A KHL EXECUTIVE REPORT

# THE GLOBAL RENTAL REPORT


## GLOBAL ANALYSIS OF RENTAL COMPANIES, FLEET TRENDS, CAPITAL EXPENDITURE AND BENCHMARK DATA

OCTOBER 2016

INTERNATIONAL rental NEWS

khl

*KHL Executive Report:*
*THE GLOBAL RENTAL REPORT*
OCTOBER 2016

**CO-AUTHORS**
Helen Wright
e-mail: helen.wright@khl.com
direct tel: +44 (0)1892 786209

Murray Pollok
e-mail: murray.pollok@khl.com
direct tel: +44 (0)1505 850043

**EDITORIAL DIRECTOR**
Paul Marsden BSc
**EDITORIAL TEAM**
Lindsey Anderson, Alex Dahm, Steve Ducker, Sandy Guthrie, Mike Hayes, Joe Malone, Cristián Peters, D.Ann Shiffler, Euan Youdale

**PRODUCTION & CIRCULATION DIRECTOR**
Saara Rootes
**PRINT AND DIGITAL PRODUCTION MANAGER**
Ross Dickson
**PRODUCTION ASSISTANT**
Anita Bhakta
**DESIGN MANAGER**
Jeff Gilbert
**EVENTS DESIGN MANAGER**
Gary Brinklow
**JUNIOR PRINT AND DIGITAL DESIGNER**
Mitch Logue

**PUBLISHER**
James King

**ORDER ENQUIRIES**
Anna Philo
e-mail: anna.philo@khl.com
direct tel: +44 (0)1892 786225

**www.khl.com**


PRICES FROM: £850.00 €1,000.00 US$1,100.00
*Multiple licences available*

# A wealth of rental data

This special report contains over a decade's worth of data from *International Rental News (IRN)* magazine's annual IRN**100** ranking of the largest 100 rental companies in the world, ranked by rental-related revenues.

*IRN* began this IRN**100** project back in 2006, looking at rental revenues for the 2005 financial year, and has since built up an expansive and invaluable set of data over the years tracking the performance of our dynamic growth industry.

As well as rental-related revenues, the annual data gathering project also collects key information in other areas too, such as gross capital expenditure on fleet, numbers of depots, employee numbers and the types of equipment in a company's fleet.

The list covers equipment rental sectors including general construction equipment, power, tool hire, aerial platforms, portable accommodation and party and events rental. For a full set of explanatory notes on the parameters of the IRN**100** data, please see the back page of this report.

As well as allowing us to analyse the wider trends in the global rental industry over the last 10 years, this wealth of rental data also provides the opportunity to look at individual benchmark companies and see how they have navigated the choppy economical waters that have characterised the last decade, and compare this to their competitors' performance.

The IRN**100** companies represent around half of global rental activity, so while the findings are representative of the market as a whole, the data is also of course skewed towards the larger companies in the industry by its nature.

Consolidation is a big factor in the global rental market, but this industry still remains a highly fragmented place – there is lots of growth and change that is still to come in the next decade. In addition, lessons drawn from the largest 100 rental companies over the last decade may not always apply equally to the thousands of small, local 'mom and pop' rental businesses around the world.

Nevertheless, this aggregation of data from our annual IRN**100** surveys – the most recent of which is reprinted at the end of this report – offers a true insight into how the largest 100 rental companies in the world have steered themselves through the economic ups and downs of the last 10 years.

Whether as an aid to benchmarking a rental business, or to better understand how the rental market relates to the wider economy, and the strategies of the largest players in this market, we believe this report provides a valuable resource.

Enjoy the read!

