International Equipment Rental

Second quarter results – 31 October 2008

Issued: 9 December 2008

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Agenda

- **Geoff Drabble – Chief executive**
  - First half results
  - Operations
  - Positioning the business for the future
- **Ian Robson – Finance director**
  - Impact of foreign exchange
  - Cash flow
  - Capital structure and debt
- **Q&A**

Highlights

- Good first half profits and earnings growth in slowing market conditions
- Prompt action initiated to reduce cost base by £45m to right size the business for the levels of demand we anticipate next year
- On track to generate £200m cash inflow this year and a minimum of £100m in 2009/10
- All our debt is committed for the long term and structured to remain covenant free
- Maintained cash outlay on dividend at £4.4m or 0.9p per share (2007: 0.825p)

Good trading performance in slowing markets

	2008 £m	2007 £m	Growth: At actual rates %	Growth: At constant rates %
Revenue	546	510	+7%	+1%
Operating costs	(346)	(320)	+8%	+3%
Gain on sale of used equipment	6	7		
Underlying EBITDA	206	197	+4%	-1%
Depreciation	(96)	(87)	+10%	+4%
Underlying operating profit	110	110	-	-6%
Margins				
- EBITDA	37.7%	38.7%		
- Operating profit	20.1%	21.5%		

Good growth in profits and earnings

Benefit of lower debt and interest rates and the share buy back reflected in earnings

			Growth	
	2008	2007	At actual rates	At constant rates
	£m	£m	%	%
Underlying operating profit	110	110	-	-6%
Interest (net)	(33)	(38)		
Underlying profit before tax	77	72	+7%	+3%
Effective tax rate	36%	36%		
Weighted average number of shares	510	552	-8%	-8%
Underlying earnings per share	10.0p	8.9p	+12%	+8%

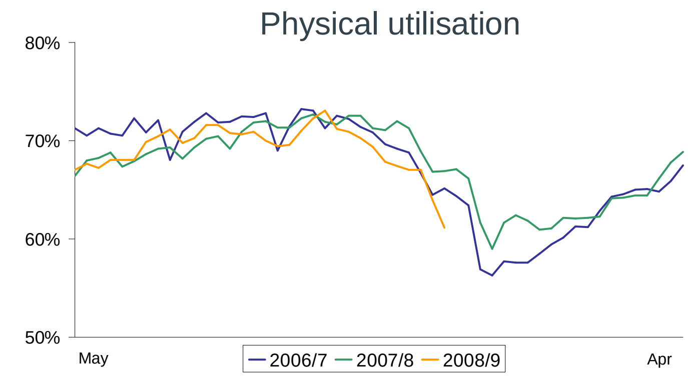
Sunbelt – trading results

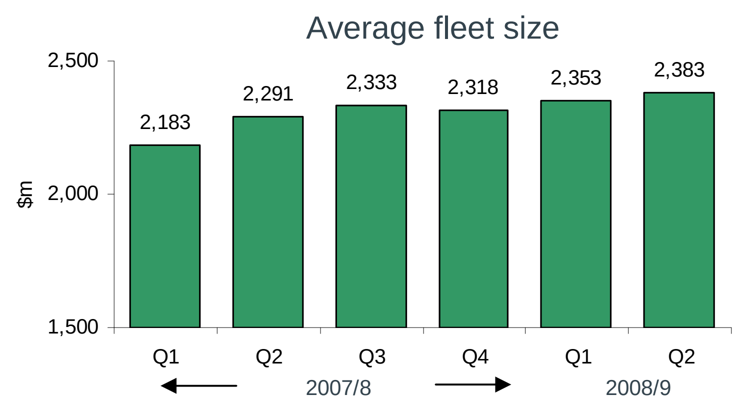
	Second quarter			First half		
	2008	2007	Growth	2008	2007	Growth
	$m	$m	%	$m	$m	%
Revenue	418	421	-1%	822	809	+2%
Operating costs	(260)	(246)	+6%	(508)	(490)	+4%
Gain on sale of used equipment	4	5	-	7	12	-
EBITDA	162	180	-10%	321	331	-3%
Depreciation	(67)	(68)	-1%	(134)	(134)	-
Operating profit	95	112	-15%	187	197	-5%
Margins						
- EBITDA	38.8%	42.7%		39.0%	40.8%	
- Operating profit	22.7%	26.6%		22.8%	24.3%	
Return on investment				13.8%	13.7%	

Sunbelt

Q2 continued trend of market share gains with increased fleet on rent

- Encouraging trends in fleet on rent in a number of geographies
- California and Florida remain tough
- Slowing end markets reflected in weaker utilisation in October and November
- Improved fleet planning and lower utilisation allows defleeting to right size for anticipated lower demand

