



The face of interaction





Rental Service Business Area

Thomas Bennett

Capital Markets Day

Feb. 19-20, 2001



Atlas Copco

Equipment Rental and Atlas Copco

▶ Rental industry

- ▾ Drivers
- ▾ History and development

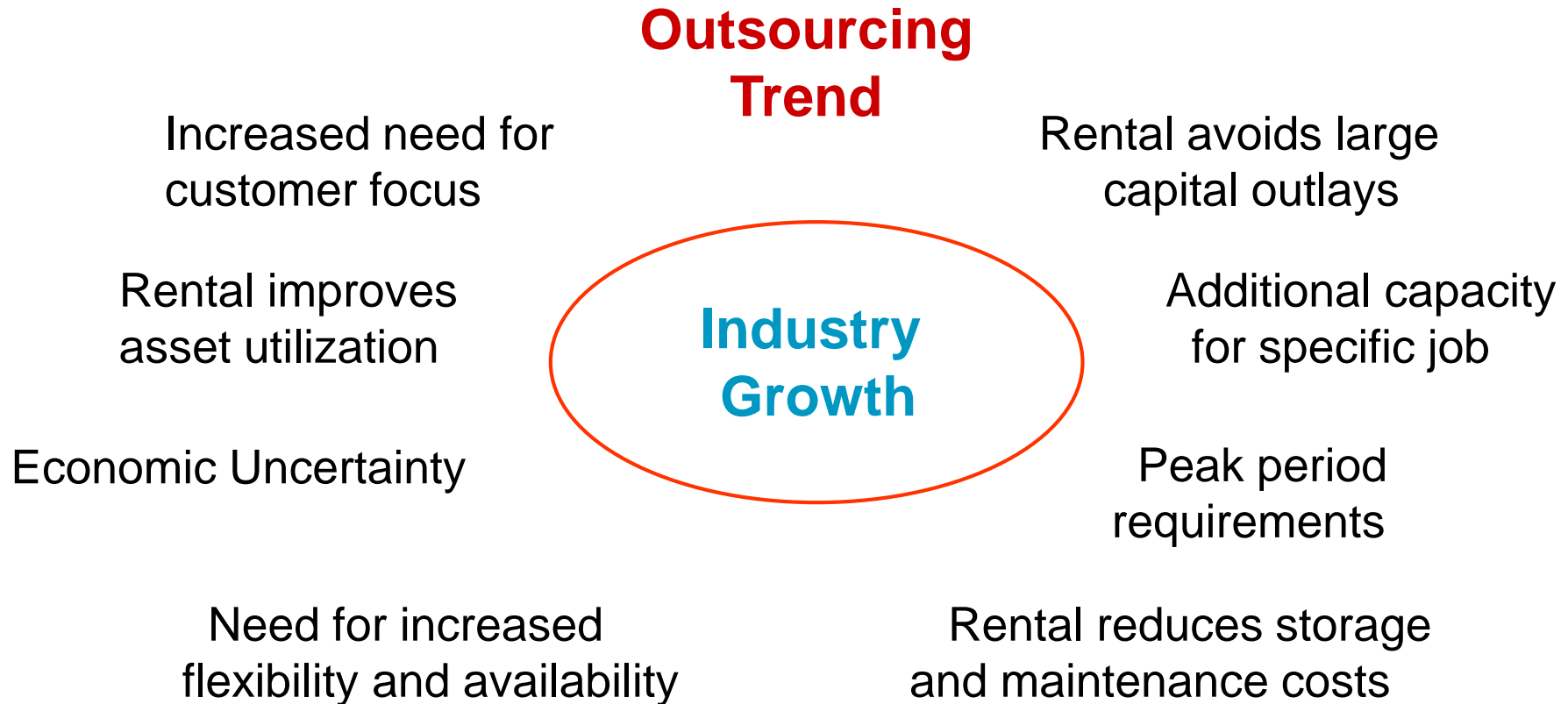
▶ Why Atlas Copco chose equipment rental industry