**Helen Wright**
Editor
*International Rental News*

**Murray Pollok**
Managing Editor,
*International Rental News*

# CONTENTS


Executive summary 6

Global rental trends 10

European rental trends 19

North American rental trends 25

Japanese rental trends 31

Benchmarks: 36

Employment

Locations

Leading companies and capital investment

Rental and construction equipment 59

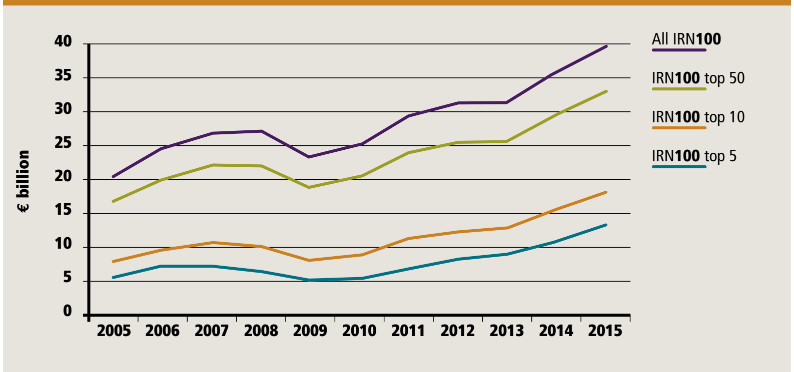
IRN**100** 2016 62

KHL portfolio 81

Notes 82

# Executive summary

IRN**100** revenues




## The IRN**100** Survey

*International Rental News (IRN)* has been compiling a list of the largest 100 rental companies in the world since 2006.

The data stretches back to 2005 since each year's table is based on rental-related revenues for the previous financial year. The largest 100 rental companies in the world produced €20.4 billion in revenues in 2005 – a figure that has jumped 94.6% in the intervening years to €39.7 billion for 2015, the most recent IRN**100** ranking year.

There have been ups and downs along the way of course, and analysis of the top 100 provides useful data on trends around the world – by region, product category and company type. At the end of this report, you will find a full re-rpint of the 2016 IRN**100** ranking, based on rental-related revenues for the 2015 financial year.

When tracking the rise and fall of the total rental revenues of IRN**100** companies since 2005, the most immediate pattern that stands out is the impact of the financial crisis. The dip from 2007 to 2009 impacted the Top 5, Top 10, Top 50 and Top 100 companies alike, interrupting an otherwise steady increase in the revenues of this industry's top 100 players.

After a slight falter between 2012 and 2013, when European markets stuttered and softened, the post-crisis recovery really started gaining momentum from the end of 2013 onwards. While oil and gas crisis and the global commodities slowdown took its toll on certain regions and sectors within the overall table, growth in the overall IRN**100** ranking has been reassuringly robust over the last two years.

And looking at the Top 5 rental companies, it is clear how far the ranking has come – back in 2006, when *IRN* first started compiling the IRN**100**, based on revenues for the previous year, total revenues for the largest five rental companies in the world stood at €5.6 billion, and dipped to €5 billion at the height of the crisis in 2009. Fast forward to 2015, and the largest five rental companies in the world boast revenues of €13.3 billion, which the largest company – United Rentals – smashing the 2009 Top 5 total by itself, with 2015 revenues of €5.09 billion.

After being hit hard by the financial crisis, the world's largest rental companies have worked hard to expand their revenue base both organically into new geographies, and through acquisitions into new specialty sectors

## Global rental revenues

The last decade of IRN**100** data has consistently revealed the dominance of North American and European rental companies – a trend that clearly persisted through the financial crisis of 2008/09 and beyond.

North America's recovery from the financial crisis began earlier than Europe's, and has been faster too thanks in part to strong investment in public infrastructure projects. In fact, the region overtook Europe as the dominant global rental market in 2014.

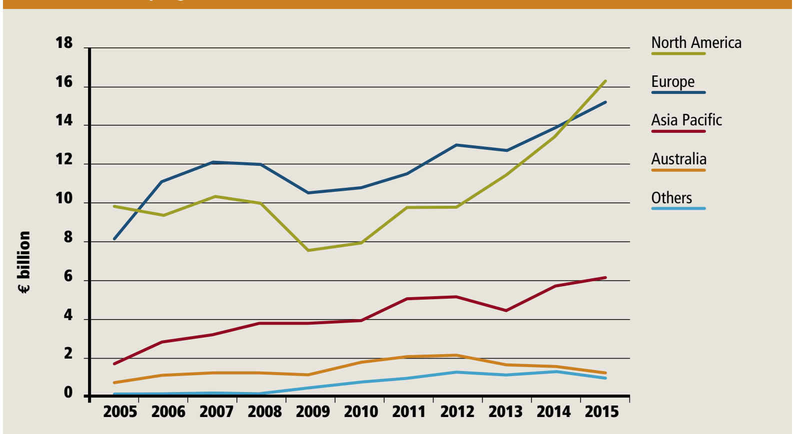
The recovery in the European rental market has been less impressive, thanks for the most part to post-crisis austerity policies and their impact on construction investment. But the region is still clearly a key rental hotspot, and even slow grown in percentage terms translate to many billions of Euros in value terms thanks to the size and maturity of the European rental market.

