Returning to growth

Full year results | 30 April 2011

Issued: 16 June 2011

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Overview

- 10% rental revenue growth at Sunbelt generated from 5% more fleet on rent and 3% yield growth
- Full year profits of £31m (2010: £5m)
- Momentum established in all key areas of the business
- Capex of £225m in the year (2010: £63m), £325m planned for 2011/12
- Remain cautious on the outlook for end construction markets, particularly in the UK
- Anticipate another year of good progress
- Refinanced ABL in March, extending maturities
- Further developed specialty businesses in US with acquisition of Empire

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Ian Robson
Finance director

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Q4 revenue and profit

(£m)	Q4 2010 As reported	Q4 2010 At 2011 rates	Q4 2011 Actual	change[1]
Revenue	**210**	**201**	**243**	*+21%*
– of which rental	*189*	*180*	*209*	*+16%*
Operating costs	(149)	(143)	(180)	*+26%*
EBITDA	**61**	**58**	**63**	*+9%*
Depreciation	(46)	(45)	(45)	*+1%*
Operating profit	**15**	**13**	**18**	*+35%*
Net interest	(18)	(16)	(15)	*-9%*
Profit before tax and amortisation	**(3)**	**(3)**	**3**	-
Earnings per share (p)	**(0.4)**	**(0.4)**	**0.4**	-
Margins				
– EBITDA	*29%*	*29%*	*26%*	
– Operating profit	*7%*	*7%*	*7%*	

[1] At constant exchange rates

[2] The results in the table above are the Group's underlying results and are stated before exceptionals, intangible amortisation and fair value remeasurements

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Full year revenue and profit

	FY			
	2010		2011	
(£m)	As reported	At 2011 rates	Actual	change[1]
Revenue	**837**	**853**	**949**	*+11%*
– of which rental	*770*	*784*	*847*	*+8%*
Operating costs	(582)	(593)	(665)	*+12%*
EBITDA	**255**	**260**	**284**	*+9%*
Depreciation	(187)	(190)	(185)	*-3%*
Operating profit	**68**	**70**	**99**	*+41%*
Net interest	(63)	(65)	(68)	*+4%*
Profit before tax and amortisation	**5**	**5**	**31**	*+488%*
Earnings per share (p)	**0.2**	**0.3**	**4.0**	*+1,226%*
Margins				
– EBITDA	*30%*	*30%*	*30%*	
– Operating profit	*8%*	*8%*	*10%*	

[1] At constant exchange rates

[2] The results in the table above are the Group's underlying results and are stated before exceptionals, intangible amortisation and fair value remeasurements

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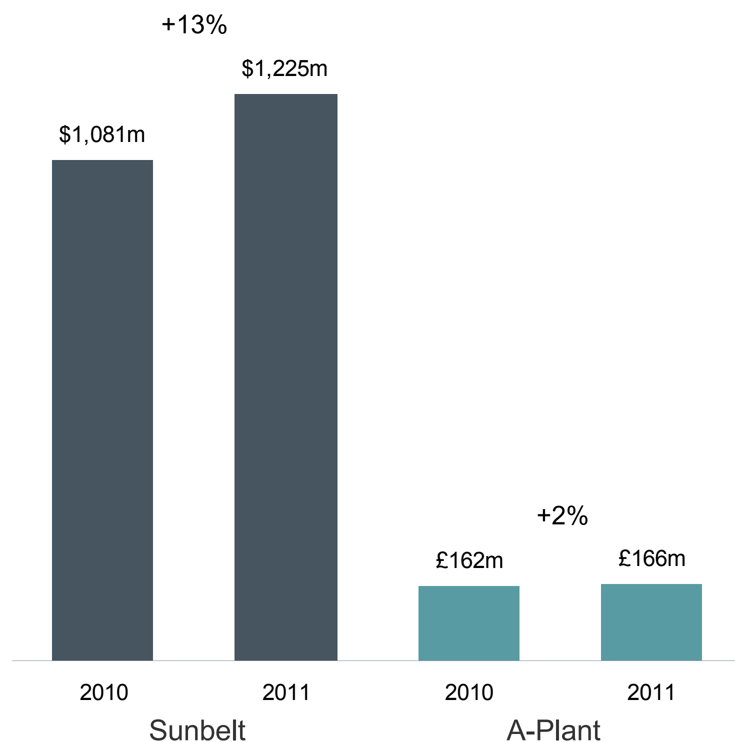
Divisional results - revenue



	Revenue bridge			
	change	Sunbelt ($m)	change	A-Plant (£m)
2010 rental revenue		989		152
Change – Volume	*+5%*	46	*+2%*	4
– Yield	*+3%*	30	*-1%*	(2)
Empire		19		-
	+10%	**1,084**	*+1%*	**154**
Sales revenue		141		12
2011 total revenue	*+13%*	**1,225**	*+2%*	**166**

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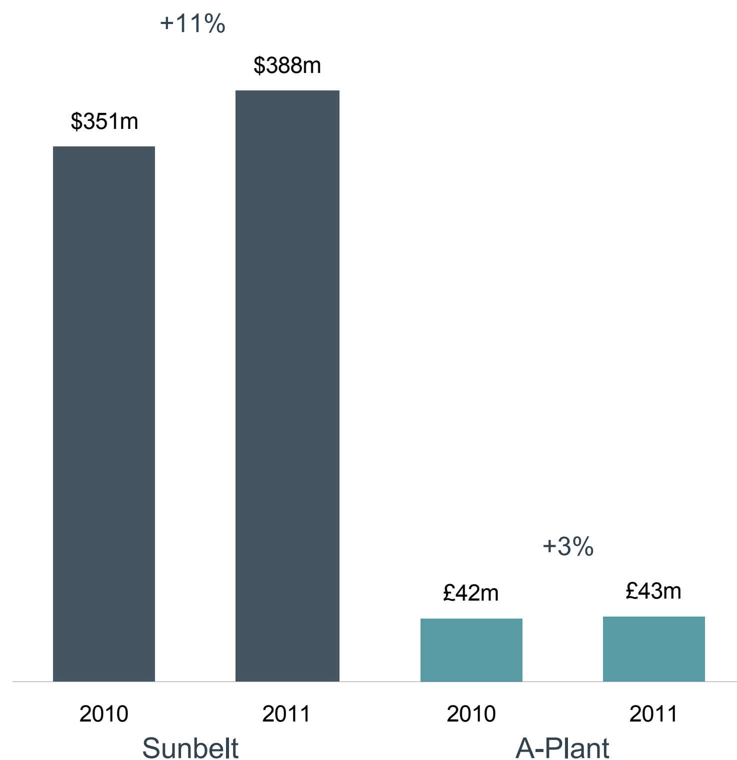
Divisional results - profit



	EBITDA bridge			
		Sunbelt		A-Plant
	change	($m)	change	(£m)
2010 EBITDA		351		42
Rental revenue increase	*+10%*	95	*+2%*	2
Operating cost increase	*+9%*	(63)	-	(1)
		383		**43**
Change in sales and margin on used equipment		5		-
2011 EBITDA	*+11%*	**388**	*+3%*	**43**
Depreciation		(226)		(40)
2011 operating profit	*+39%*	**162**	*+51%*	**3**