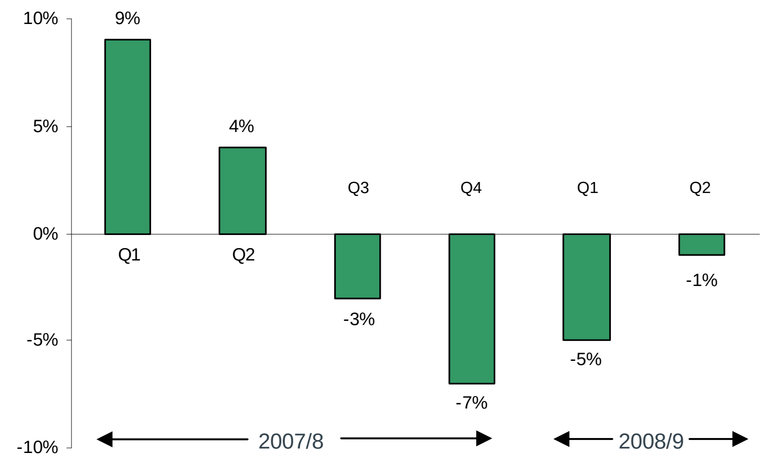




Sunbelt
Good rate discipline experienced in the second quarter

- Yield improved sequentially in Q2 as rate discipline holds
- Trend to larger projects continues
- Regional variation continues
- Further pressure anticipated in seasonally difficult Q3 and Q4 – hence cost base restructuring

Quarterly change in yield



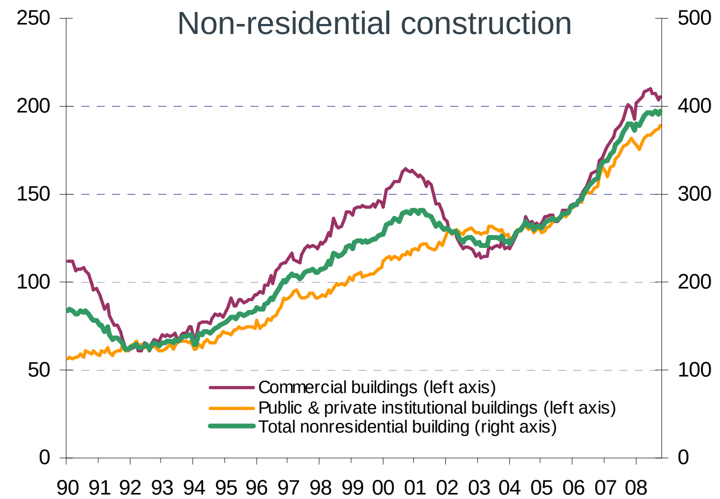
Revenue bridge

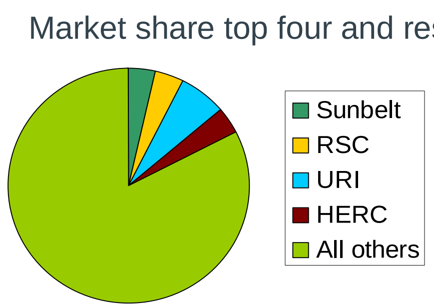
	$m	
H1 2007 rental and rental related revenue	753.8	
Changes due to:		
Fleet growth	43.7	+6%
Utilisation	(3.2)	-
Yield	(23.9)	-3%
H1 2008 rental and rental related revenue	770.4	+2%
Sales revenue	51.3	
H1 2008 revenues	821.7	+2%

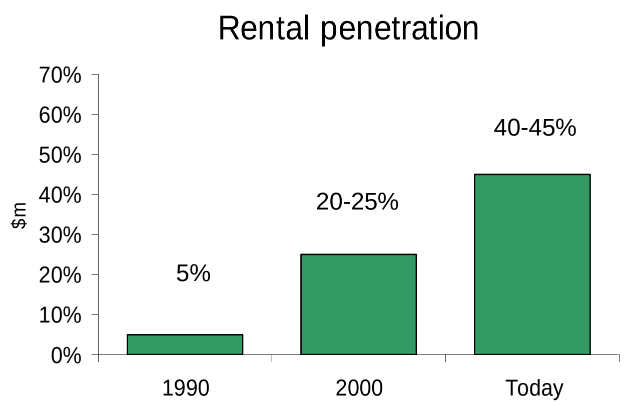
Sunbelt market outlook

Short term uncertainty but reasons to be optimistic in the longer term

- Slowing demand experienced in recent months
- Commercial building forecast to be particularly hard hit
- Indications of government support for infrastructure expenditure - but lacking in detail and only likely to impact from Q3 09
- Competitive landscape will change with smaller, poorly financed businesses unable to survive – will lead to consolidation
- Uncertainty and lack of finance will drive increased rental penetration







