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A review of the global rental market

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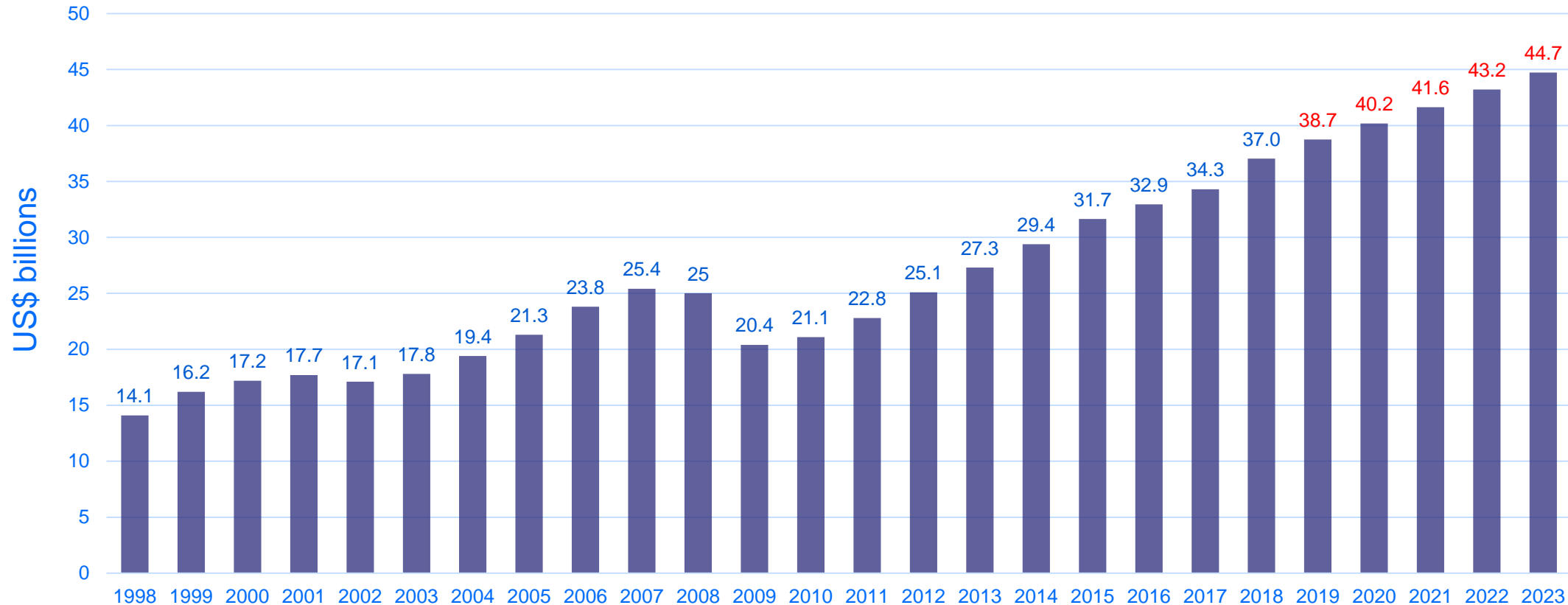
Topics for discussion

1. How big is the equipment rental industry?
2. What does a mature rental market look like?
3. Importance of MEWP rentals
4. Operational characteristics of rental companies
5. Some key current trends

1. How big is the rental market?

- Nobody collects global data, but estimate **US\$100 billion**
 - Global Rental Alliance: US\$91.5bn for 2016 (USA, Canada, Europe, Japan, Australia, New Zealand)
- North America still growing at 4-5%/year.
 - For last 20 years, CAGR of 5% (including financial crisis)
- Europe slower growth (<4%)
 - Considerable variation between markets
- Big spenders
 - €5 billion gross capital expenditure by ten largest rental companies. Total spend globally probably in the €10-15 billion range.