The Latin American region is included in the 'others' line on the graph, and its dip between 2015 and 2016 reflects the economic difficulties in this region and other commodities-dependent areas including the Middle East, which is also included under 'others'. Australian companies have also taken a tumble since 2012 for similar reasons, as the line for this region demonstrates.

The Asia Pacific line, which includes Japan and China, has also seen ups and downs – however, currency fluctuations have impacted this to some extent.

Nevertheless, the long-term trend shows that companies from outside Europe and North America are becoming increasingly relevant to the IRN**100**. This is a trend that is expected to continue as the benefits of the rental model are

IRN**100** revenues by region



# NORTH AMERICAN RENTAL TRENDS

North American revenue growth 26

North American rental and GDP 27

North American rental & construction 28

Rental penetration in North America 29

Rental consolidation 30

# Rental consolidation in Japan

Since 2012 there have been 10 Japanese rental companies that regularly feature in the IRN**100**, and in 2015 they represented 54% of the value of the total domestic market by rental revenues. At the same time, the largest four Japanese companies have been steadily increasing their market share from around 25% in 2006 to just under 40% in 2015. With so few companies dominating the Japanese rental market, it is easy for changes in one business to have a dramatic effect on overall market trends.

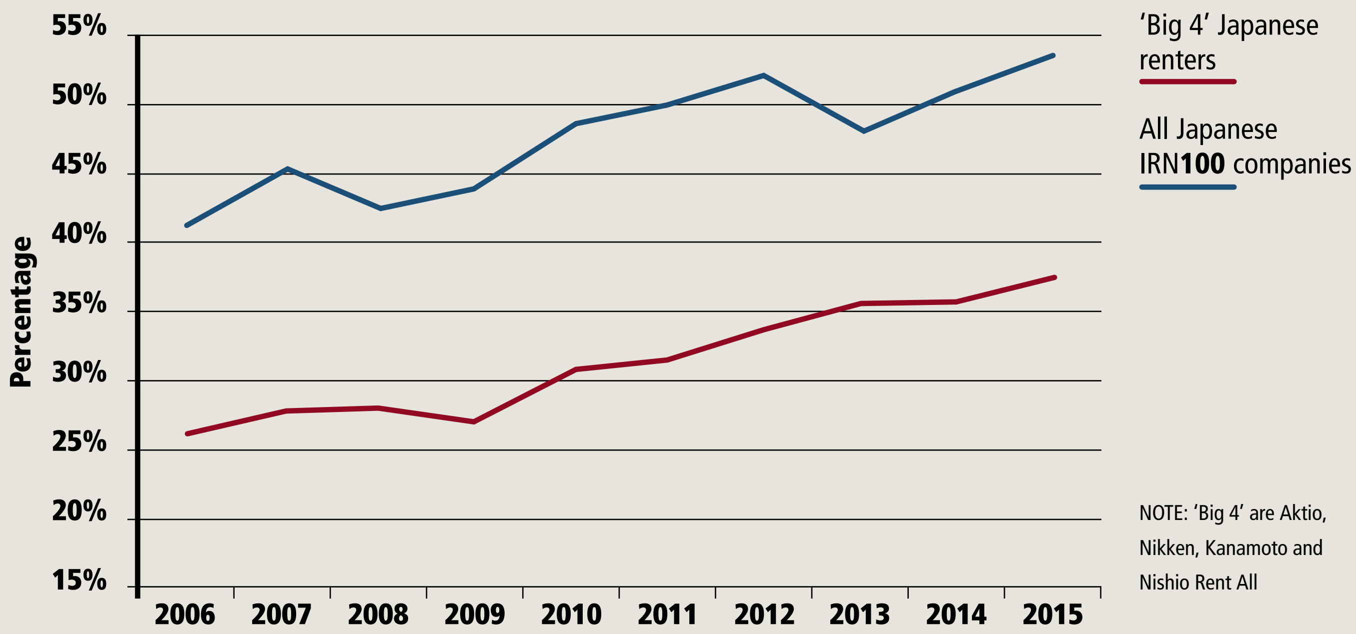
But desipte the highly concentrated nature of Japan's mature rental sector, further consolidation is still happening. For instance, a recently-struck deal will result in one rental company being removed from the next edition of the IRN**100** ranking having been acquired since the 2016 edition of the table (based on rental revenues for 2015) was published.