▶ Creating Rental Service Business Area

- ▾ Prime acquisition
- ▾ RSC acquisition
- ▾ Creating RSBA
- ▾ Merger

▶ Economic situation and outlook

Rental Industry Drivers



U.S. Equipment Industry

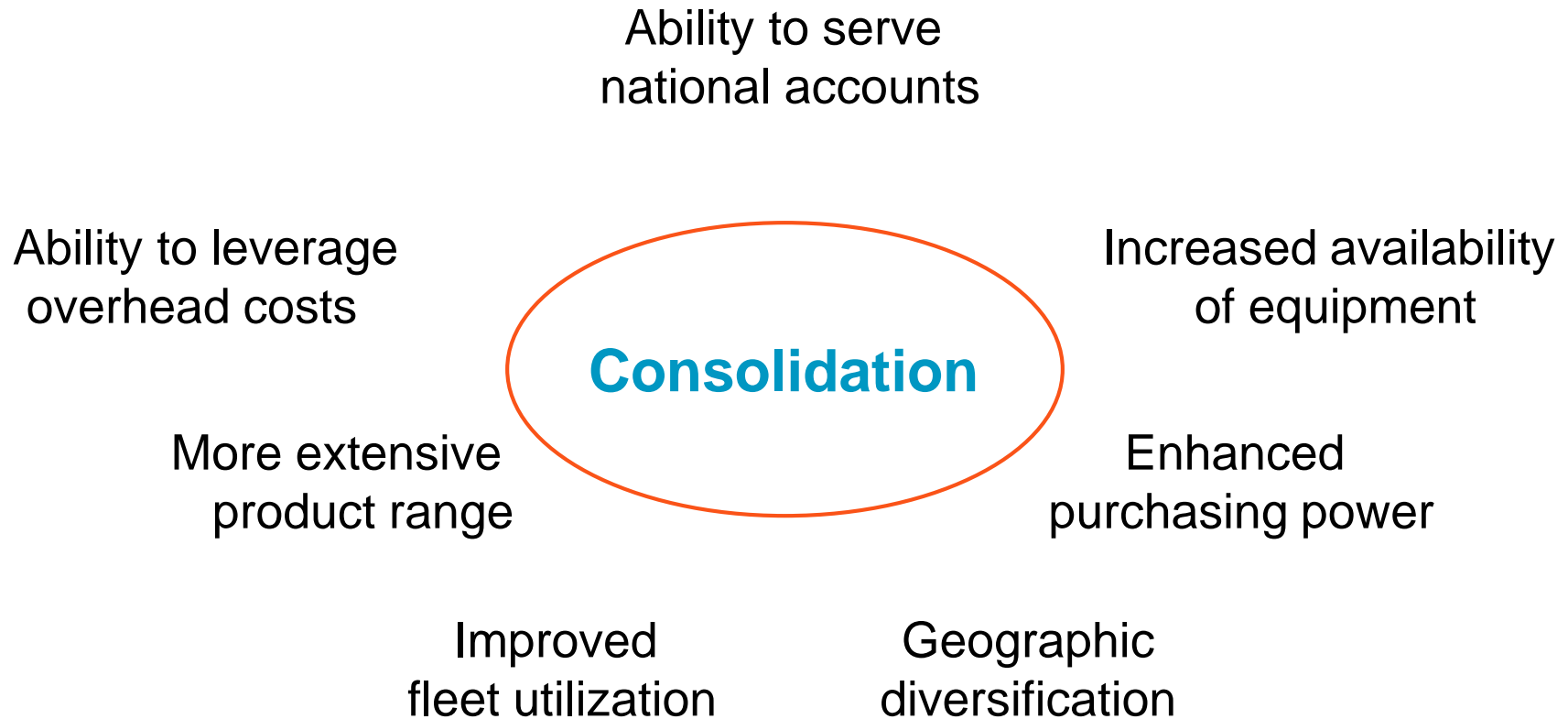
First Generation 1960s - 1980s

- ▶ Product was manufactured
- ▶ Manufacturer had a distribution body, dealer or representatives
- ▶ Sacred ground per contract in local markets
 - ▾ Life was easy
 - Preferred Lines of Equipment
 - Best Territories
 - Name Recognition Within The Marketplace
- ▶ Well-trained sales force (after-market support) locked in clientele

U.S. Equipment Industry Second Generation

- ▶ Consolidation became normal
 - ▾ Rental companies
 - ▾ Equipment manufacturers
 - ▾ Equipment dealers
- ▶ Changing market conditions!
 - ▾ Scrambling to figure out what was going on
- ▶ Our segments of the U.S. economy were strong
- ▶ We experienced competitive pressure on all fronts due to consolidation

