



IRA  
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*FocalPoint Partners is a middle market investment banking firm serving the equipment rental industry. Ira Mendelsohn, founder of U.S. Rentals and Action Holdings, Inc. (the predecessor company to RSC), shares his insights into the market forces which are shaping the equipment rental industry.*

## What Does 2007 Hold?

2006 was the year that private equity groups, familiarly known as PEGs, dominated activity on Wall Street. The PEGs were also major investors in the rental industry, as well. RSC was acquired by Ripplewood Holdings and Oak Hill Capital Management for approximately \$3.8 billion and NES was purchased by Diamond Castle Holdings for \$850 million. The only major deal of size that did not involve PEGs was the acquisition by Sunbelt of NationsRents. Even in that deal, a PEG, Baupost Group, LLC, was the principal selling shareholder of NationsRents.

2007 will, in my opinion, see substantial belt tightening on the parts of these new PEG owners as they attempt to maximize their cash flows to pay down the enormous debt they incurred in leveraging their purchases. This will mean less capital expenditure for growth. The good news is that the independent rental company owners may have an improved opportunity to negotiate better deals with the manufacturers.

After several very robust years of growth and prosperity for the general rental industry, 2007 is likely to be a decent year but not an outstanding year. Historically, single-family home building has been a leading indicator for the rental industry's major sources of business - commercial and industrial construction. If the trend holds true in 2007, then the rental industry will see less commercial and industrial activity driving rental revenue.

After the PEGs are given a chance to digest their recent acquisitions, we are likely to see another round of consolidation. The big will get bigger and the independents will have to work harder to compete as the majors are making great strides in driving operational efficiencies.

The best news is that equipment rental companies in general are being better managed - higher utilizations, pricing discipline, and better customer service. The result will be an increase in rental penetration, a trend which I expect will continue for some time.

All in all 2007 will be an interesting year.

## Industry News

### Oshkosh Truck Corp. Acquires JLG Industries

Specialty vehicle manufacturer Oshkosh Truck Corp. signed a definitive agreement to acquire JLG Industries, a global leader in aerial work platforms and telehandlers. The total price, including transaction costs and assumed debt, is \$3.2 billion in cash.

### RSC Equipment Sold to Private Equity Groups

Atlas Copco agreed to sell 85.5% of RSC Equipment Rental, North America's second-largest rental company to private equity firms Ripplewood Holdings and Oak Hill Capital Management for about \$3.8 billion. Atlas Copco retained a 14.5% stake in the Scottsdale, AZ-based company.

### Aggreko PLC Acquires GE Energy Rentals

Aggreko PLC agreed to acquire GE Energy Rentals for \$212 million cash, increasing Aggreko's core rental fleet capacity by about 30% and improving its abilities in entertainment, emergency response and gas-fueled power generation.

### Hertz IPO Falls Short of Expectations

Car rental and equipment rental company Hertz Global Holdings raised \$1.32 billion with one of the largest initial public offerings of the year, although the price was below expectations. The offering of 88 million shares sold for \$15 per share, short of the forecast price range of \$16 to \$18. The offering gives the company an initial market value of about \$4.8 billion.

### Sunbelt Rentals Acquires NationsRent

Sunbelt Rentals agreed to acquire NationsRent in a transaction valued at about \$1.05 billion, extending the reach of the combined companies to eight additional states. The merger of Sunbelt Rentals, No. 4 on the RER 100, with NationsRent, No. 6, creates a chain of 477 branches, and makes Sunbelt the third-largest rental company in North America.

**If you are interested in selling your business or raising growth capital, contact the equipment rental experts  
Ira Mendelsohn and Dan Conway at FocalPoint Partners.**

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## Selected Rental Industry M&amp;A Transactions