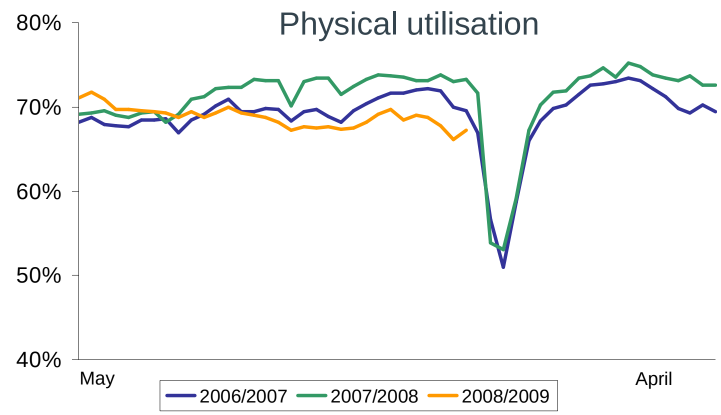
A-Plant – trading results

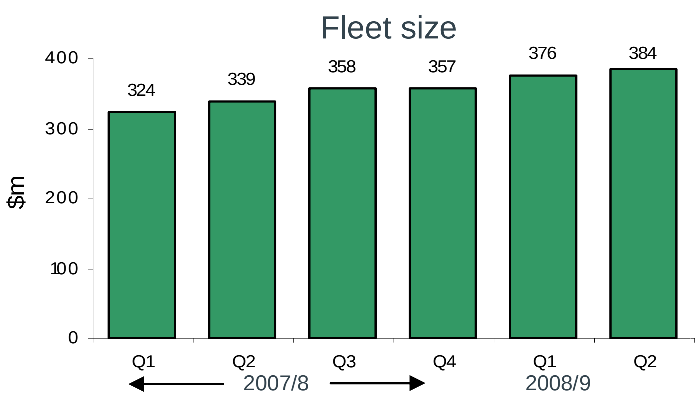
	Second quarter			First half		
	2008	2007	Growth	2008	2007	Growth
	£m	£m	%	£m	£m	%
Revenue	55	56	-4%	110	109	+1%
Operating costs	(36)	(36)	-	(73)	(73)	-
Gain on sale of used equipment	1	1	-	2	2	-
EBITDA	20	21	-4%	39	38	+3%
Depreciation	(13)	(11)	+14%	(25)	(21)	+19%
Operating profit	7	10	-25%	14	17	-14%
Margins						
- EBITDA	36.1%	36.2%		35.4%	34.6%	
- Operating profit	13.1%	16.8%		13.0%	15.2%	
Return on investment				9.1%	10.2%	

A-Plant

Continues to benefit from high levels of fleet on rent and market leading organic growth

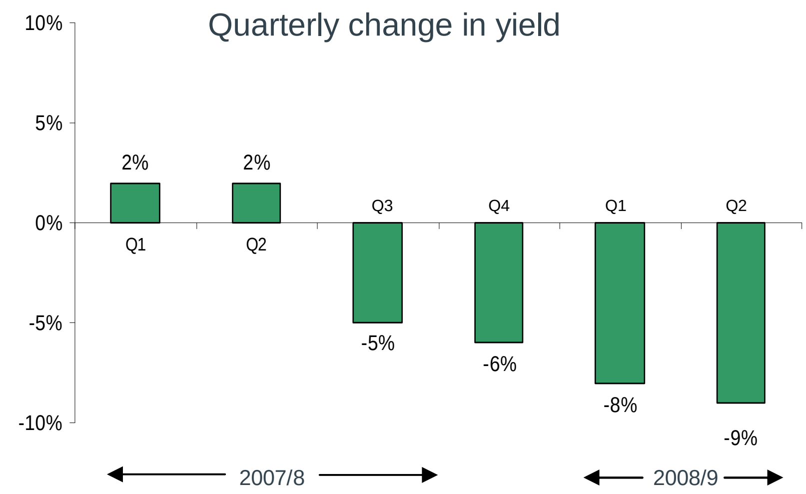
- Year on year growth in fleet on rent continues
- Benefitting from long term relationships with key accounts
- Market conditions have slowed in recent weeks
- Opportunity to right size fleet given current levels of utilisation
- Young fleet allows for period of low capital expenditure





A-Plant
Yield has suffered due to lack of market discipline

- Yield has suffered as rates have fallen
- Financially weaker competitors engaging in short term irrational behaviour
- Need to focus on value added services
- Longer term there will be consolidation as poorly financed competitors exit



Revenue bridge

	£m	
H1 2007 rental and rental related revenue	105.4	
Changes due to:		
Fleet growth	15.2	+14%
Utilisation	(4.0)	-3%
Yield	(10.0)	-9%
H1 2008 rental and rental related revenue	106.6	+1%
Sales revenue	2.9	
H1 2008 revenues	109.5	+1%

A-Plant market outlook

- Very little empirical data
- Housing and consumer facing construction (e.g. retail) continuing to fall and outlook weak
- Office and manufacturing also likely to be weak as general economy faces recession
- Major projects (e.g. Olympics, Building Schools for the Future & Energy) provide support, particularly given our focus and strength with major accounts
- Government related expenditure being pulled forward - should ultimately help
- Financial constraints will lead to consolidation and an improved market dynamic

Right sizing programme
Prompt action being taken to position the business for the future

- Anticipate weaker demand in both markets in 2009/10
- Taking early aggressive action to lower costs and reduce fleet size (by around 7%) in both markets
- Expect to deliver full year cost savings of £45m
- First half one time charge of £36m, with further second half expense of around £19m (at Oct 2008 exchange rates)
- Positive net cash inflow by year end of £25-30m from fleet sales

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Ian Robson

Finance director

Significant translation impact this quarter from the stronger dollar
- especially on the value of balance sheet assets and liabilities

	2008	2007	Change	
Average (income statement)				
- First quarter	1.97	2.00	1%	Relatively small impact on first half profits and earnings
- Second quarter	1.79	2.02	11%	
- First half	1.88	2.01	7%	
Closing (balance sheet & debt)				
- 30 April	1.98	2.00	1%	Substantial increase in sterling value of Sunbelt's assets (its fleet) and liabilities (its debt) at 31 October
- 31 July	1.98	2.03	3%	
- 31 October	1.62	2.08	22%	