Key Consolidation Drivers



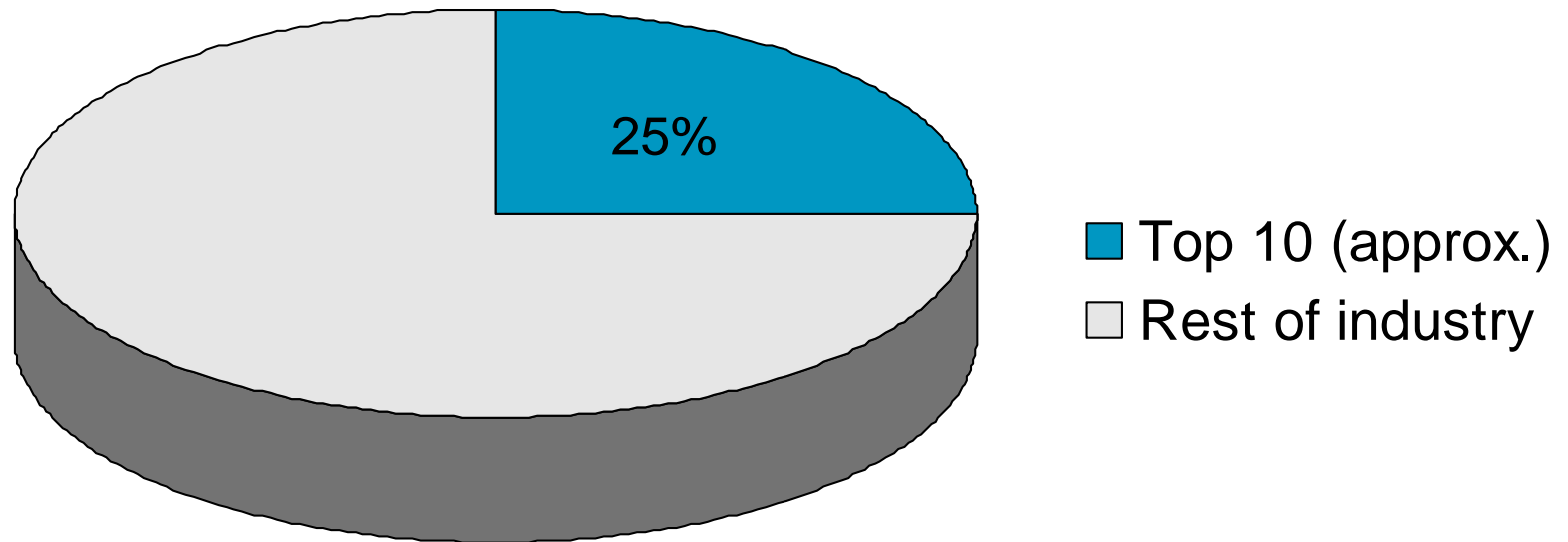
Largest Rental Companies in North America

	2000 Rank	1995 Rank
United Rentals	1	
Atlas Copco	2	
Hertz	3	1
NationsRent	4	
NES	5	
Prime Service		2
BET Plant Services		3
U.S. Rental		4
American Equipment Rental		5