Total US equipment rental revenue



SOURCE: American Rental Association (ARA)/IHS Markit

2. What does a mature market look like?

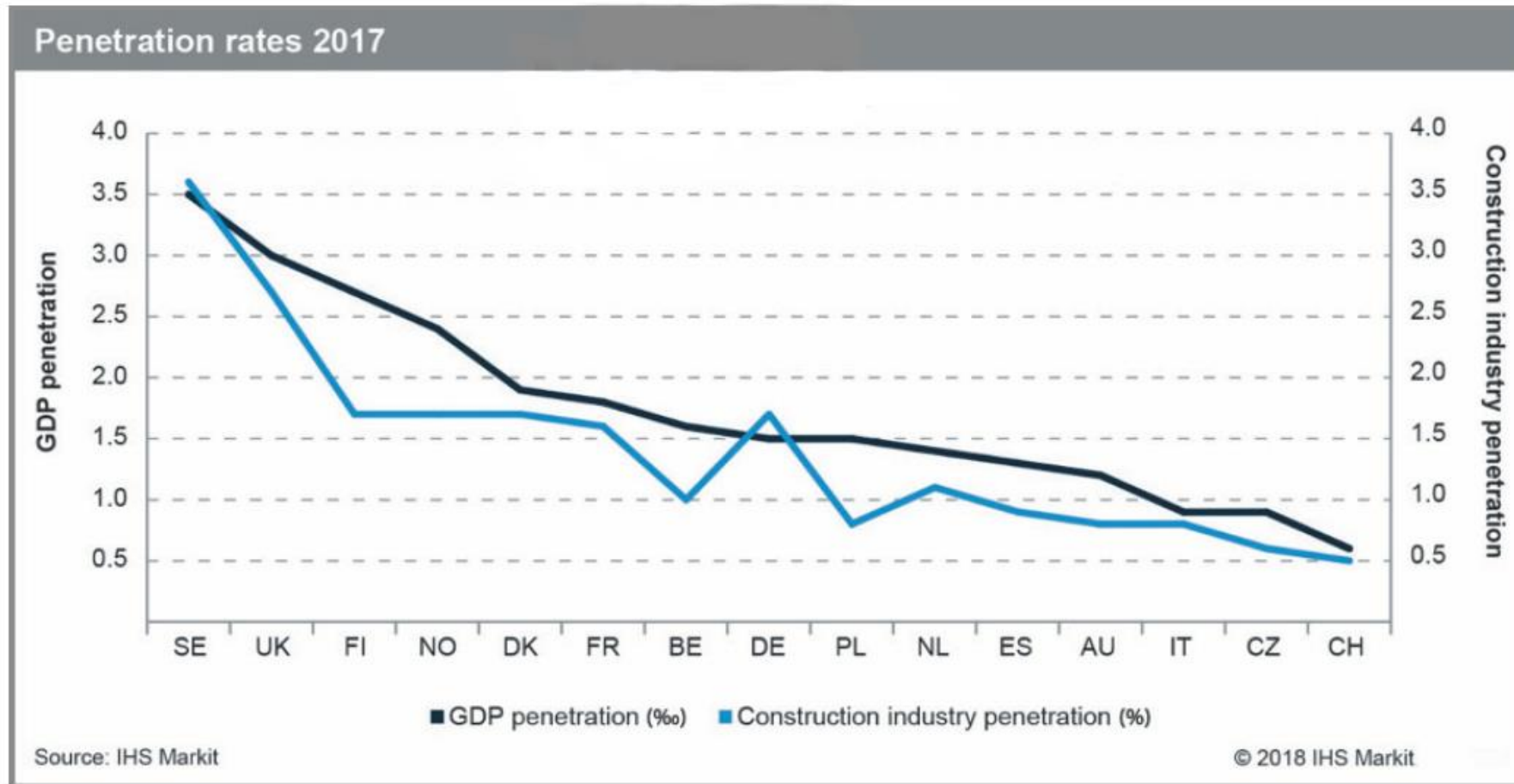
- Do we have a true global market?
 - Not many truly global players
 - 10 companies in rental top 100 (IRN100) operate in more than one continent
 - For example, United Rentals still operating predominantly in North America
 - Not many truly regional players
 - Four or five European rental companies are genuinely pan-European
 - More common in Asia (Japanese, S'pore, Hong Kong companies)
- Rental penetration rates vary dramatically