- Stronger dollar increases earnings, asset values and the sterling value of our debt
- Constant currency disclosures included in the results release

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Cash flow - slower capex leading to first half debt pay-down
- this trend will accelerate in the second half

	6 months ended		LTM
	October 2008 £m	October 2007 £m	Oct 2008 £m
Cash inflow from operations before exceptionals	195	179	372
Maintenance capital expenditure	(123)	(136)	(218)
Sale of used rental equipment	28	58	62
Growth capital expenditure	(51)	(102)	(70)
	(146)	(180)	(226)
Interest and tax	(29)	(35)	(77)
Exceptional costs paid (net)	(1)	(6)	(4)
Free cash flow	**19**	**(42)**	**65**
Business disposals	90	-	84
Total cash generated	**109**	**(42)**	**149**
Dividends paid	(8)	(6)	(13)
Purchase of own shares	(14)	-	(36)
Reduction/(increase) in net debt	**87**	**(48)**	**100**

- Enlarged Group continues to convert c95% of EBITDA into cash
- LTM October 2008 net capex of £226m compares with 2008/9 full year guidance of £160m

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Cash flow and closing debt – significant translation effect

	2008 £m	2007 £m	Interest rate	
Net debt at 30 April	963	916		
Translation impact	197	(34)		
Opening debt at closing exchange rates	1,160	882		
Change from cash flows	(87)	48		
Non cash movements	3	1		
Net debt at 31 October	1,076	931		
Comprising:				
First lien senior secured bank debt	579	541	Floating rate	54%
Second lien secured notes	484	374	Fixed rate	46%
Finance lease obligations	15	18	Fixed rate	
Cash in hand	(2)	(2)		
	1,076	931		
Net debt to EBITDA	2.5 times	2.8 times		

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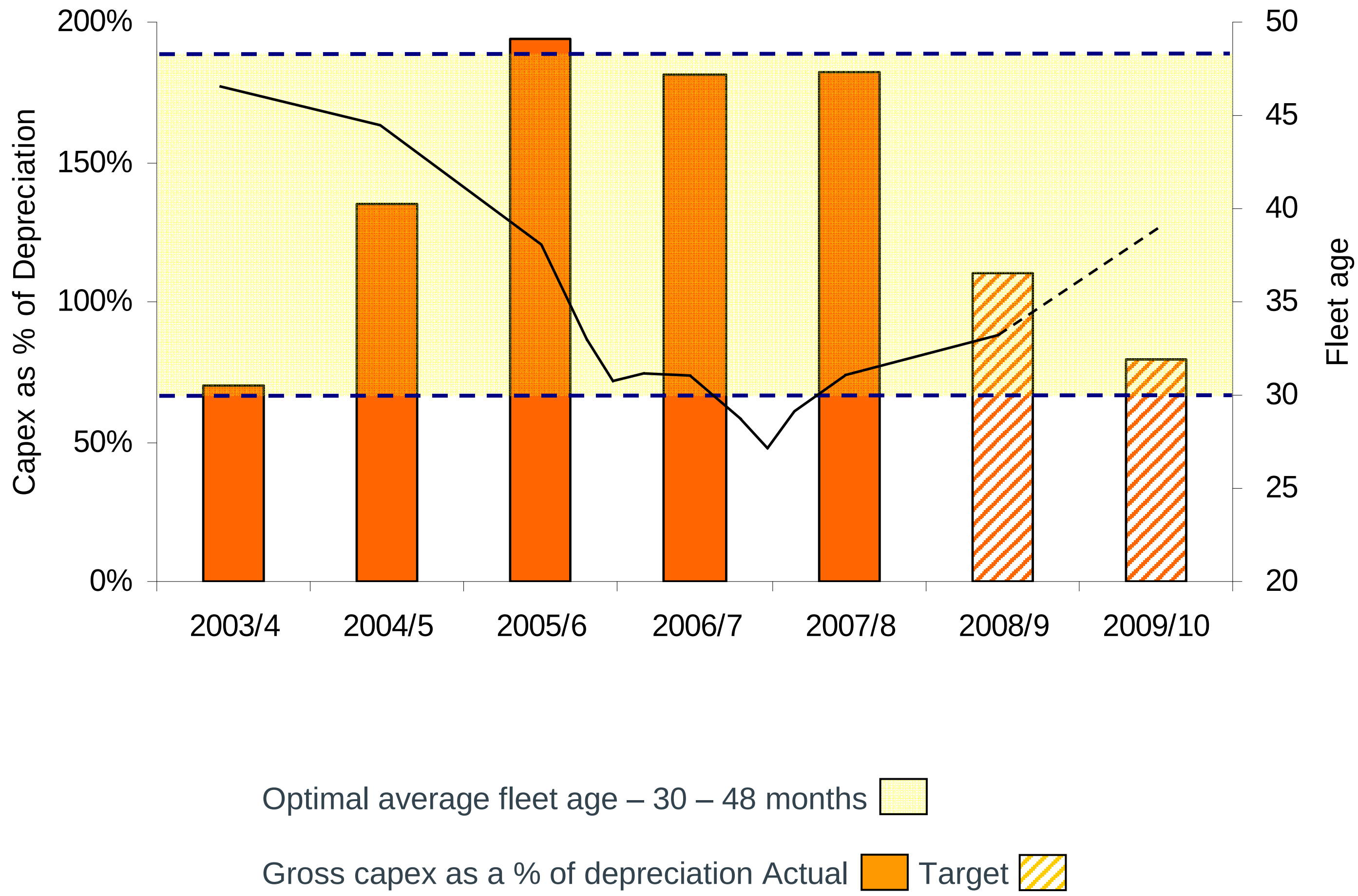
Flexible business model – capital expenditure through the economic cycle