Source: Lehman Brothers, Rental Equipment Register

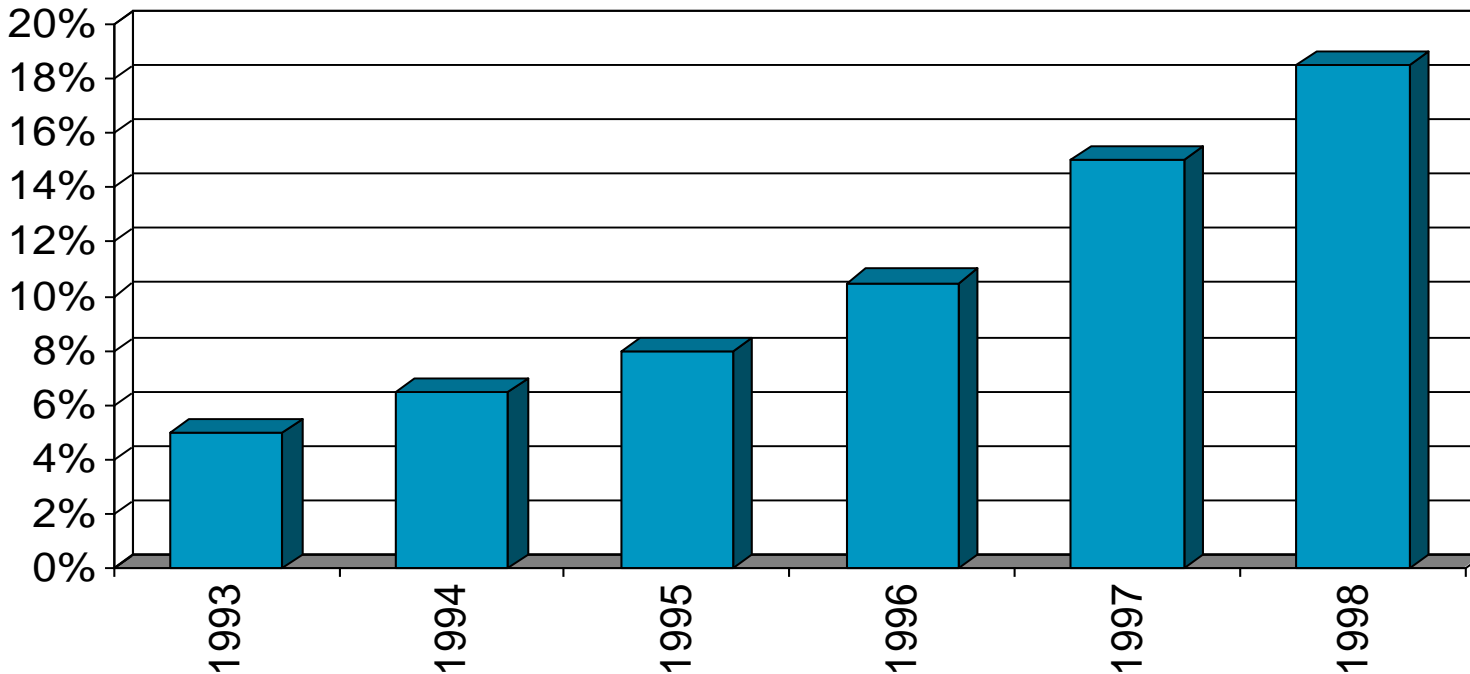
Fragmented Rental Industry

- ▶ It's estimated, by various sources, that the major rental companies today represent about 25% of industry sales
- ▶ The balance of the industry is made up by smaller independents, operating in local or niche markets



Source: Atlas Copco estimate

U.S. Contractor Fleet Percentage of Fleet Rented



Source: Lehman Brothers Estimates

U.S. Equipment Industry

Third Generation Companies



-
- ▶ Some of us are already there!

 - ▶ The future is now!
 - ▾ Return of capital employed focus
 - ▶ Industry standards have changed
 - ▶ Manufacturer's loyalties to previous dealer arrangements have lessened.
 - ▾ They are pursuing industry growth trends
 - ▾ Rental - Rental - Rental!
 - ▶ Everyone is looking at us to see the industry of tomorrow!