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Cash generative with increased capital expenditure

(£m)	FY 2010	FY 2011
EBITDA before exceptional items	255	284
Cash conversion ratio	*104%*	*99%*
Cash inflow from operations[1]	266	280
Payments for capital expenditure	(43)	(203)
Rental equipment and other disposal proceeds received	31	60
	(12)	(143)
Interest and tax paid	(54)	(71)
Exceptional costs paid	(8)	(12)
Total cash generated from operations	**192**	**54**
Business acquisitions	(1)	(35)
Dividends paid	(13)	(15)
Reduction in net debt	**178**	**4**

[1] Before fleet changes and exceptionals

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Debt leverage

Net debt to EBITDA now back to our target 2-3x range

(£m)	April 2010	April 2011
Net debt at 30 April	**1,036**	**829**
Translation impact	(37)	(73)
Opening debt at closing exchange rates	**999**	**756**
Change from cash flows	(178)	(4)
Non-cash movements	8	24
Net debt at period end	**829**	**776**
Comprising:		
First lien senior secured bank debt	368	467
Second lien secured notes	513	325
Finance lease obligations	3	3
Cash in hand	(55)	(19)
Total net debt	**829**	**776**
Net debt to EBITDA leverage (x)	**3.2**	**2.7**

Interest

Floating rate:	59%
Fixed rate:	41%

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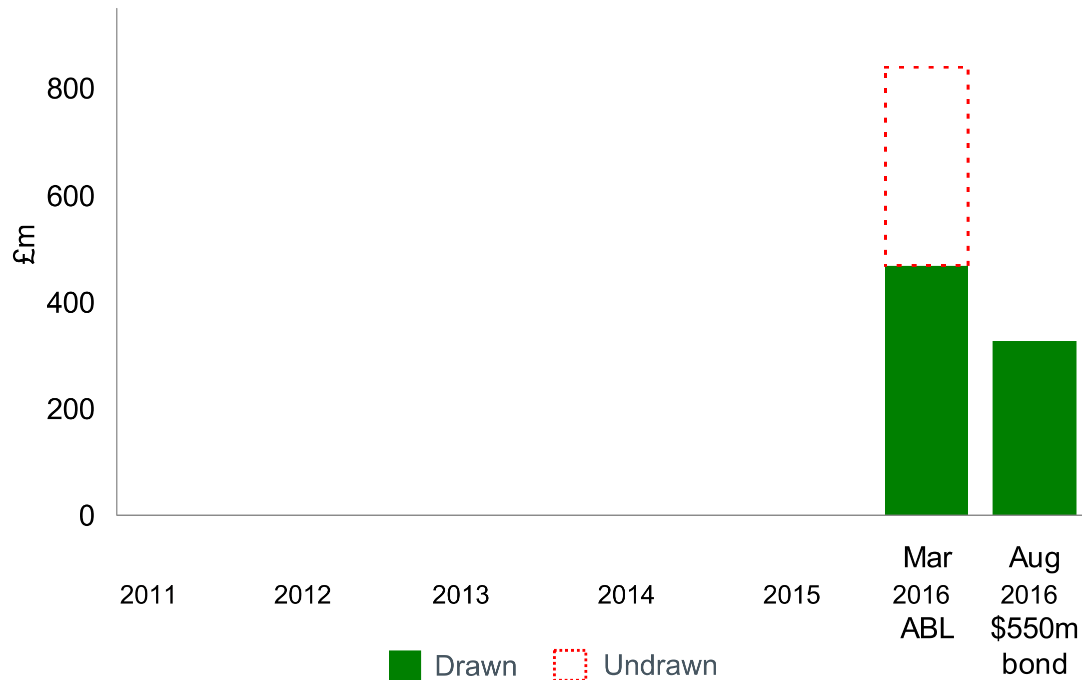
Stable capital structure with long debt maturities



- Following March 2011's ABL refinancing, our debt is committed for 5.1 years on average at April 2011
- Our debt facilities carry no amortisation
- Our debt package also has no financial monitoring covenants whilst availability exceeds $168m (April 2011: $479m)
- Weighted average cost of debt:

ABL: LIBOR + 225bp	2.75%
Senior secured notes	9.00%
Amortisation of deferred financing costs	0.30%
Weighted average interest cost	5.70%

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Cash flow funds organic fleet growth

(£m)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
EBITDA before exceptional items	**185**	**150**	**147**	**170**	**225**	**310**	**380**	**359**	**255**	**284**
EBITDA margin	*33%*	*28%*	*29%*	*32%*	*35%*	*35%*	*38%*	*33%*	*30%*	*30%*
Cash inflow from operations before fleet changes and exceptionals	**194**	**157**	**140**	**165**	**215**	**319**	**356**	**374**	**266**	**280**
Cash conversion ratio	*105%*	*105%*	*95%*	*97%*	*96%*	*97%*	*94%*	*104%*	*104%*	*99%*
Maintenance capital expenditure	(117)	(89)	(83)	(101)	(167)	(245)	(231)	(236)	(43)	(203)
Disposal proceeds	27	29	32	36	50	78	93	92	31	60
Interest and tax	(47)	(40)	(33)	(31)	(41)	(69)	(83)	(64)	(54)	(71)
Growth capital expenditure	(86)	(18)	-	(10)	(63)	(63)	(120)	-	-	-
Dividends paid	(11)	(9)	-	-	(2)	(7)	(10)	(13)	(13)	(15)
Cash available to fund debt paydown or M&A	**(40)**	**30**	**56**	**59**	**(8)**	**13**	**5**	**153**	**187**	**51**

- Healthy EBITDA margins ensure significant top line cash generation throughout the cycle
- Cash from operations funds organic growth investment, tax, interest and dividends
- Historically, debt has only increased at times of large scale M&A

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Geoff Drabble
Chief executive