Kyosei Rentemu, which ranked 62nd place with 2015 revenues of €166 million, was subject to a takeover bid by its much larger rental rival Aktio in the summer of 2016. Aktio, which already owned a majority 20% stake in Kyosei, increased this stake to a 100% shareholding, and then delisted Kyosei from the Tokyo stock exchange.

The second graph tracks changes in Japanese rental revenes – both in terms of the largest four companies, and in terms of the overall Japanese rental market estimate – against changes in the domestic construction sector. Here its is clear that approximate construction output has not changed dramatically in Japan since the financial crisis, while growth rates among the big four companies and the wider rental industry have slowed in recent years.

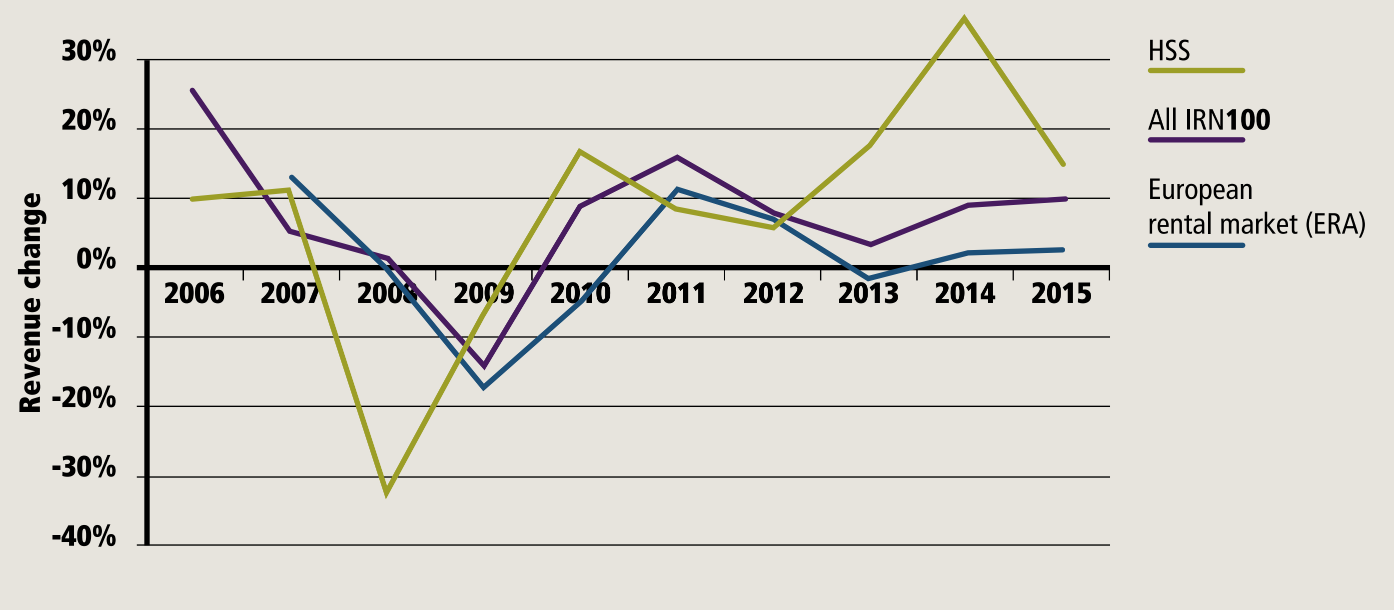
Sluggish growth has been a characteristic of the Japanese economy for some time now, despite the policies of fiscal stimulus, monetary easing and structural reforms advocated Prime Minister Shinzo Abe in an attempt to boost growth. Nevertheless, the largest rental companies in the country have been able to find growth by diversifying their revenue streams and expanding organically as well as through acquisitions. ■