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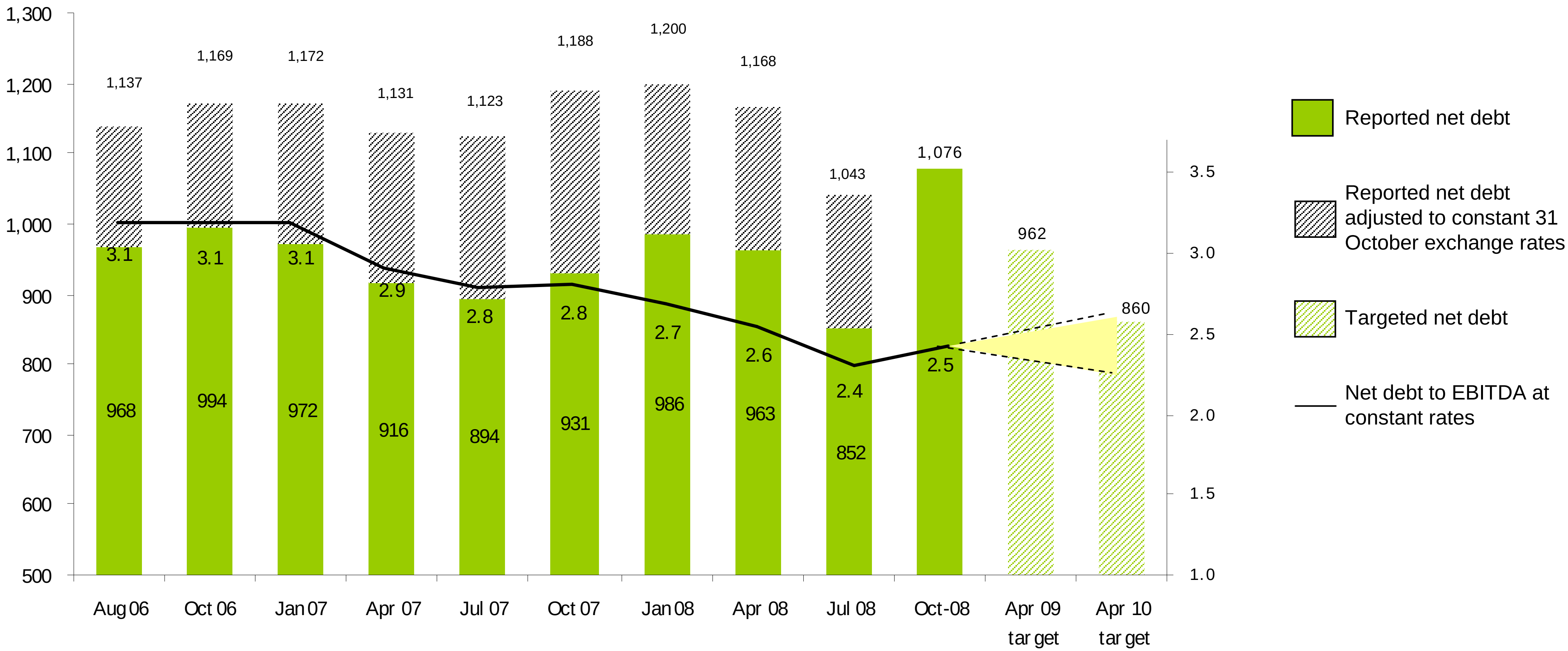
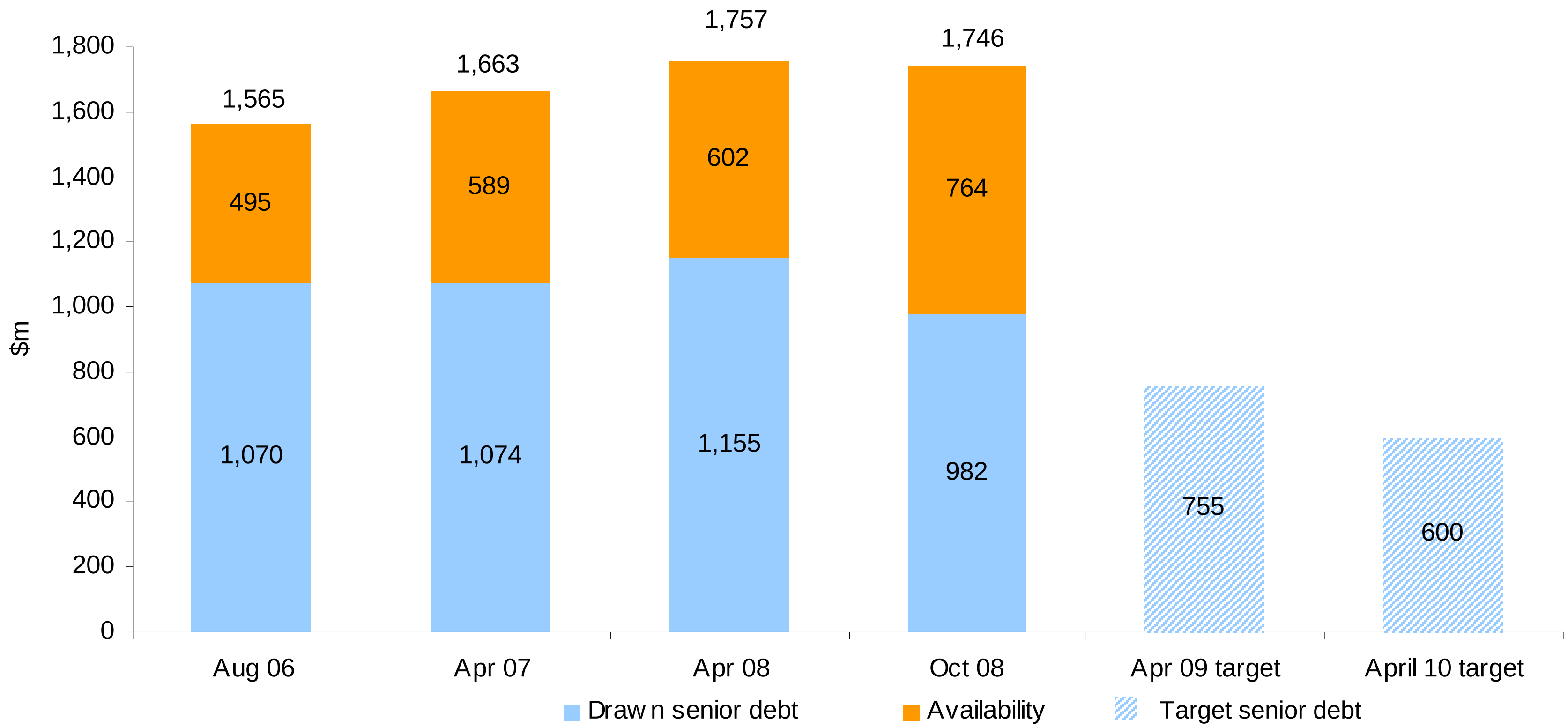
Net debt at constant exchange rates and leverage