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US market

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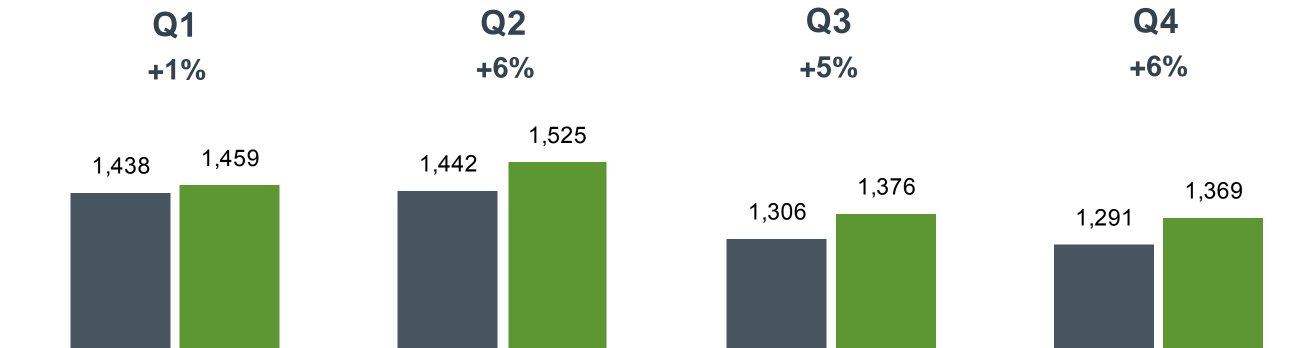
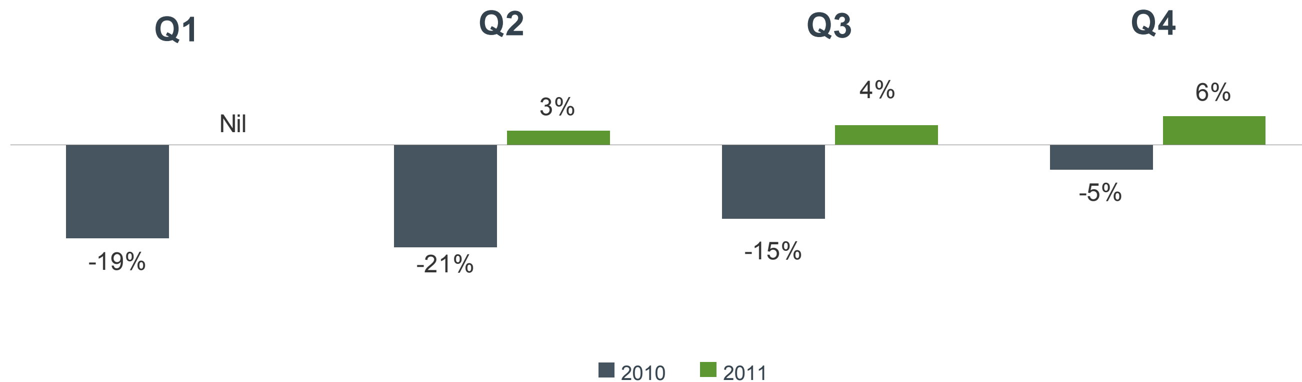
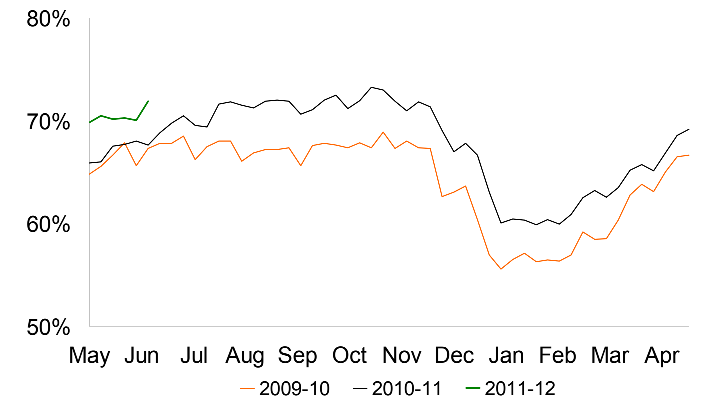
Sunbelt – revenue drivers

Achieved year end goals with strong Q4 performance







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Sunbelt – revenue drivers

Discipline in winter rates supported by spring/summer investment programme

- Record physical utilisation in October 2010
- Focused on yield gap over the winter
- Placed early order commitment for 2011 season capex:
  - Secured pricing and delivery
  - Energised business in spring – 79% of fleet delivered in May put on rent in May
  - Supports yield initiative – price improvement on new fleet 5-10%

	Received Q4	On order for Q1	Full year outlook 2011-12
Capital expenditure	$125m	$200m	$400m
Average fleet growth	0%	1% - 3%	1% - 3%

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This supports a strong start to year

- May total rental revenues +21%, pure rental revenue +15%
- Carried forward momentum
- Contribution from natural events – tornados and floods
- However, improvement is widespread both in terms of geography and equipment type

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Focus remains on "drop through"

Care required in understanding revenue growth

($m)	May 10	May 11	Change %	Q4 10	Q4 11	Change %
Pure rental	69	79	15	183	206	13
Ancillaries	17	25	49	47	67	42
Total rental	86	104	21	230	273	19

- Retain guidance of c70% drop through on rental revenue (excluding the effect of Empire)

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Good early progression in RoI

Strong base in weak market – key focus as we balance fleet growth and yield

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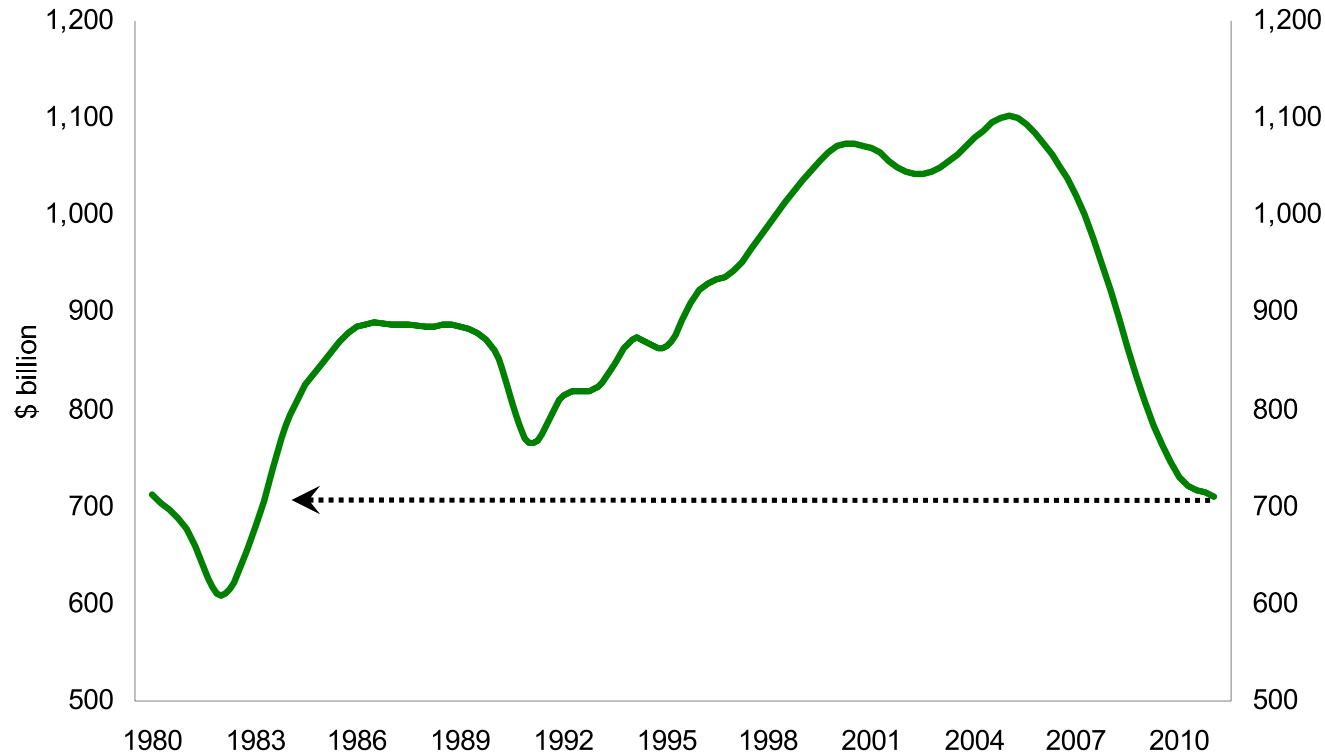
2010 US construction volume was lowest level since 1983 – no material improvement in 2011