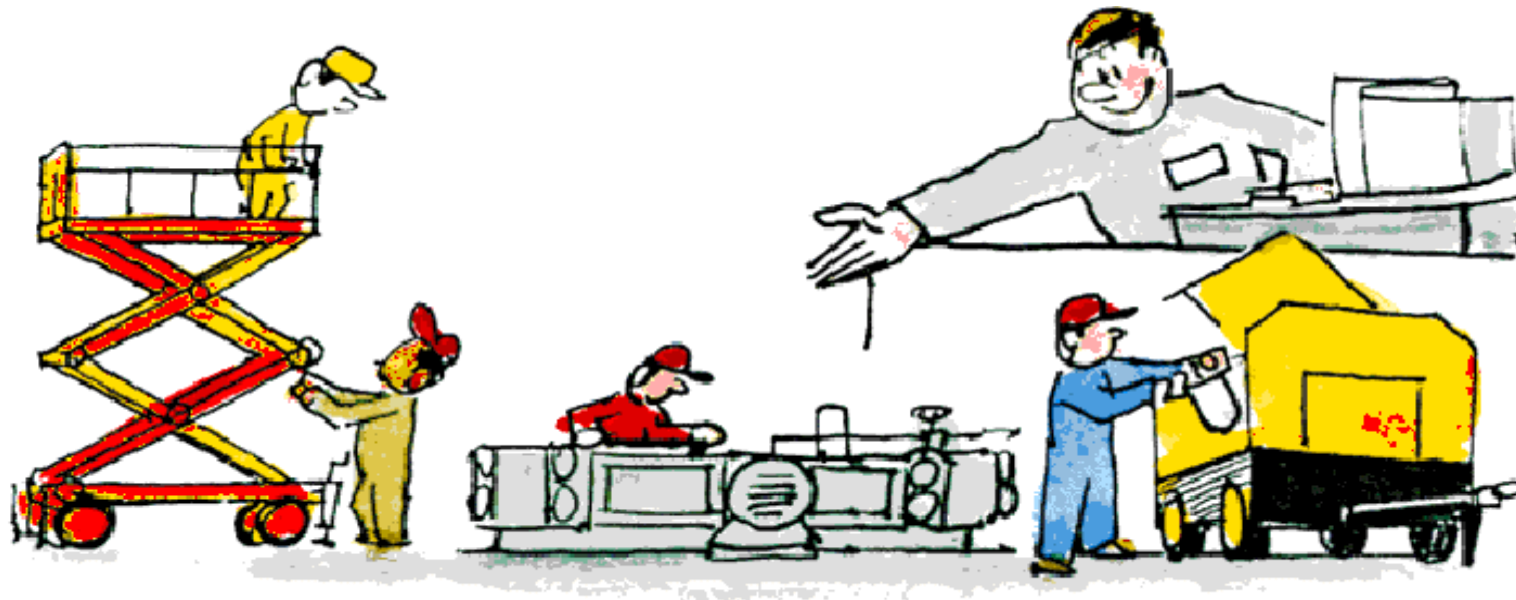
Equipment Rental and Atlas Copco

- ▶ Rental industry
 - ▾ Drivers
 - ▾ History and development
- ▶ [Why Atlas Copco chose equipment rental industry](#)
- ▶ Creating Rental Service Business Area
 - ▾ Prime acquisition
 - ▾ RSC acquisition
 - ▾ Rental Service Business Area
 - ▾ Merger
- ▶ Economic situation and outlook