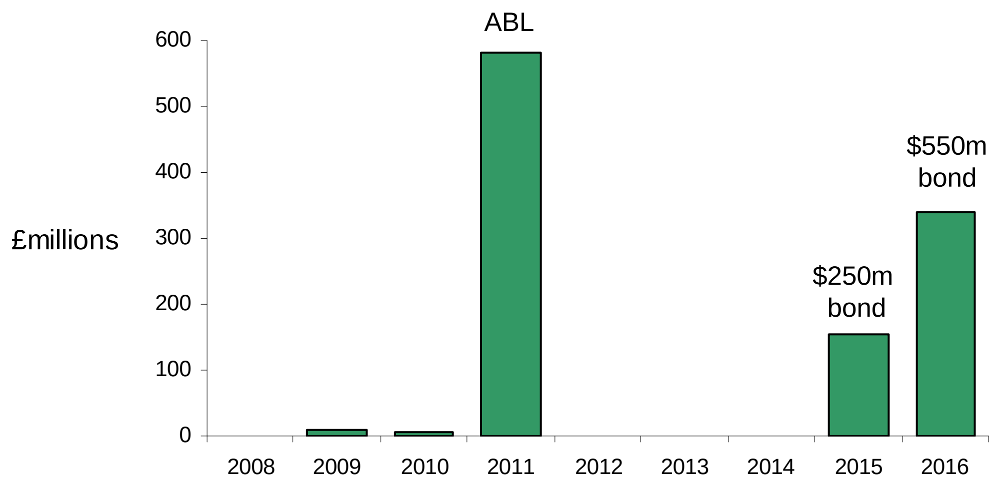
- Net debt at 31 October of £1,076m at constant rates down £90m since year end at constant rates
- Underlying (constant rates) net debt to EBITDA leverage at 31 October of 2.5 times