Sources: Census/Maximus advisors – in constant 2005 dollars

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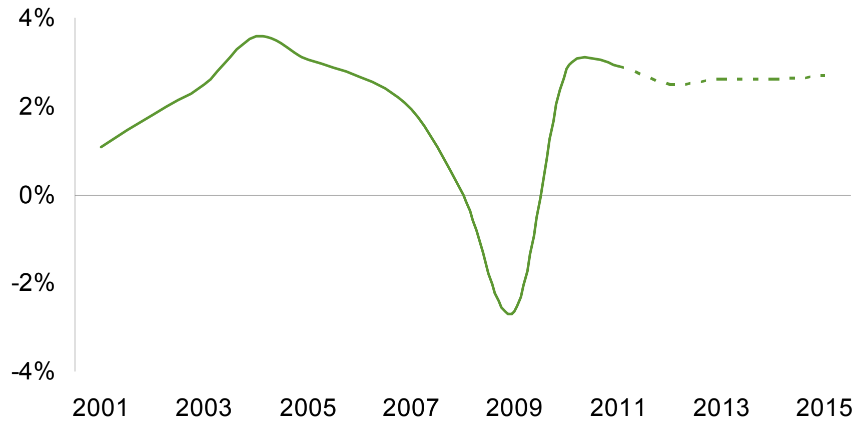
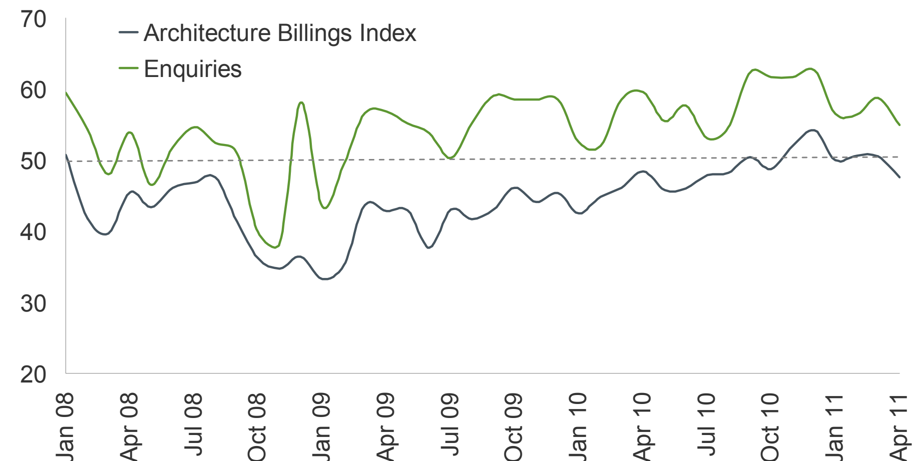
US macro lead indicators suggest at or near bottom

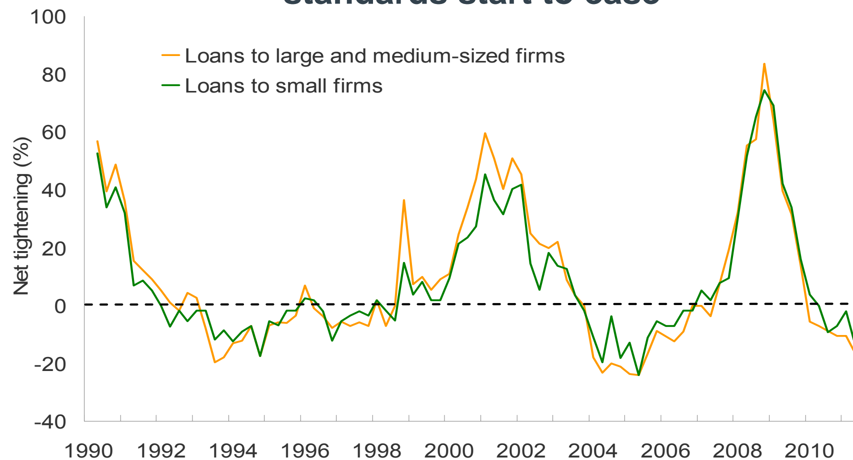
Although unemployment and fuel inflation remain drags