Rental the same everywhere, but different

- Tool hire (UK)
- OEM rentals/Cat Rental Stores
- Focus on large equipment in developing markets
- MEWPs play a pioneering role
- Rental penetration rates



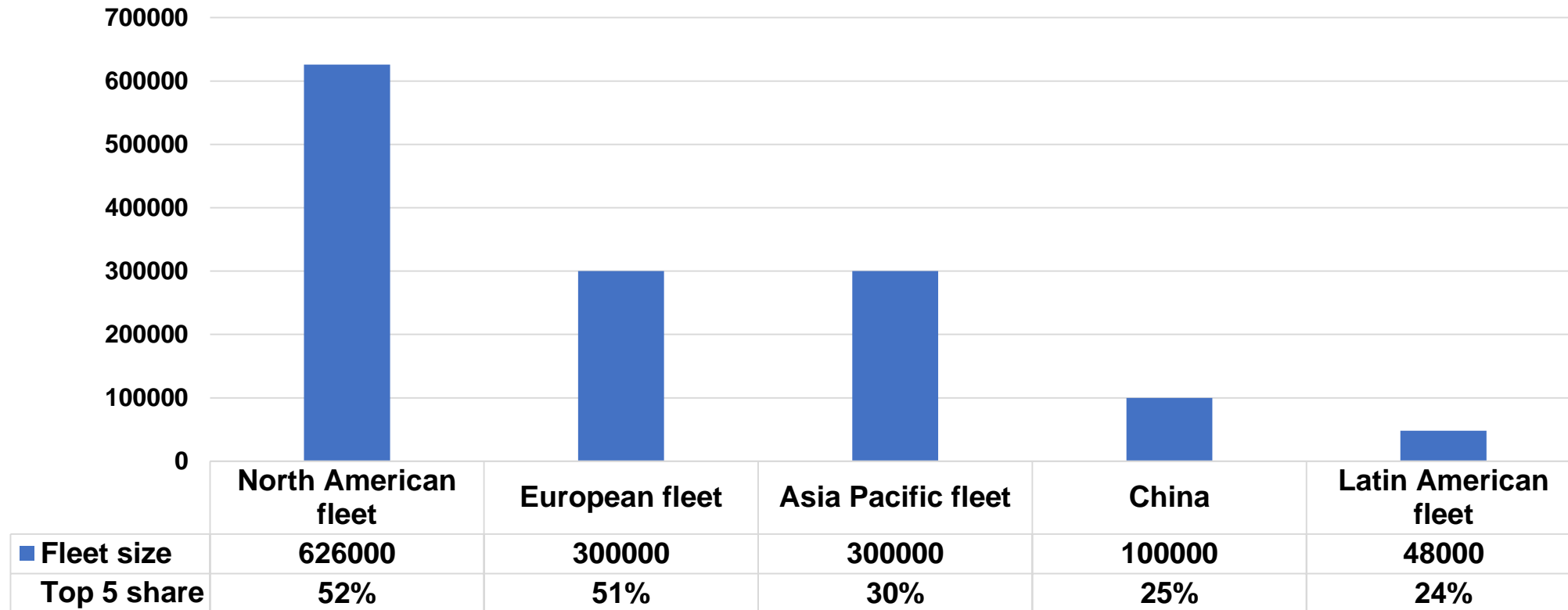
Differences: European rental penetration



3.0 Importance of MEWP rentals

- Often the first rental market to take off (productivity/safety).
- Prepares the way for other products.
- Introduces rental concept to equipment users.
- Provides route into new market for foreign players through takeovers.