Group Strategy – Growth

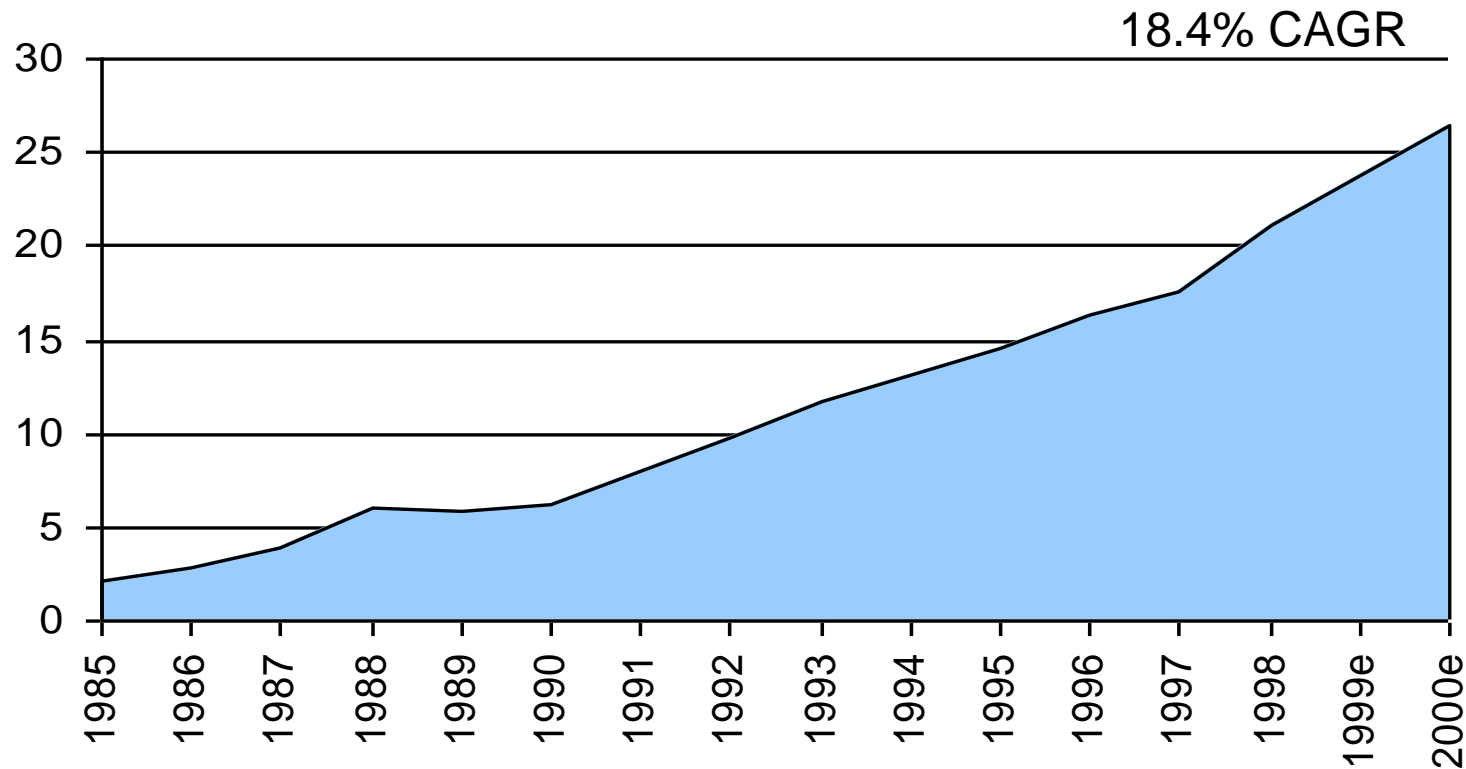
Use of products

- ▶ Service and parts
- ▶ Accessories
- ▶ Consumables
- ▶ Equipment rental



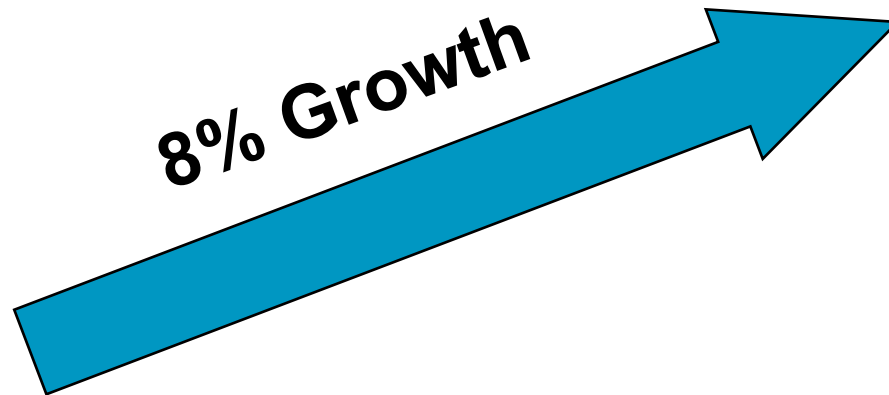
Rental Industry Revenues in the U.S. A Fast Growing Market

\$ billions



Source: Deutsche Banc. Alex Brown

Why did Atlas Copco Enter the Rental Service Business?