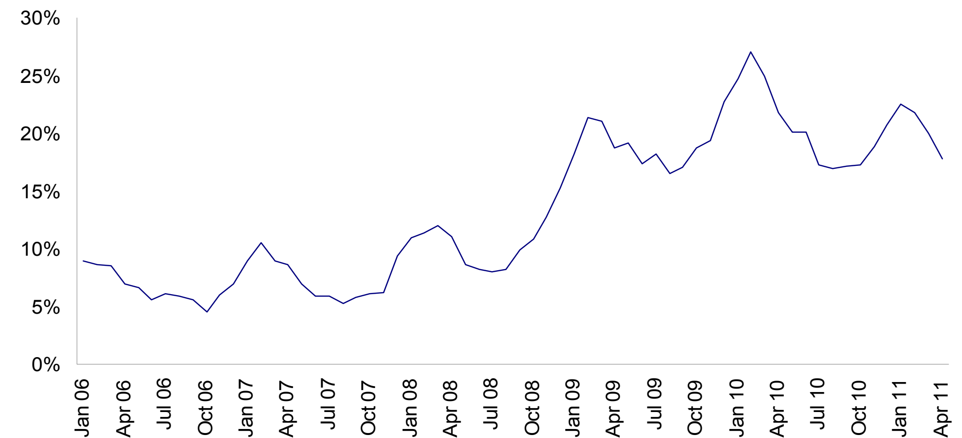
Source: EIU



Source: American Institute of Architects



Source: Federal Reserve Senior Loan Officer Survey



Source: Bureau of Labor Statistics

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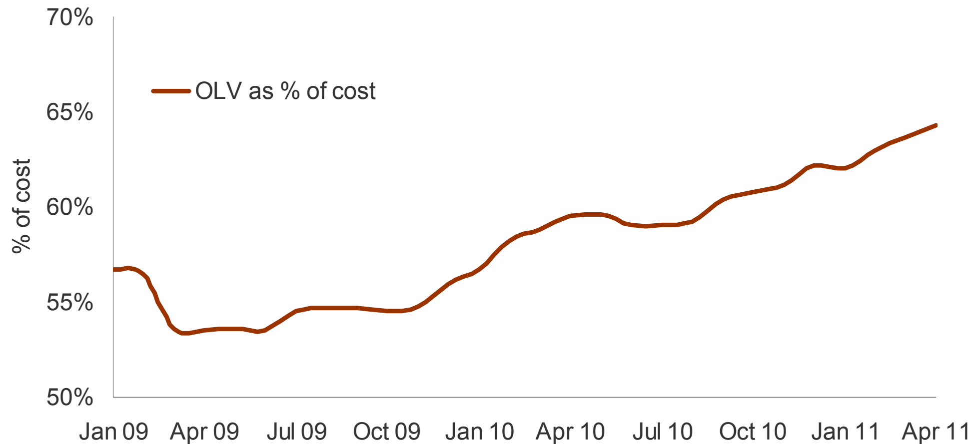
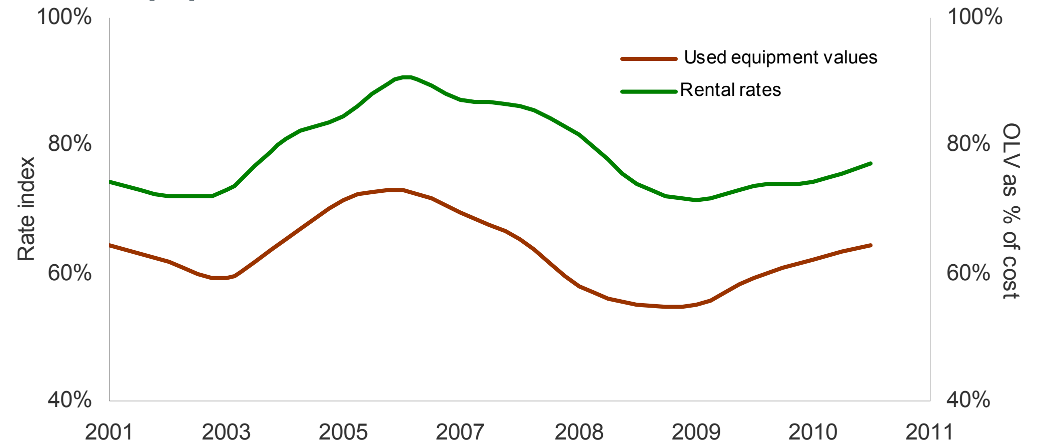
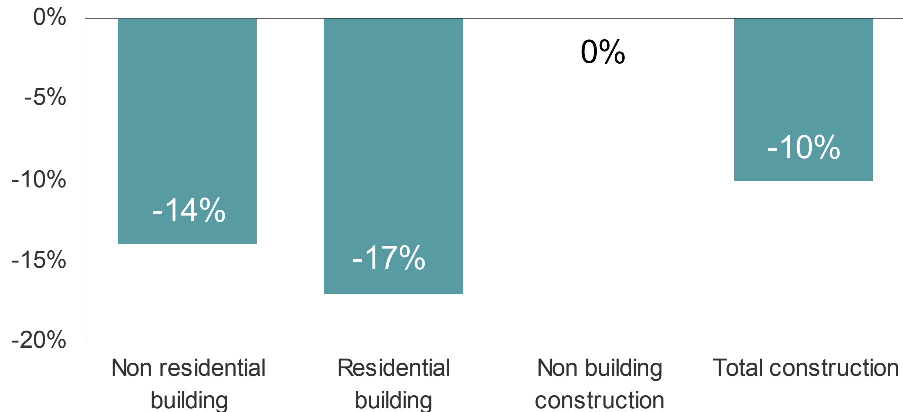
Industry specific lead indicators are more encouraging



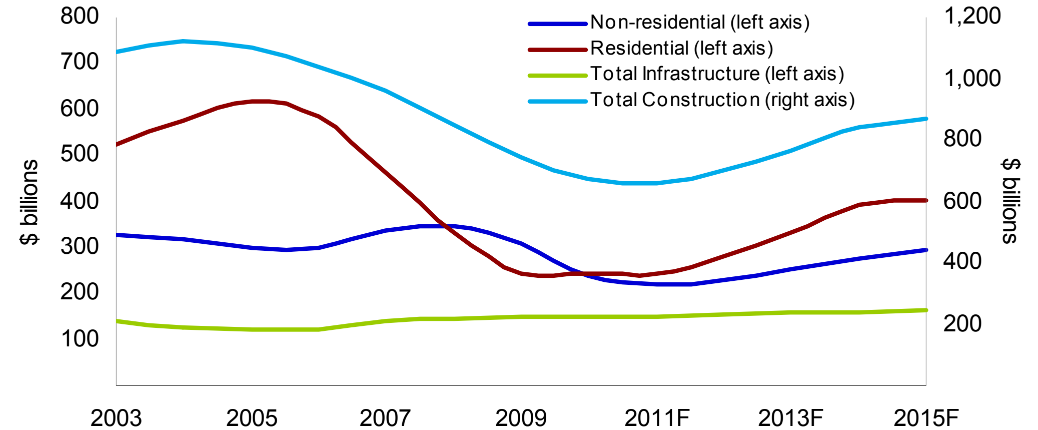
Source: Rouse Asset Services



Source Rouse Asset Services/Management analysis



Source: McGraw Hill Construction



Source: Maximus Advisors
May 2011 US construction forecast

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Debate on pace of recovery

Construction forecast

	2011	2012	2013
Global Insight	0%	17%	9%
McGraw-Hill	5%	24%	33%
Maximus	1%	9%	12%

- Recovery has been “pushed back”
- Now looking at 2012 vs 2011
- Variation in forecasts due largely to assumptions in residential

BUT

- Q1 2011 construction starts -10%
- Q4 2010/11 Sunbelt pure rental revenues +13%

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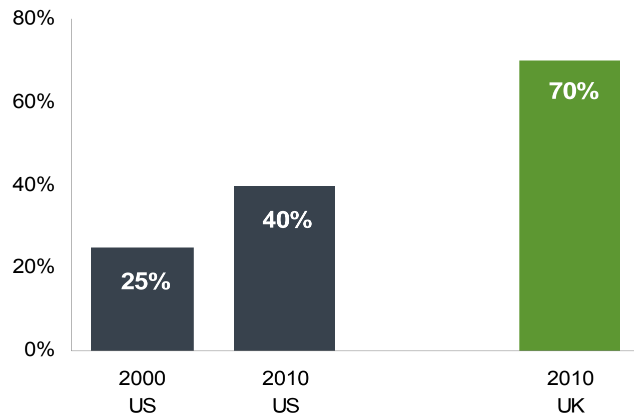
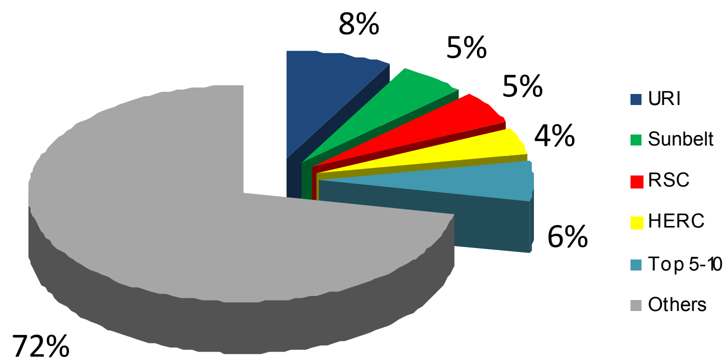
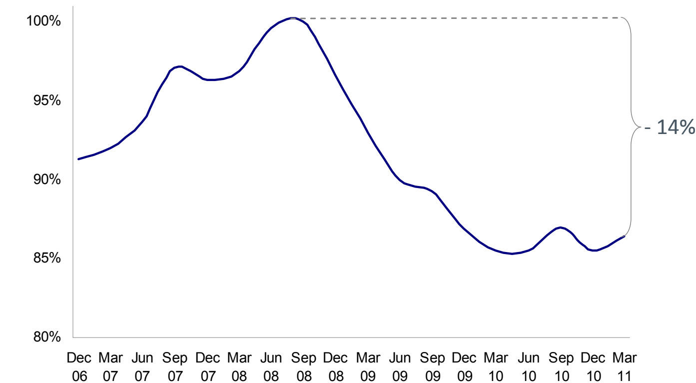
Gentle recovery in construction markets plus structural change in rental provides clear medium term growth opportunity







