group</b>	Organic Expansion (June 2013)	Razor Rents	<ul style="list-style-type: none"> <li>Create rental division to serve oil &amp; gas industry</li> <li>Add new products: loaders, excavators, telehandlers, AWP, generators</li> </ul>
<b>B/E Aerospace</b>	Acquisition (January 2014)	LT Energy Services	<ul style="list-style-type: none"> <li>Expand management segment to oil &amp; gas equipment rental</li> <li>Establish new geographic locations to widen reach</li> </ul>

Sources: RER Mag and Corporate Websites

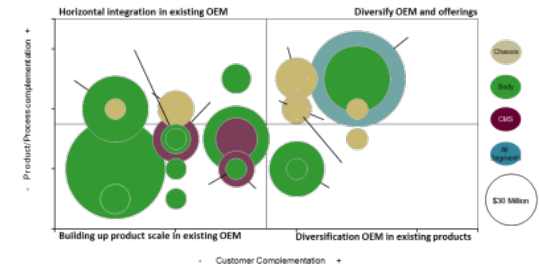
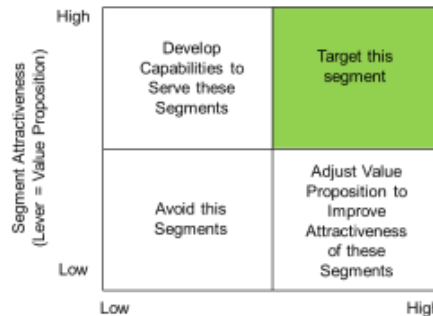
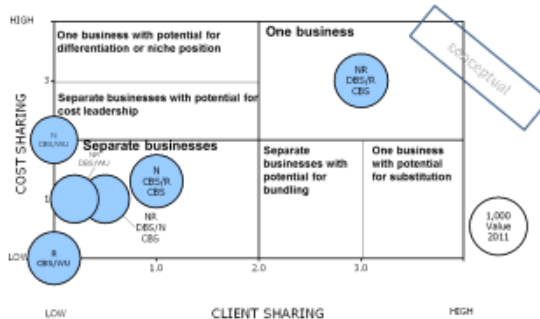
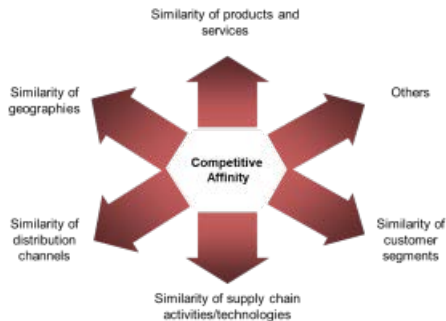
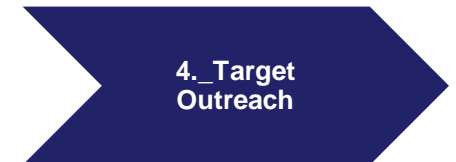
## Strategically planning and targeting acquisitions, companies expedite growth and yield returns to shareholders faster

### Ducker's Acquisition Receptivity Model

**Phase I:**  
Determining Attractive Segments

**Phase II:**  
Target List Development

**Phase III:**  
Receptivity Testing

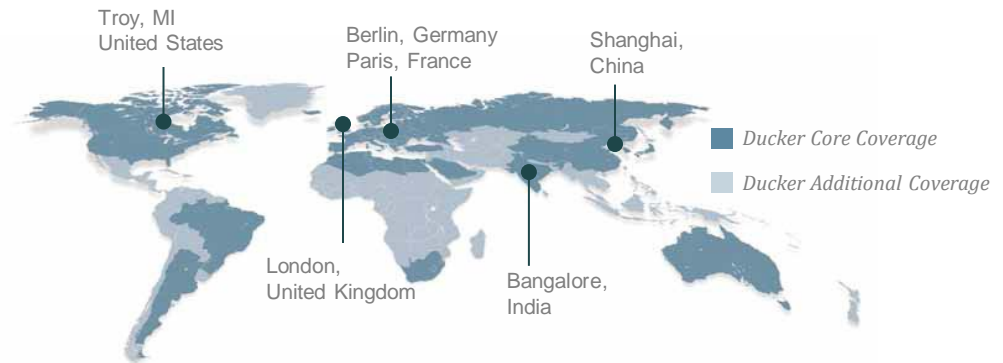


**Our Mission: Assist clients in achieving their most ambitious growth goals through market intelligence, strategic consulting and transaction advisory**

## Ducker Facts

- 53** Year history
- 150** Team members worldwide
- 275** End-use markets served
- 32** Languages spoken
- 88** Countries in which we have experience

## Access to a Global Footprint



## Industry and Sector Experts

**Transportation**  
(Automotive and CV)

**Building Products & Materials**

**Heavy Equipment & Capital Goods**

**Industrials & Raw Materials**

**Aerospace**

**Healthcare Device & Services**

## Broad Client Network

- **Multi-national corporations**
- **Privately-held businesses**
- **Industry associations**
- **Private equity firms**
- **Private and public investors**

**Ducker offers a full complement of professional services to promote better market-driven decisions and growth planning.**

## Market Research & Intelligence

- Determination of market size and expected growth
- Identification of profit drivers
- Voice of customer
- Voice of market
- Competitive intelligence
- Product analysis and technology roadmaps
- Value-chain mapping and component cost analysis

## Strategy Consulting

- Go-to-market and customer-facing strategy development
- Strategic audit and review of business, competencies, product portfolios, threats and opportunities
- Post-closing integration planning and execution
- Asset optimization strategies and key opportunity development
- Acquisition strategy and non-core divestiture plans

## Transaction Advisory

- Deal generation
- Commercial transaction diligence
- Financial transaction diligence
- Buy-side targeting and deal management
- Acquisition receptivity
- Investment thesis and modeling



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