MEWP fleet sizes by region



(Source: IPAF/DuckerFrontier & Access International)

MEWP rental: market penetration

US 626,000 units - 192 per 100,000 population

Europe 300,000 - 82 per 100,000

China 100,000 - 7 per 100,000

(Source: IPAF, DuckerFrontier)



MEWPs and telehandlers

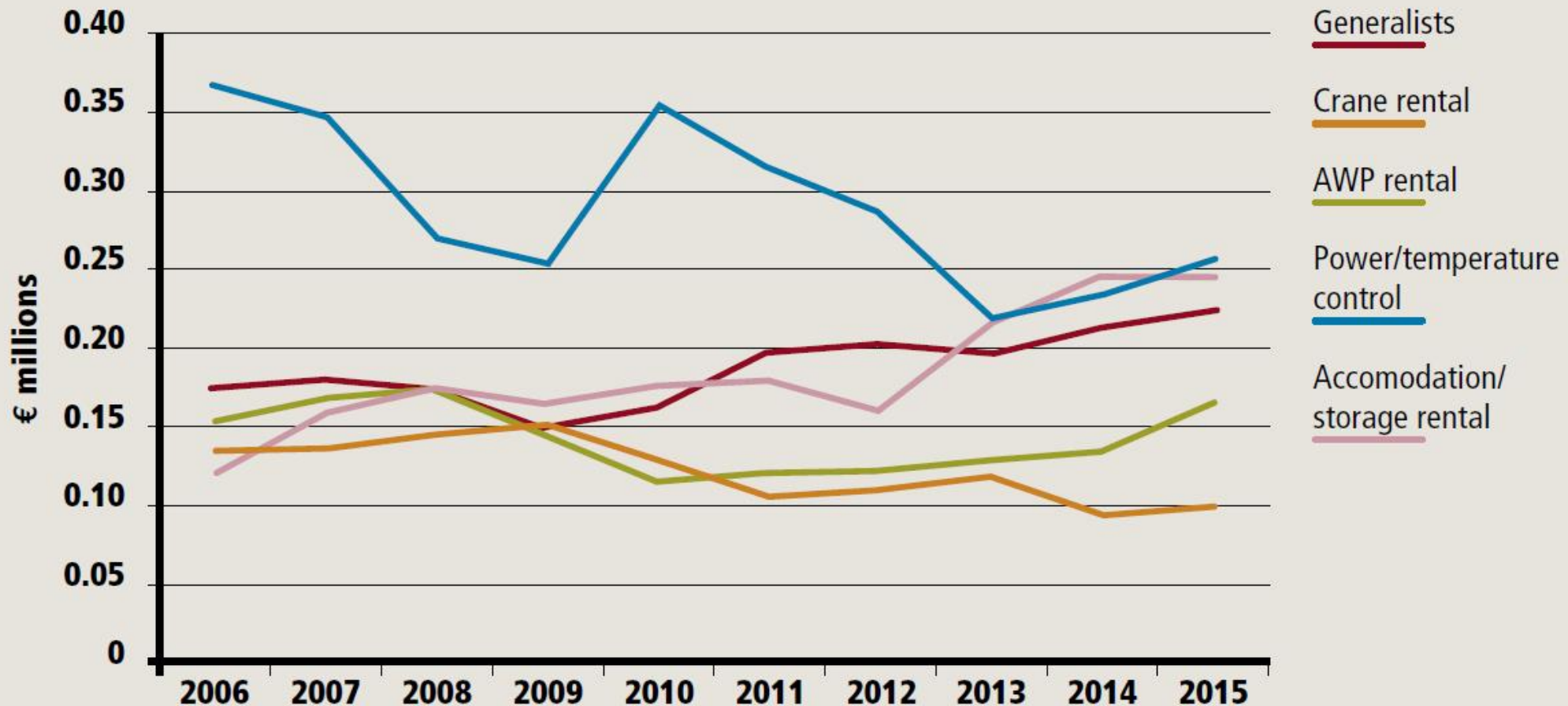
- Telehandlers are a well established rental tool in North America, Europe and Australia.
 - Major US rental companies: telehandlers represent **15-20%** of high-reach fleet
 - United Rentals: 145,000 AWP's - 31,200 telehandlers
 - Sunbelt Rentals: 104,000 AWP's – 20,000 telehandlers
 - In Europe, typically **<10%** of total high-reach fleet
 - Loxam: 64,000 AWP's – 7,600 telehandlers
 - Boels Rental: 14,600 AWP's – 700 telehandlers
 - Suggests long-term opportunity in China and wider Asia