Rental penetration

Uncertain outlook and lack of finance drives outsourcing

Every 1% increase in rental penetration = c$700m market growth

Fragmentation

- Larger players getting bigger due to fleet size and mix along with a broad geographical base
- 2nd tier likely to be squeezed
- Well financed locals may do well as they fill gaps left by rationalisation
- But many other locals reliant on low cost lease finance will be significantly challenged

Industry fleet

- Small recovery in demand will generate equipment shortages
- Likely to see long lead times from manufacturers
- Large well financed rental companies consume the available capacity – further driving penetration

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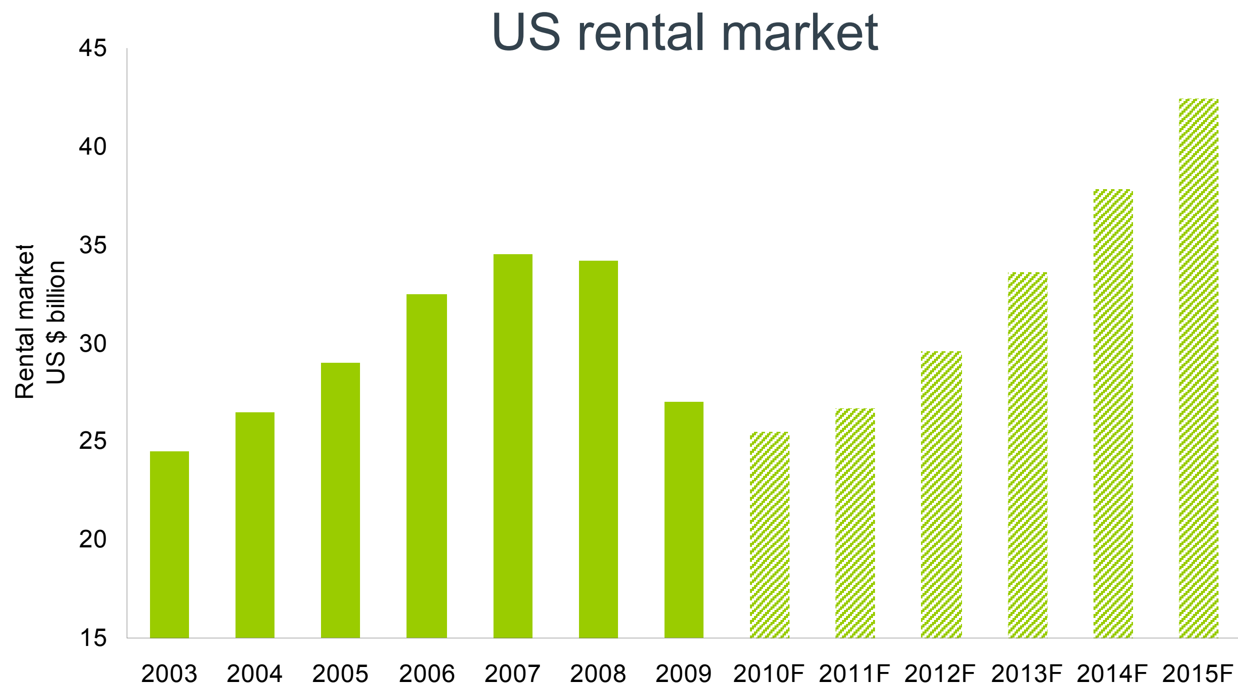
Gentle recovery in construction markets plus structural change in rental provides clear medium term growth opportunity



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UK market

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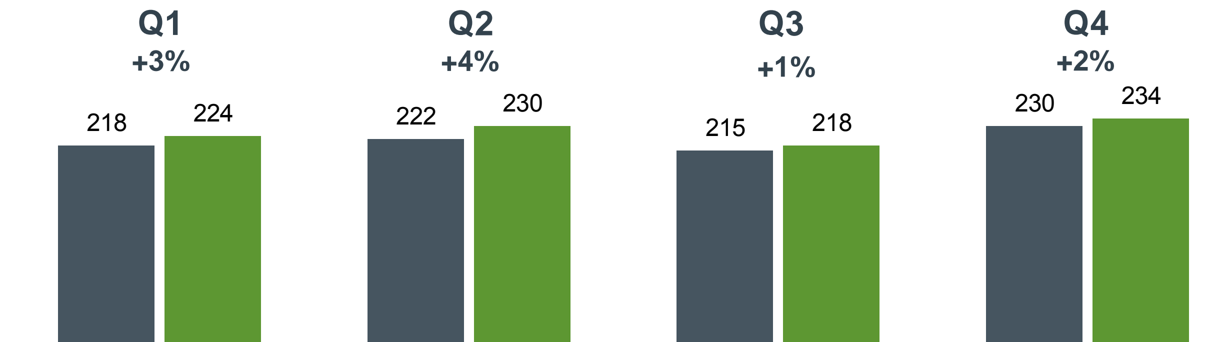
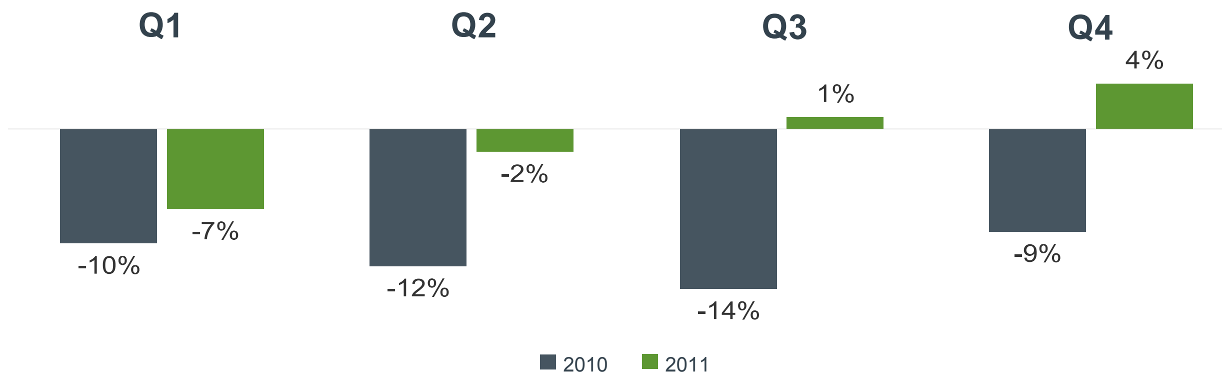
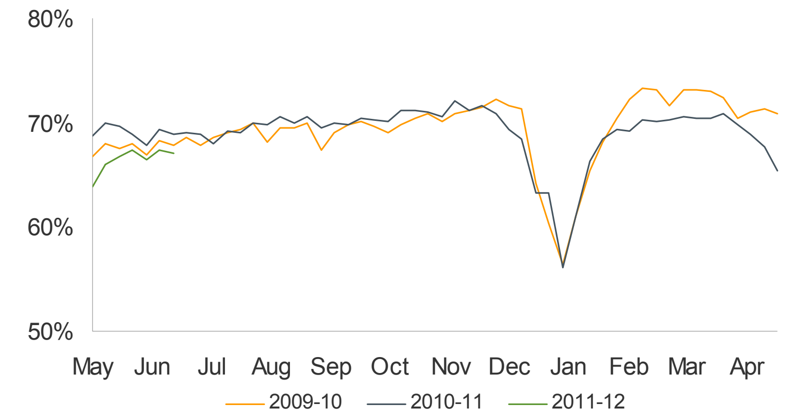
Revenue drivers – A-Plant