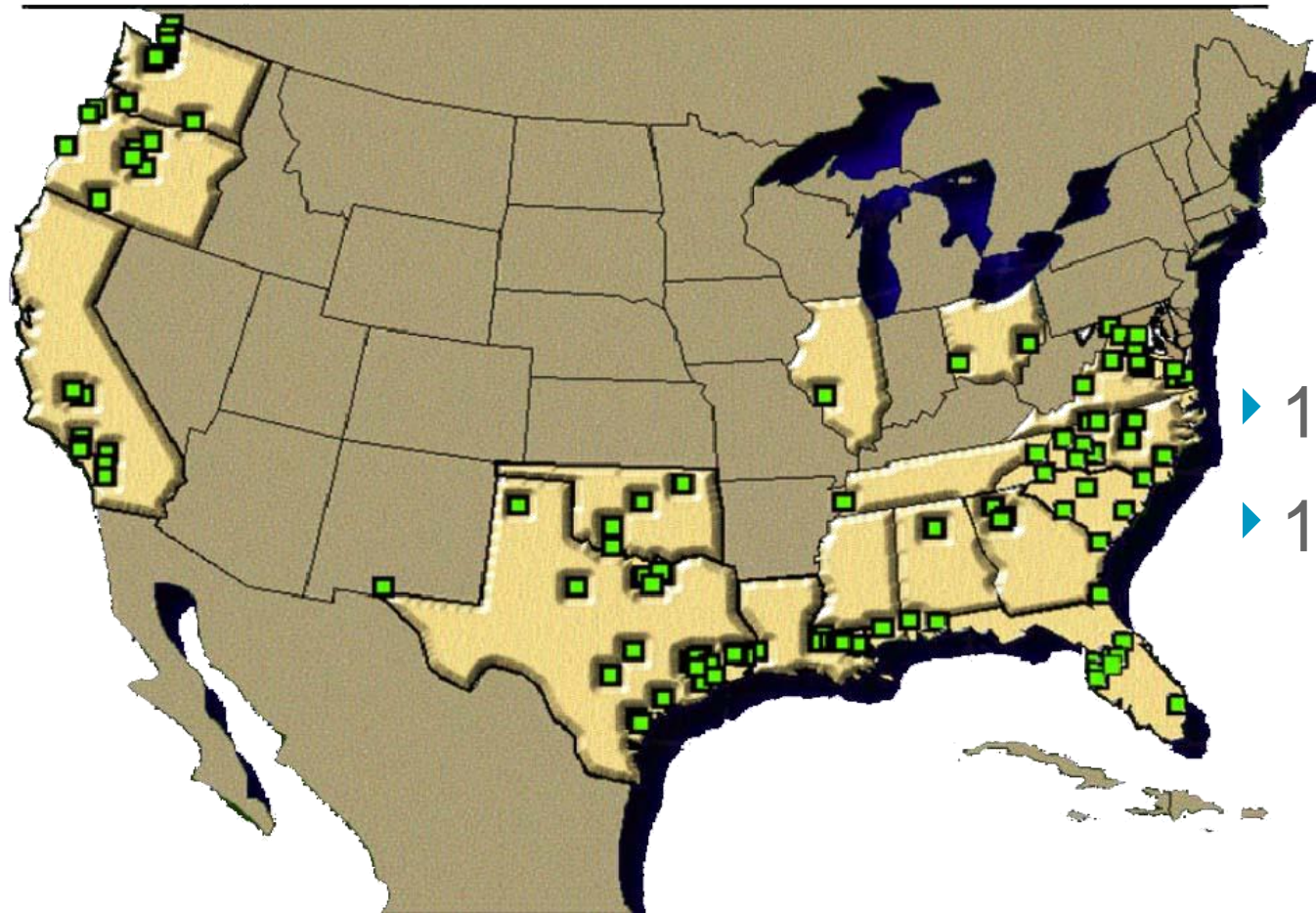


- ▶ To improve growth capabilities for the Group from 5% to 8% per year over a business cycle

Equipment Rental and Atlas Copco

- ▶ Rental industry
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Atlas Copco Acquires Prime July 1997



- ▶ 14 States
- ▶ 122 Locations

Acquisition of Prime Added Value

- ▶ Improved customer satisfaction and loyalty
- ▶ Broad-based distribution network
- ▶ Recognized national account supplier
- ▶ Recognized service provider in the industry
- ▶ Fleet mobility
- ▶ Strong relationship with top manufacturers
- ▶ Enhanced buying power
- ▶ Strong used equipment sales

Atlas Copco Rentals Inc.

October 1998 Merger

- ▶ Atlas Copco Rentals, Inc.



- ▶ Why?

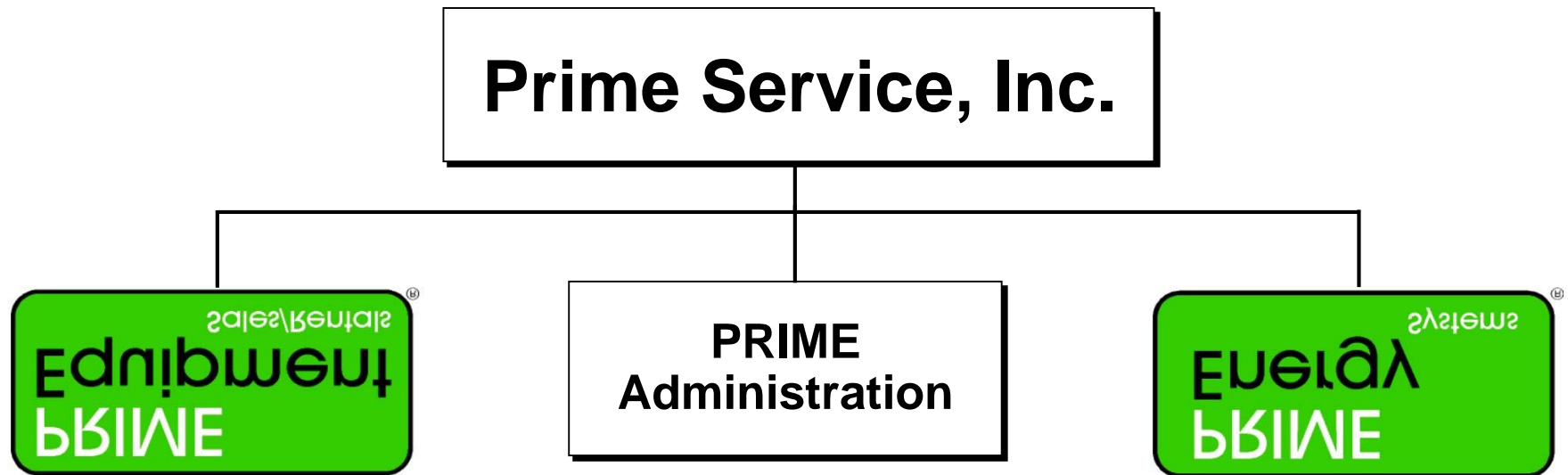
Atlas Copco Rentals Inc.