4.0 Some operational characteristics

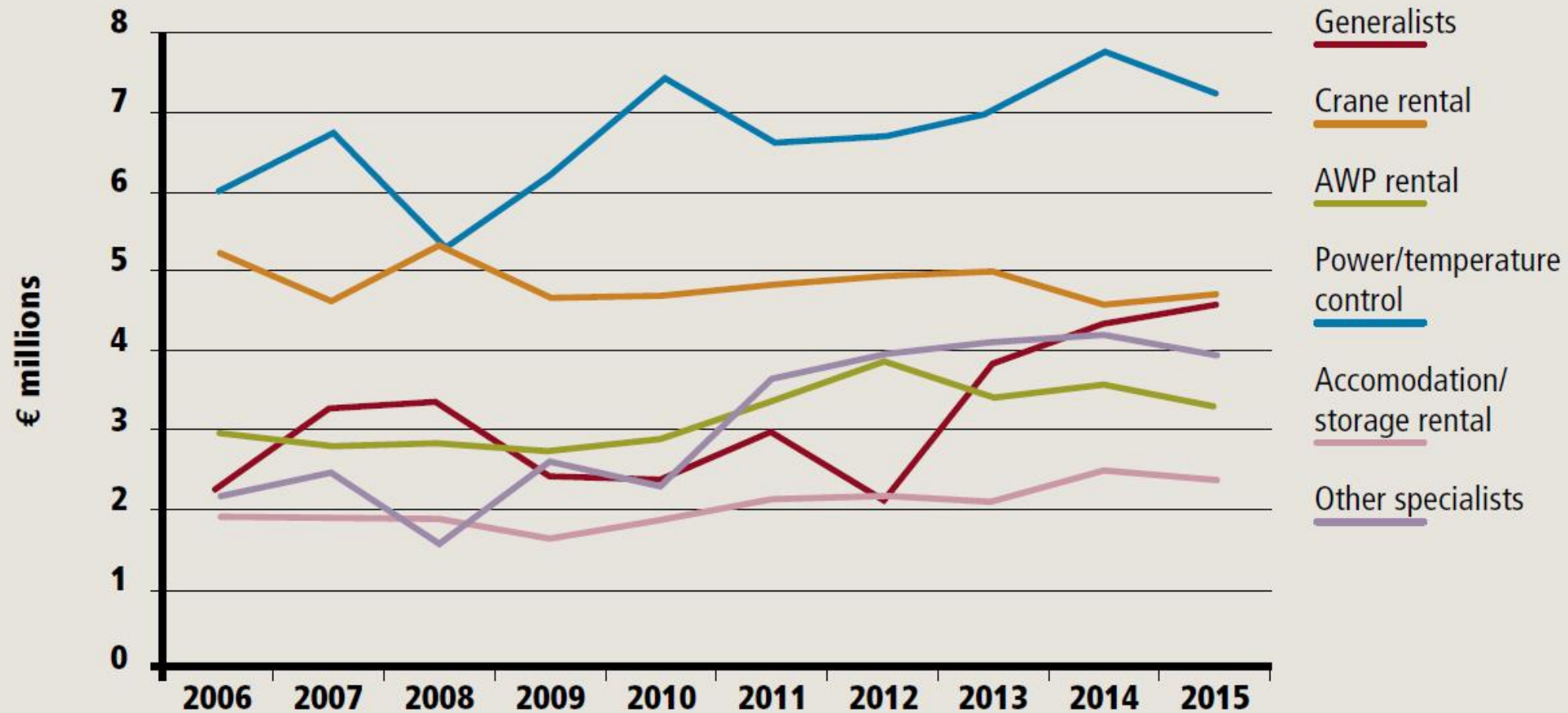
Analysis of results from decade of IRN100 surveys provides some useful 'benchmarking' data:

- Revenues per rental location
- Number of employees per location
- By sector and by region