Asset based loan – drawn debt and availability



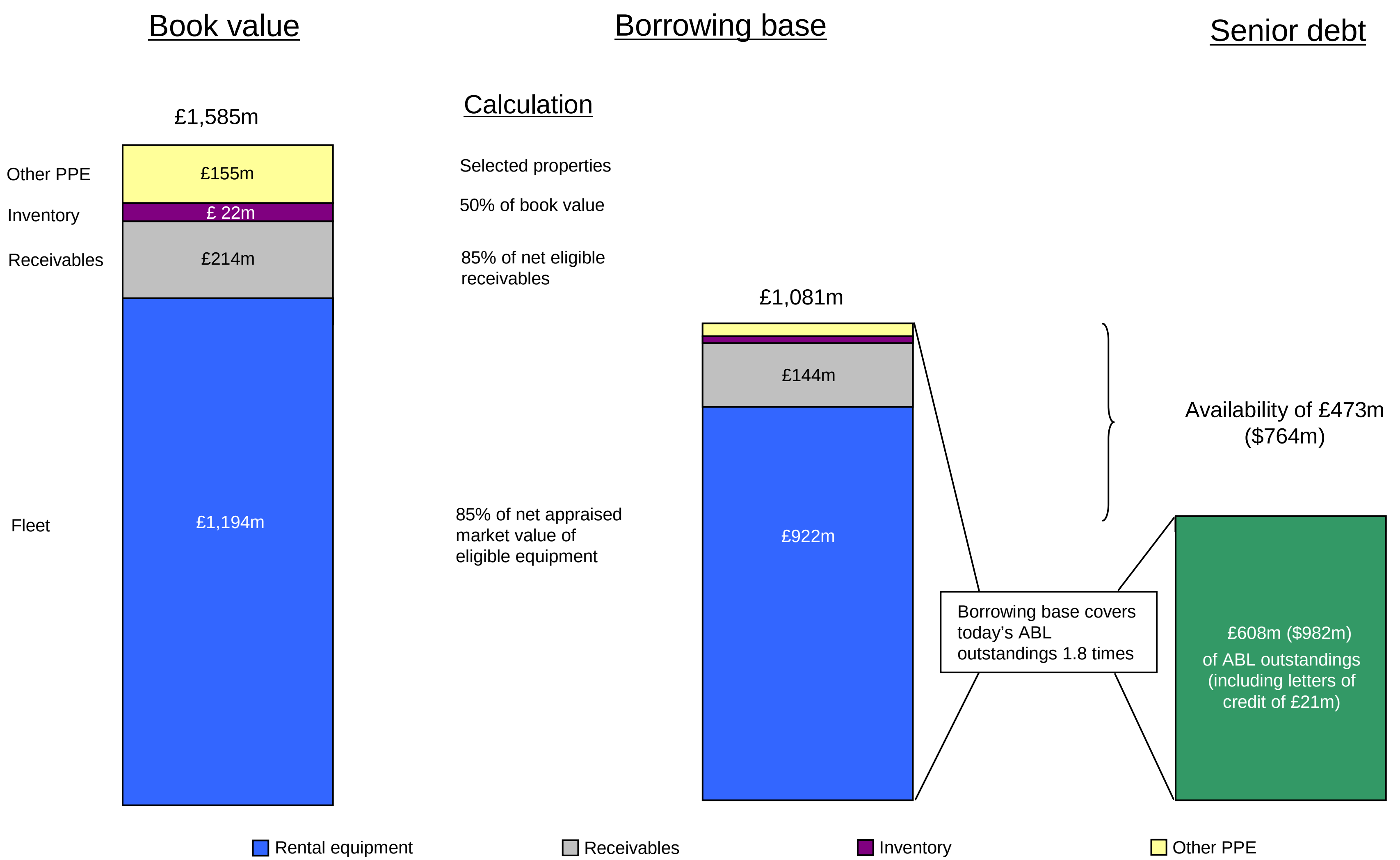
- Availability under the ABL totals $764m providing substantial assurance that all our debt will remain effectively covenant free
- By April 2009 we are targeting net debt of $1,555m (£962m at 31 October 2008 exchange rates)

Debt remains committed for substantially longer than the "norm"



- Debt maturities average 4.9 years at 31 October 2008
- First significant maturity is the asset based senior bank facility in August 2011
- Based on our current top down financial planning, we anticipate around £400m ($600m) drawn under the $1.75bn ABL in April 2010 meaning we will only need half the current commitment from our lenders when we renew that facility

Substantial asset cover facilitates refinancing of the ABL debt



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Covenant compliance

- ABL facility is covenant free whilst availability exceeds $125m
- Availability was $764m at 31 October 2008
- This strong availability means our facilities can cope with a decline in used rental fleet market values of around 60% from their early 2007 peak. The peak to trough reduction in the last cycle was c25%
- Below $125m of availability two covenants are measured quarterly using constant exchange rates:
  - Debt to EBITDA (before exceptionals) must not exceed 4.25 times (4.0 times from April 2009)
  - Fixed charge ratio (EBITDA before exceptionals less net cash capex to cash interest, cash tax, cash distributions & scheduled debt maturities) must exceed 1.1 times
- Although not required to be measured, both covenants were again met at 31 October 2008
- Covenants on the second lien debt (senior secured notes) are only measured when new debt is incurred. Provisions also exist to allow refinancing of existing debt (i.e. the ABL) irrespective of covenant compliance

Geoff Drabble

Chief executive

Outlook

"Whilst the outlook for the operational trading environment in the second half is weaker and difficult to predict, we will benefit significantly both from lower interest costs and the stronger dollar. Longer term, our strong market positions, long term committed debt facilities, cash generative and flexible business model and the decisive restructuring exercise which we are undertaking allow the Board to view the future with confidence."