## 'Big 4' and Japanese IRN**100** as percentage of total Japanese rental market




NOTE: 'Big 4' are Aktio, Nikken, Kanamoto and Nishio Rent All

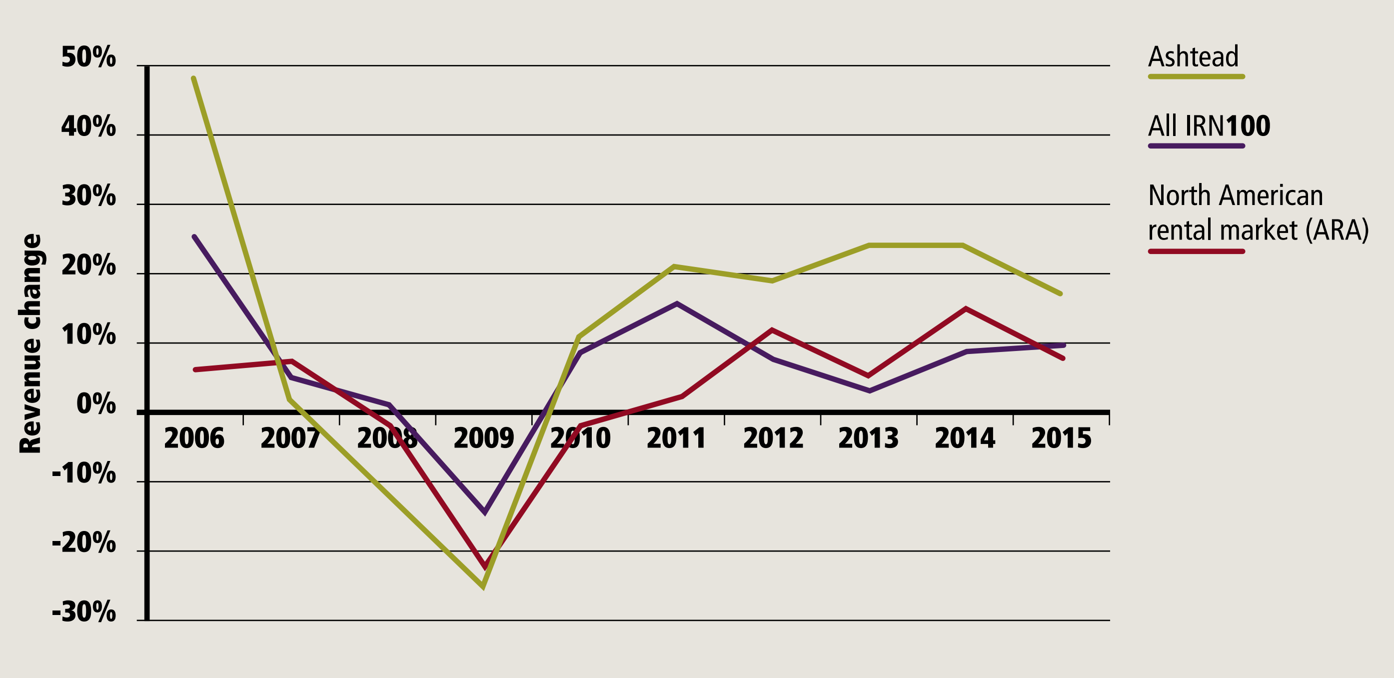
## Changes in HSS' revenues vs IRN100 and total European rental market




### HSS

After a series of private equity owners the world famous HSS business was floated on the London stock exchange in February 2015. The business grew its revenues dramatically between 2012 and 2015, backed by a UK economy and construction industry that was performing above the European average. Growth has since faltered. HSS and Speedy Hire – one of its largest competitors – met during 2015 to discuss a possible merger, although Speedy's board eventually rejected the deal. HSS's growth has been bolstered by a series of acquisitions in specialist rental businesses, including aerial platforms and cleaning equipment.

## Changes in Ashtead Group's revenues vs IRN100 and total North American rental market




### Ashtead Group

UK-based Ashtead Group owns A-Plant in the UK and Sunbelt Rentals in the US, the latter making up 85% of its business. It was the acquisition of NationsRent in 2006 that transformed the scale of its US operation. The group's acquisitions and organic growth in the US – and to a lesser extent in the UK – have combined to drive growth rates far higher than the overall market. The slowdown in shale oil and gas was having a dampening impact in 2015.