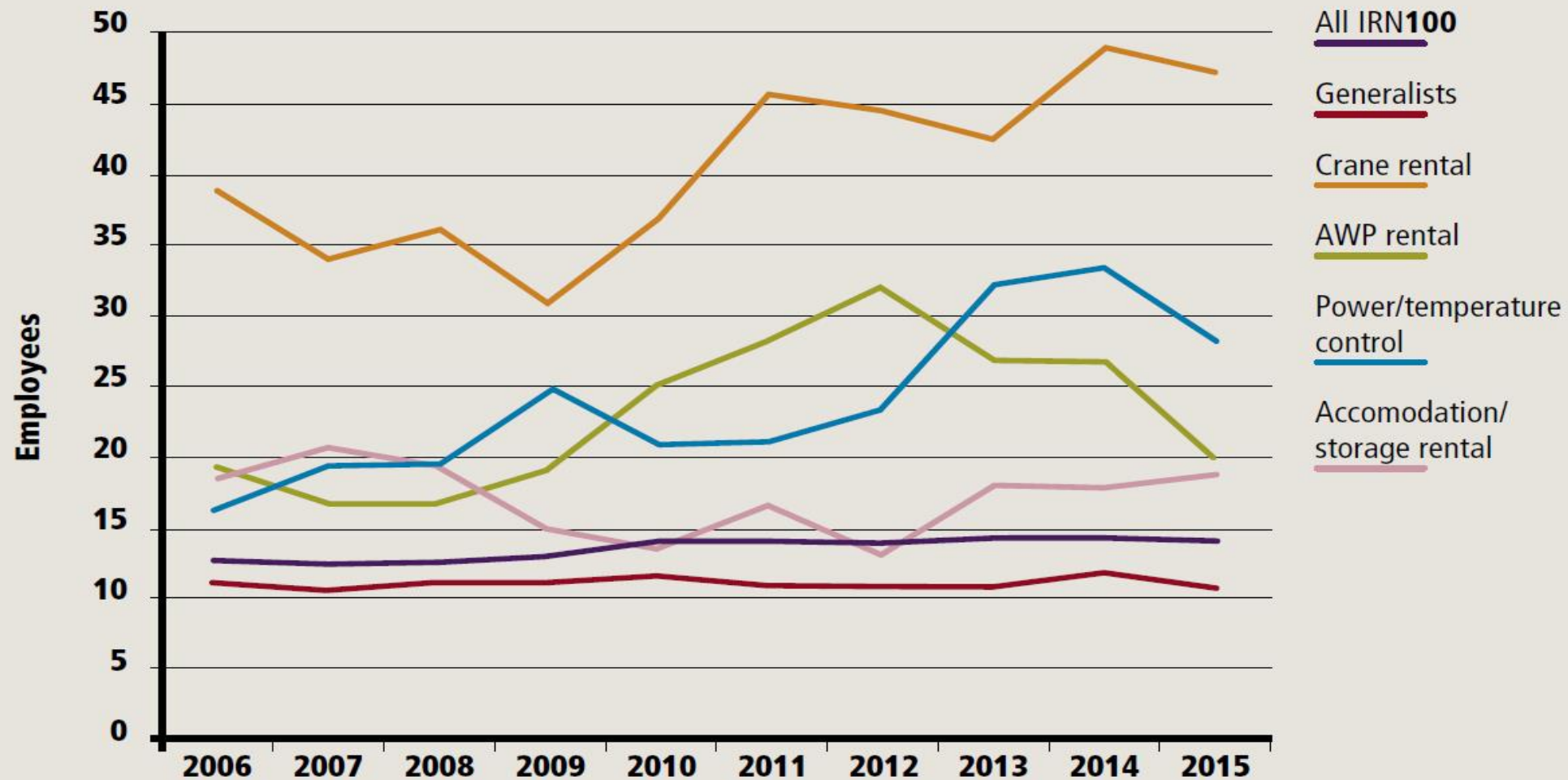
IRN100 average revenues per employee – by rental sector