Improving Q4 metrics







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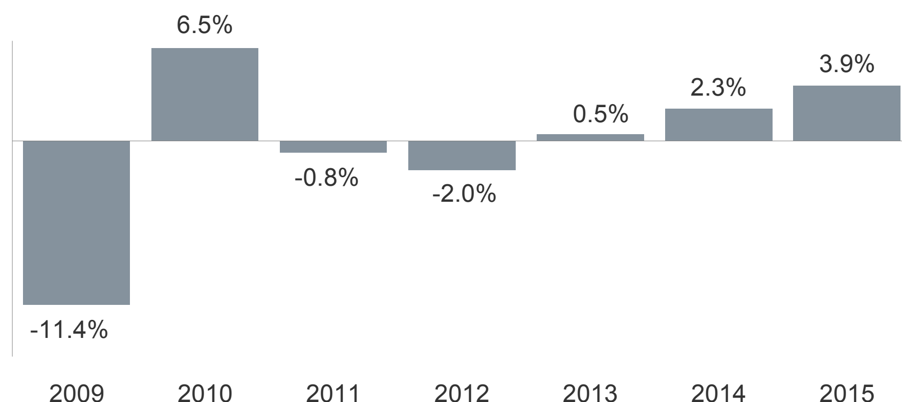
Uncertain outlook

Total UK construction output



Source: ONS, Construction Products Association

Public and private growth rates

	2011	2012	2013
Public sector	-8.3%	-11.3%	-9.4%
Private sector	+3.9%	+3.1%	+5.1%
Total	-0.8%	-2.0%	+0.5%

- public sector now 40% of total
- public sector construction spending to fall from 3.6% of GDP in 2009/10 to 1.25% of GDP in 2013/14

Source: ONS, Construction Products Association

- Outlook is uncertain. Mood of customer base also remains cautious. Pace of private sector “plugging the gap” unclear
- Will benefit from defleeting in the industry which is now greater than the US for the large rental companies
- We are positioned to perform relatively well and will continue to focus on our core markets
- However, in the short term, returns are likely to remain low without structural change

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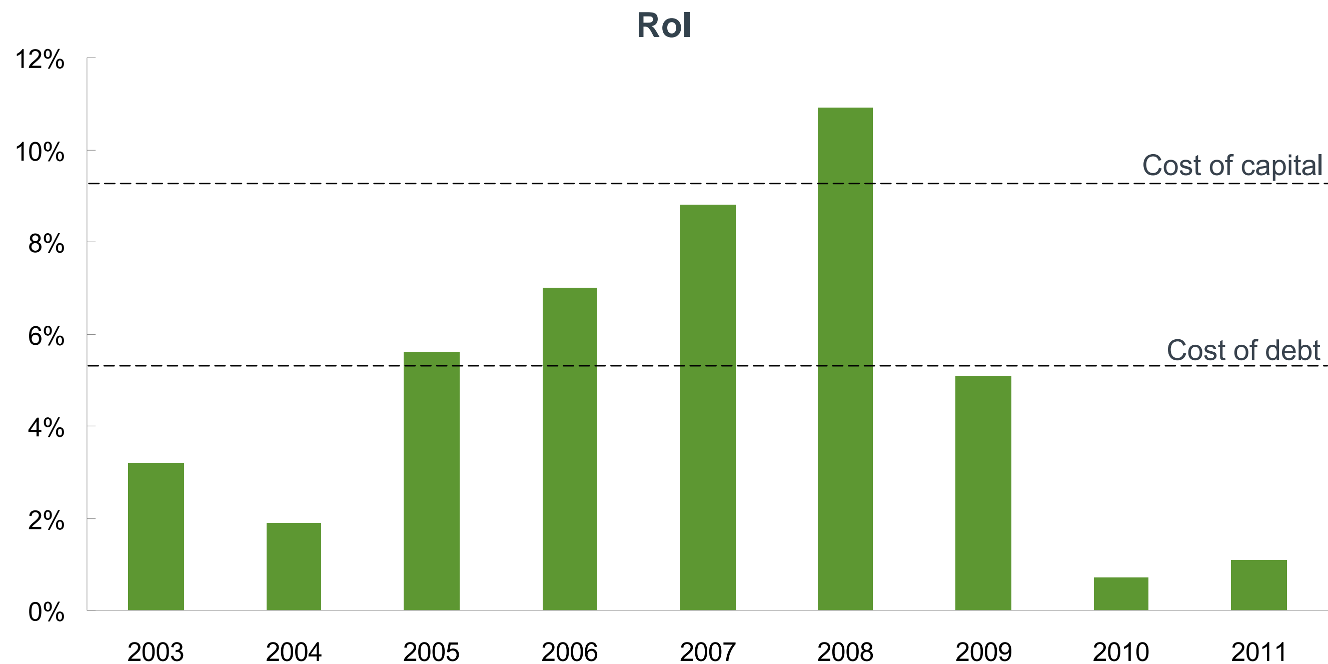
A-Plant outlook

Improving Q4 but long way to acceptable returns

- May rental revenue +11%
- Industry generally showing improvement from bottom of the market
- However, long journey for the industry to acceptable returns in current market



TARGET

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Summary

- Good improvement in profitability in 2010/11 with momentum carried into the new financial year
- Continued investment in the business to support medium-term strategy
- End construction markets at historical lows with only modest recovery anticipated in the US and further declines likely in the UK
- Continued emphasis on “self help”
- Further strengthening of position despite weak markets and therefore excellent base to exceed previous peak returns as markets recover

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Appendices

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Divisional performance – fourth quarter