# The €40


**Revenues for the largest 100 rental companies in the world grew 5% year-on-year in 2015 – fuelled by strong growth from the US**

## IRN**100** Notes & thanks

*IRN* again thanks those companies and individuals who contributed information to the survey. If you have comments, or would like to be included next year, please contact the editor. Tel: +44 (0)1892 786209 E-mail: helen.wright@khl.com

- Rankings are based on rental revenues for 2015 (or the most recent financial year) and include sales of used fleet and consumables/contractor supplies. Where known, sales of new equipment have been excluded from the survey.
- Figures denoted (Est) have been estimated by *IRN*. As in previous years, figures denoted RER are taken, with thanks, from the annual RER-100 survey published by US-magazine RER (Rental Equipment Register) in May 2015.
- All revenues have been converted into € using exchange rates as at 31/12/15, as follows (exchange rates used in last year's survey are given in brackets):

**€1.00 = US$1.093** (1.211)
**= UK£0.738** (0.777)
**= AU$1.51** (1.483)
**= CA$1.517** (1.405)
**= JPY131.7** (144.5)
**= ZAR16.99** (13.99)
**= SEK9.19** (9.42)
**= SG$1.547** (1.60)
**= NOK9.603** (9.02)
**= BRL4.326** (3.22)
**= CNY7.087** (7.51)
**= NZ$ 1.598** (1.55)

With combined 2015 revenues of €39.7 billion, the largest 100 rental companies in the world have worked hard to change and expand amid unpredictable global markets.

On a like-for-like basis (stripping out the impact of currency fluctuations between 2014 and 2015), the value of the IRN**100** grew 5% year-on-year, with the combined total of the top five companies alone jumping 13% to reach €12.3 billion at constant exchange rates, and €13.35 billion in real terms – see Table 1.

The vast majority of this growth came from rental companies that generate the their revenues in the US - firms which were still enjoying a buoyant environment, at least until the second half when the oil and gas downturn started to bite.

Revenues at the big Japanese rental companies were pretty much flat (after adjusting for currency changes), while in Europe, they were around 4% up year on year for the top 50. Much of this growth will have come through acquisitions and through growing revenues at the largest UK renters.

Headwinds impacting the global rental industry in 2015 included the oil and gas crisis, over-fleeting, and tough competition. Currency volatility also hit individual company results, particularly multinationals trading in many different currencies, as well as the results of this table, which is presented in Euros – see the notes box for the details of the exchange rates used.

Despite this, rental companies capitalised on the growth they could find in construction equipment rental markets. They also continued to diversify, pursuing growth in other sectors such as events, temporary accommodation and power rentals to increase their revenues.

This year, the top 25 spenders in the table invested €7 billion on their fleets, down 7.9% year-on-year (more on this later). There are 41 companies headquartered in Europe in this year's table, up from 39 last year, while there were 35 companies from North America and 10 from Japan – the same as last time.

It was a different story in South America, however, where the commodity price dip and wider instability

## Products featured in the IRN**100**

*IRN* limits its definition of rental to products that are, broadly, related to the construction industry as well as some sectors of general industry and events. That means we include construction equipment, small tools, portable accommodation, aerial equipment, pumps, shoring equipment, power and temperature control.

This excludes many other rental sectors, including specialist businesses such as medical equipment rental, testing and measurement equipment, and the rental of specialist oil and gas related equipment. Industrial forklift trucks is another sector that we do not yet cover.

TABLE 1

### IRN**100** Revenues

| | 2015 (currency adjusted) | 2015 Revenues (€ billion) | 2015 % change (adjusted) | 2014 % change (adjusted) | 2013 Revenues (€ billion) | 2012 Revenues (€ billion) | 2011 Revenues (€ billion) | 2010 Revenues (€ billion) | 2009 Revenues (€ billion) | 2008 Revenues (€ billion) | 2007 Revenues (€ billion) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Top 5** | € 12.3bn | € 13.35bn | 13% | € 10.87bn | € 9.23bn | € 8.38bn | € 6.96bn | € 5.30bn | € 5.04bn | € 6.30bn | € 7.20bn |
| **Top 10** | € 16.6bn | € 18.1bn | 7% | € 15.51bn | € 13.01bn | € 12.35bn | € 11.44bn | € 8.90bn | € 8.07bn | € 10.00bn | € 10.80bn |
| **Top 50** | € 30.9bn | € 32.9bn | 5.5% | € 29.30bn | € 25.55bn | € 25.43bn | € 24.23bn | € 20.20bn | € 18.73bn | € 22.00bn | € 22.10bn |
| **Top 100** | € 37.3bn | € 39.7bn | 5% | € 35.42bn | € 31.70bn | € 31.40bn | € 29.43bn | € 24.90bn | € 23.20bn | € 27.10bn | € 26.90bn |
| **Total World Market** | | € 73.5bn (Est) | | € 70bn | € 70bn | € 65bn | € 60bn | € 55bn | € 55bn | € 60-65bn | € 62bn |