Appendices

Divisional performance – second quarter

	Revenue			EBITDA			Underlying profit		
	2008	2007	Growth	2008	2007	Growth	2008	2007	Growth
Sunbelt in $m	418.3	420.6	-1%	162.3	179.8	-10%	95.1	111.8	-15%
Sunbelt in £m	232.4	207.8	+12%	90.3	88.8	+2%	52.9	55.2	-4%
A-Plant	54.4	56.4	-4%	19.6	20.5	-4%	7.1	9.5	-25%
Group central costs	-	-	-	(1.7)	(2.4)	-33%	(1.7)	(2.4)	-32%
	286.8	264.2	+9%	108.2	106.9	+1%	58.3	62.3	-6%
Net financing costs							(17.6)	(19.2)	-8%
Profit before tax, exceptionals and amortisation							40.7	43.1	-5%
Exceptional items and amortisation							(37.5)	(0.4)	
Profit before taxation							3.2	42.7	

Divisional performance – first half

	Revenue			EBITDA			Underlying profit		
	2008	2007	Growth	2008	2007	Growth	2008	2007	Growth
Sunbelt in $m	821.7	809.1	+2%	320.8	330.5	-3%	187.0	196.6	-5%
Sunbelt in £m	436.8	401.9	+9%	170.6	164.1	+4%	99.4	97.6	+2%
A-Plant	109.5	108.5	+1%	38.8	37.6	+3%	14.2	16.5	-14%
Group central costs	-	-	-	(3.6)	(4.4)	-20%	(3.6)	(4.4)	-19%
	546.3	510.4	+7%	205.8	197.3	+4%	110.0	109.7	0%
Net financing costs							(33.4)	(38.2)	-13%
Profit before tax, exceptionals and amortisation							76.6	71.5	+7%
Exceptional items and amortisation							29.1	(1.0)	
Profit before taxation							105.7	70.5	+48%

Divisional performance – last twelve months

	Revenue			EBITDA			Underlying profit		
	2008	2007	Growth	2008	2007	Growth	2008	2007	Growth
Sunbelt in $m	1,540.7	1,520.0	+1%	589.3	576.0	+2%	321.4	315.4	+2%
Sunbelt in £m	796.2	767.0	+4%	304.8	290.0	+5%	166.6	158.3	+5%
A-Plant	215.8	206.9	+4%	74.5	66.6	+12%	28.0	25.8	+9%
Group central costs	-	-	-	(7.0)	(9.5)	-30%	(7.0	(9.5)	-30%
	1,012.0	973.9	+4%	372.3	347.1	+7%	187.6	174.6	+8%
Net financing costs							(70.0)	(78.9)	-11%
Profit before tax, exceptionals and amortisation							117.6	95.7	+23%
Exceptional items and amortisation							25.6	(33.9)	-
Profit before taxation							143.2	61.8	+233%

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Stable free cashflow

	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	LTM October 2008 £m
EBITDA before exceptional items	**194.4**	**150.1**	**147.0**	**169.5**	**224.7**	**310.3**	**380.0**	**383.4**
Cash inflow from operations before exceptional items	**194.2**	**157.3**	**140.0**	**164.8**	**215.2**	**319.3**	**356.4**	**372.0**
*Cash efficiency ratio**	*99.9%*	*104.8%*	*95.2%*	*97.2%*	*95.8%*	*102.9%*	*93.8%*	*97.0%*
Maintenance capital expenditure	(101.8)	(74.7)	(74.8)	(95.6)	(149.9)	(213.1)	(195.3)	(184.5)
Proceeds from sale of used rental equipment	26.6	29.4	32.3	35.9	50.4	78.5	92.7	62.4
Non-rental capital expenditure	(15.8)	(14.5)	(8.1)	(5.4)	(16.8)	(32.3)	(35.8)	(33.7)
Tax (paid)/received	(0.7)	0.7	0.1	(0.6)	(2.8)	(5.0)	(6.4)	(6.6)
Free cash flow before interest	102.5	98.2	89.5	99.1	96.1	147.4	211.6	209.6
Interest paid (excluding exceptional interest)	(46.2)	(41.4)	(32.9)	(30.2)	(38.7)	(64.2)	(76.4)	(70.1)
Free cash flow after interest before growth capex and M&A	**56.3**	**56.8**	**56.6**	**68.9**	**57.4**	**83.2**	**135.2**	**139.5**
Growth capital expenditure	(85.7)	(17.9)	0.0	(10.2)	(62.6)	(62.9)	(120.4)	(69.5)
Acquisitions & disposals	(4.9)	(0.8)	15.2	0.5	(44.2)	(327.2)	(5.9)	83.9
Exceptional costs & other	16.2	(7.6)	(18.2)	(5.7)	(22.1)	(73.7)	(9.5)	(4.1)
Free cash flow	**(18.1)**	**30.5**	**53.6**	**53.5**	**(71.5)**	**(380.6)**	**(0.6)**	**149.8**
Share buy-back	0.0	0.0	0.0	0.0	0.0	0.0	(24.5)	(37.6)
Dividends paid	(11.3)	(9.3)	0.0	0.0	(2.0)	(7.0)	(10.5)	(12.8)
Share issues	0.0	0.0	0.0	0.1	70.9	148.9	0.5	0.3
(Increase)/reduction in net debt	**(29.4)**	**21.2**	**53.6**	**53.6**	**(2.6)**	**(238.7)**	**(35.1)**	**99.7**

* cash inflow from operations before exceptional items as a percentage of EBITDA before exceptional items.

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