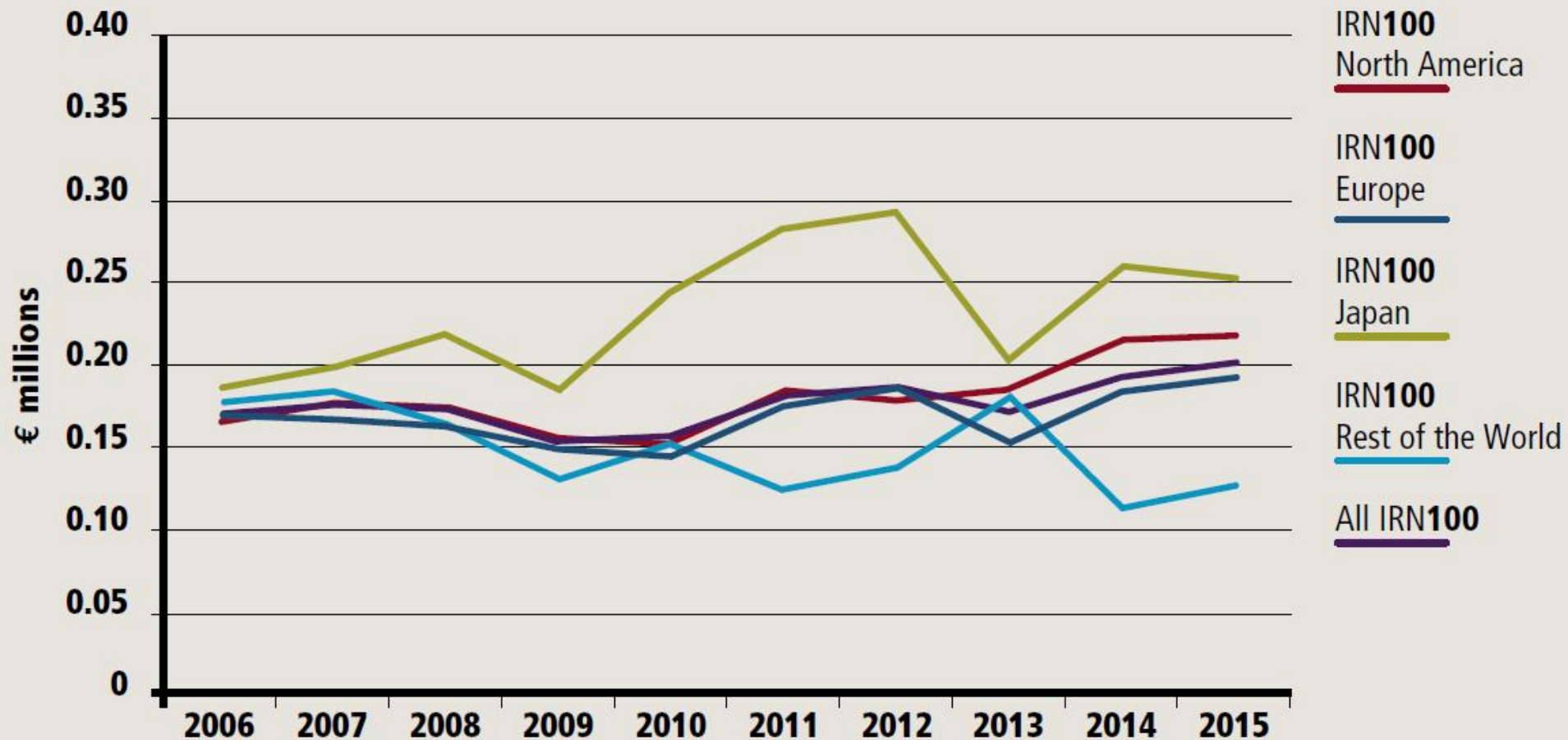
IRN100 average revenues per location – by rental sector



IRN100 average number of employees per location by rental sector



IRN100 average revenues per employee – by region



5.0 Key current trends

Rental consolidation: big rental companies getting bigger

- Market drivers: market share, cost savings, 'de-risking'
- United Rentals & Sunbelt Rentals in USA
- United has less than 15-20% market share
- Loxam in Europe: €2.3 bn revenues – less than 10% share
- Still a lot of scope for consolidation
- Opportunities in domestic markets or local region limiting the rate of rental globalisation

Specialty rentals: playing an important role

- Specialist rental companies being acquired by generalist rental companies (e.g. MEWPs, pumps, trenching).
- Specialists still thriving in sectors like power and accommodation rentals (e.g. Aggreko, Adco, Algeco, WillScot)
- Large rental companies creating specialist divisions in power, pumps, trenching, access, safety, etc.
 - Specialist divisions offer expertise, potential to charge more for service
 - Specialist divisions growing in many major rental companies (examples, United Rentals, Sunbelt Rentals, GAP Plant, Zeppelin Rentals)
 - Some companies run purely along specialist divisions (e.g. VP plc in UK)