	Revenue			EBITDA			Profit		
	2010	2011	Change	2010	2011	change	2010	2011	change
Sunbelt ($m)	259.2	321.0	+24%	81.4	90.2	+11%	24.4	33.7	+38%
Sunbelt (£m)	169.0	198.2	+17%	53.2	55.4	+4%	16.0	20.5	+28%
A-Plant	41.1	44.6	+9%	10.0	9.8	-2%	0.5	(0.4)	-185%
Group central costs	-	-		(1.9)	(1.9)	+3%	(1.9)	(1.9)	+3%
	210.1	**242.8**	+16%	**61.3**	**63.3**	+3%	**14.6**	**18.2**	+24%
Net financing costs							(17.7)	(15.5)	-13%
Profit/(loss) before tax, exceptionals and amortisation							**(3.1)**	**2.7**	**-187%**
Exceptional items and amortisation							5.0	(22.6)	-
Profit/(loss) before taxation							1.9	(19.9)	-
Taxation							(0.6)	6.9	-
Profit/(loss) after taxation							**1.3**	**(13.0)**	-

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Divisional performance – twelve months

	Revenue			EBITDA			Profit		
	2010	2011	change	2010	2011	change	2010	2011	change
Sunbelt ($m)	1,080.5	1,224.7	+13%	350.8	388.2	+11%	116.6	162.1	+39%
Sunbelt (£m)	674.5	782.7	+16%	219.0	248.1	+13%	72.7	103.6	+42%
A-Plant	162.3	165.8	+2%	42.0	43.1	+3%	1.8	2.7	+51%
Group central costs	-	-		(5.9)	(7.4)	+26%	(6.0)	(7.5)	+26%
	836.8	**948.5**	+13%	**255.1**	**283.8**	+11%	**68.5**	**98.8**	+44%
Net financing costs							(63.5)	(67.8)	+7%
Profit before tax, exceptionals and amortisation							**5.0**	**31.0**	+524%
Exceptional items and amortisation							0.8	(29.3)	-
Profit before taxation							5.8	1.7	-71%
Taxation							(3.7)	(0.8)	-78%
Profit after taxation							**2.1**	**0.9**	-59%

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US peer group comparisons

FY 2010/2011

	Fleet on rent (%)	Rental revenue (%)	Dollar utilisation (%)	EBITDA margin (%)	EBITA margin (%)	RoI (%)	Leverage (x)
Sunbelt	5	10	51	32	13	9	2.7
URI[1]	10	7	52	30	10	8	3.7
RSC[1]	14	10	47	32	8	5	5.1
	Better yield development			Stronger returns			Lower leverage

Note:
1 Based on reported results, LTM to 31 March 2011

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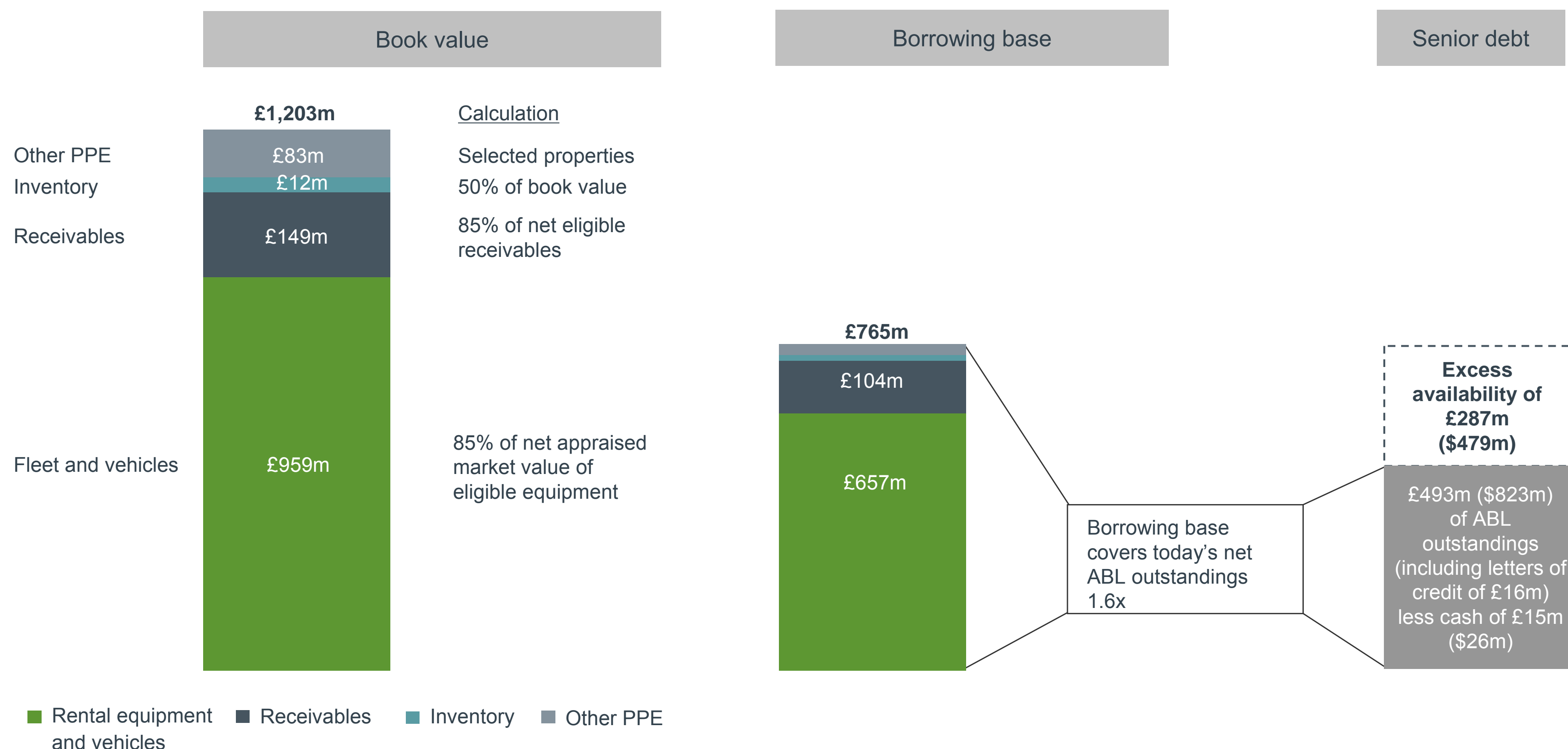
$479m of availability at 30 April 2011



- Borrowing base reflects January 2011 asset values which were down around 15% from Spring 2007 peak but up 16% from the Autumn 2009 trough

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Debt and covenants

Debt

Facility	Interest rate	Maturity
$1.4bn first lien revolver	LIBOR +200-250bp	March 2016
$550m second lien notes	9.0%	August 2016
Capital leases	~7%	Various

Ratings

	S&P	Moody's
Second lien	B+	B2

Availability

- Covenants are not measured if availability is above $168m

Leverage covenant

- Gross funded debt to EBITDA cannot exceed 4.0x
- EBITDA is measured before one time items and at constant exchange rates
- 3.0x at April 2011

Fixed charge coverage covenant

- EBITDA less net cash capex to interest paid, tax paid, dividends paid and debt amortisation must equal or exceed 1.1x
- 1.6x at April 2011

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