Announced	Buyer	Seller	Unit Sold
26-Dec-06	HTS Acquisition, Inc.	United Rentals, Inc.	United Rentals Highway Technologies, Inc.
15-Dec-06	Wolseley Plc	Tonto Verde Construction, Inc. /Precision Forest	
12-Dec-06	Atlas Copco AB	Edmac Compressor Co.	
6-Dec-06	Flotek Industries, Inc.	Teal Supply Co.	
4-Dec-06	Airgas, Inc.	Southern Welding Supply, Inc.	
28-Nov-06	Praxair, Inc.	CasperÆs Welding Solutions & Supply LLC	
20-Nov-06	Harsco Corp.	Moldajes y Andamios TH SA	
15-Nov-06	W.W. Grainger, Inc.	Professional Inspection Equipment, Inc.	
1-Nov-06	TVI Corp.	Signature Special Event Services	
1-Nov-06	DXP Enterprises, Inc.	Safety Alliance	
30-Oct-06	Bostwick-Braun Co.	Sterling Construction Co., Inc.	Steel City Products, Inc.
26-Oct-06	Allis Chalmers Energy, Inc.	Oil & Gas Rental Services, Inc.	
19-Oct-06	DXP Enterprises, Inc.	Gulf Coast Torch & Regulator, Inc.	
18-Oct-06	Allis Chalmers Energy, Inc.	Petro Rentals, Inc.	
11-Oct-06	DXP Enterprises, Inc.	Safety International, Inc.	
10-Oct-06	Insight Equity	Carlisle Companies, Inc.	Walker Group
6-Oct-06	Bass Enterprises	Atlas Copco AB	RSC Equipment Rental
5-Oct-06	ista North America, Inc.	Comptage Immobilier Services SA	
3-Oct-06	Plant Rental /Van Zyl/	Thermadyne Holdings Corp.	Plant Rental
28-Sep-06	Macquarie Aircraft Leasing Ltd	GATX Corp.	GATX Corp. /Aircraft Leasing Business
26-Sep-06	Aggreko Plc	General Electric Co.	General Electric Co. /Energy Rentals Business
25-Sep-06	First Technology Capital, Inc.	United Computer Capital Corp.	United Recovery Services
25-Sep-06	Ray Investment SARRL	DH Supply	
15-Sep-06	ERIKS Group NV	Turpen & Associates, Inc.	
11-Sep-06	Sammons Enterprises, Inc.	Finning International, Inc.	Finning (UK) Ltd. /Materials Handling Division
7-Sep-06	UniverCell Holdings, Inc.	Pure Romance, Inc.	
5-Sep-06	Basic Energy Services, Inc.	Reddline Services LLC	
22-Aug-06	Classic Party Rentals, Inc.	Carolina Party Plus	
21-Aug-06	Lindsay Goldberg & Co Llc	Brock Holdings, Inc.	
11-Aug-06	Commercial Metals Co.	Concrete Formtek Services	
8-Aug-06	Rent-A-Center, Inc.	Rent-Way, Inc.	
1-Aug-06	Oakmont Acquisition Corp.	One Source Equipment Rentals LLC	
1-Aug-06	United Rentals, Inc.	Carter Rental	
31-Jul-06	Bestway, Inc.	Rent World LLC	Rent World LLC /7 Rent-To-Own Stores
28-Jul-06	Code Hennessy & Simmons LLC	Penhall International Corp.	
26-Jul-06	Advent International Corp.	Euroloc de Maquinaria SL	
19-Jul-06	Ashtead Group Plc	NationsRent Cos., Inc.	
11-Jul-06	Ray Investment SARRL	General Electric Co.	GE Supply
10-Jul-06	Industrial Hoist Services	B&H Air Tools LLC	
10-Jul-06	Industrial Hoist Services	Port Rentals	

## Comparative Company Valuations as of 1/29/07

Company	Ticker	Market Cap	Enterprise Value	EV/EBITDA	Revenue	EBITDA	Stock Price	52 Week Range
<b>Equipment Rental Companies</b>								
Ahern Rentals	—	—	—	—	\$249M	\$111M	—	—
H&E Equipment Services Inc.	HEES	\$914.7M	\$1.32B	7.0x	\$774M	\$189M	\$23.95	\$20.25 – \$42.05
Neff Corp.	—	—	—	—	\$329M <sup>1</sup>	\$147M <sup>1</sup>	—	—
United Rentals	URI	\$2.01B	\$4.86B	4.5x	\$3.88B	\$1.07B	\$24.84	\$20.25 – \$37.84
<b>Equipment Manufacturers</b>								
Caterpillar	CAT	\$40.14B	\$66.79B	10.2x	\$40.18B	\$6.54B	\$61.70	\$57.98 – \$82.03
Oshkosh Truck Corp.	OSK	\$3.84B	\$3.90B	10.3x	\$3.43B	\$377M	\$52.04	\$42.64 – \$65.69
Terex Corp.	TEX	\$5.76B	\$6.02B	8.4x	\$7.41B	\$720M	\$56.61	\$33.58 – \$66.52

<sup>1</sup> Revenue and Ebitda for nine months ended September 30, 2006 annualized for entire year.

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