Sustainability and the sharing economy

- Major contractors in some markets trying to reduce CO2 emissions
 - Asking rental companies for low emissions machines
 - Rental companies promoting rental as a sustainable activity, using as a marketing and sales tool
 - Maximising utilisation of machines
 - Investing in new, low-emission equipment
- European Rental Association creating tools to calculate carbon footprint of machines (see www.erarental.org)
- Equipment manufacturers responding to rental company and customer demands for hybrid and all-electric machines
 - Electric mini-excavators (JCB, Kobelco)
 - Electric/hybrid aerial platforms

Japanese rental companies growing in Asia

Kanamoto	Nikken
China (Kanamoto (China) Investment Co Ltd)	Indonesia (PT Berlian Amal Perkasa, sharehold)
Hong Kong (shareholder of AP Rentals)	Myanmar (Diamond Rental Myanmar Co Ltd)
Indonesia (PT Kanamoto Indonesia & PT Probesco Kanamoto Rental)	Thailand (NDT (Thailand) Co Ltd)
Singapore (Kanamoto & JP Nelson Equipment (S) Pte Ltd, JV)	Thailand (TSK Diamond Rental Co Ltd- crane rental, shareholding)
Thailand (Siam Kanamoto Co Ltd)	
The Philippines (KNK Machinery & Equipment Corp)	
Vietnam (Kanamoto Fecon Hassyu Rental)	
Nishio Rent All	AKTIO
Australia (Skyreach – majority shareholder)	Bangladesh (AKTIO Bangladesh, JV with Nobeeco Ltd)
Australia (Fork Force Group Pty Ltd – majority shareholder)	Indonesia (PT AKTIO Equipment Indonesia)
China (Nishio Rent All Shanghai)	Malaysia (AKTIO Malaysia Sdn Bhd)
Hong Kong (Nishio T&M (Hong Kong))	Myanmar (AKTIO Myanmar Co Ltd)
Indonesia (PT Nishio Rent All Indonesia)	Singapore (AKTIO Pacific Pte Ltd and Trans-Euro Pte Ltd))
Malaysia (Nishio Rent All (M) Sdn. Bhd.)	Taiwan (AKTIO Taiwan, joint venture)
Singapore (Nishio Rent All Singapore)	Thailand (AKTIO (Thailand) Co Ltd)
Thailand (Nishio Rent All (Thailand) Co Ltd)	
Vietnam (Nishio Rent All Vietnam Co Ltd)	

Digitalisation of rental business

- Operations (deliveries, salesforce etc)
 - Delivery and pick-up: signatures, photos.
 - Accuracy of invoicing.
 - Optimise delivery routes/optimize network structure (hubs etc.).
 - Optimise in-depot operations: maximise fleet availability.
- Customer Apps (live on- and off-renting capability)
 - View equipment on rent/manage accounts.
 - Transparency in dealings with customer.

Digitalisation of rental business (continued)

- Telematics
 - Rental management for rental companies and customers.
 - Predictive maintenance ('digital twins'), reduce cost of ownership.
 - New types of rental company (EquipmentShare in USA)
- Rental portals/online aggregators
 - BigRentz (USA), Klickrent (Germany): potential threat to traditional rental companies (commoditising the business).
- Dynamic pricing: trials now underway in several companies
 - Concerns about customer acceptance/impact on major accounts.

Final remarks

- No rental market is the same: reflect local histories, market conditions (attitudes to rental, sustainability, availability of capital, market uncertainty).
- China is growing at remarkable rate. It has opportunity to learn from other markets and accelerate development (and avoid pitfalls of rapid growth).
- China will eventually become a target market for rental companies in the West. They are watching developments...
- Expansion into earthmoving and compact equipment rentals in China will take time, but will happen.
- Chinese companies have opportunity to pioneer digital technologies.

Thank you

Contact information

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