October 1998 Merger

- ▶ Increased rental locations
 - Business segments and geographical presence
- ▶ Shared services such as Administration, IS/IT, Purchasing and Marketing
- ▶ Better utilization rate for shared products
- ▶ Cost savings of combined lease space

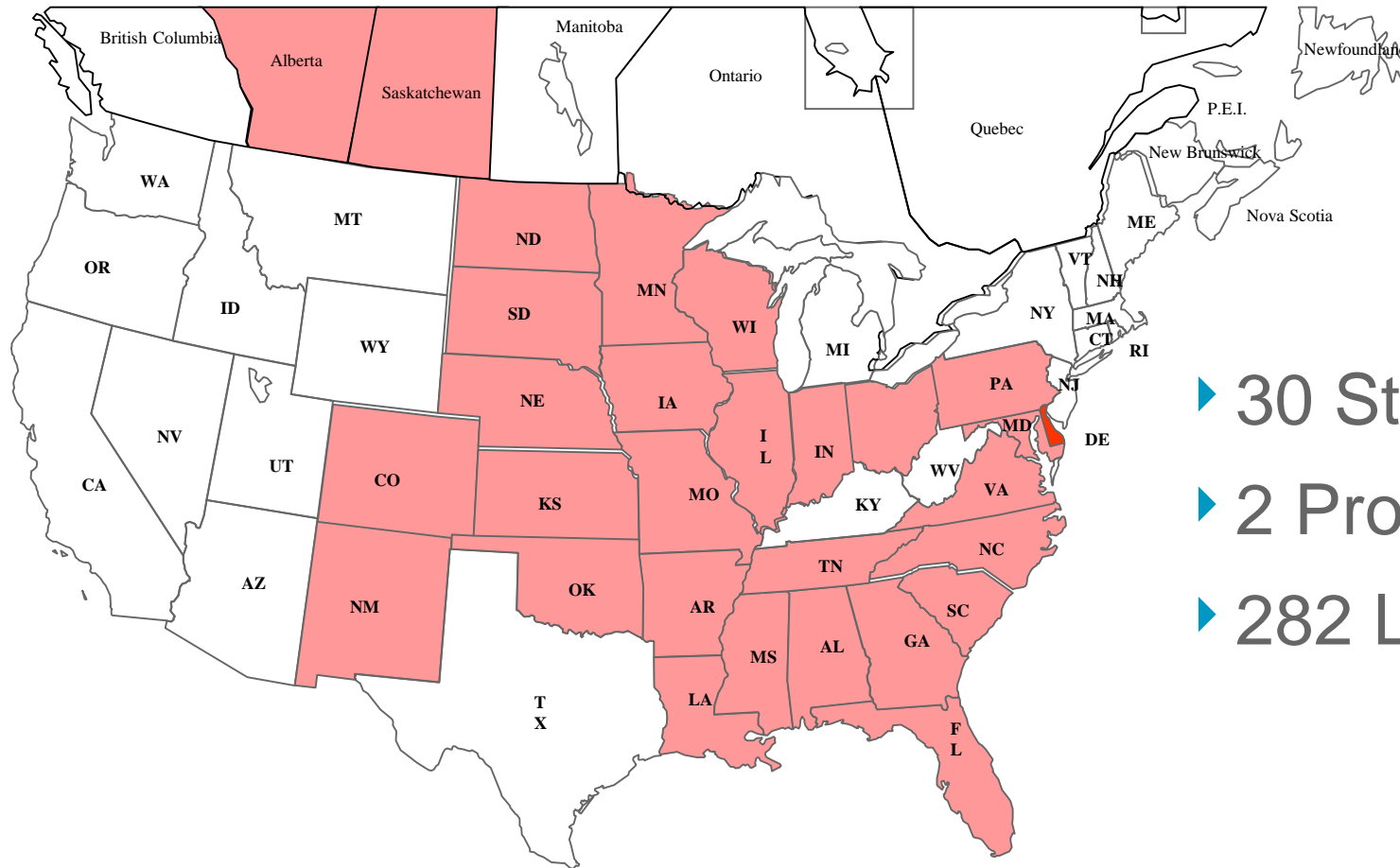
PRIME Structure

1998



Rental Service Corporation

August 1999



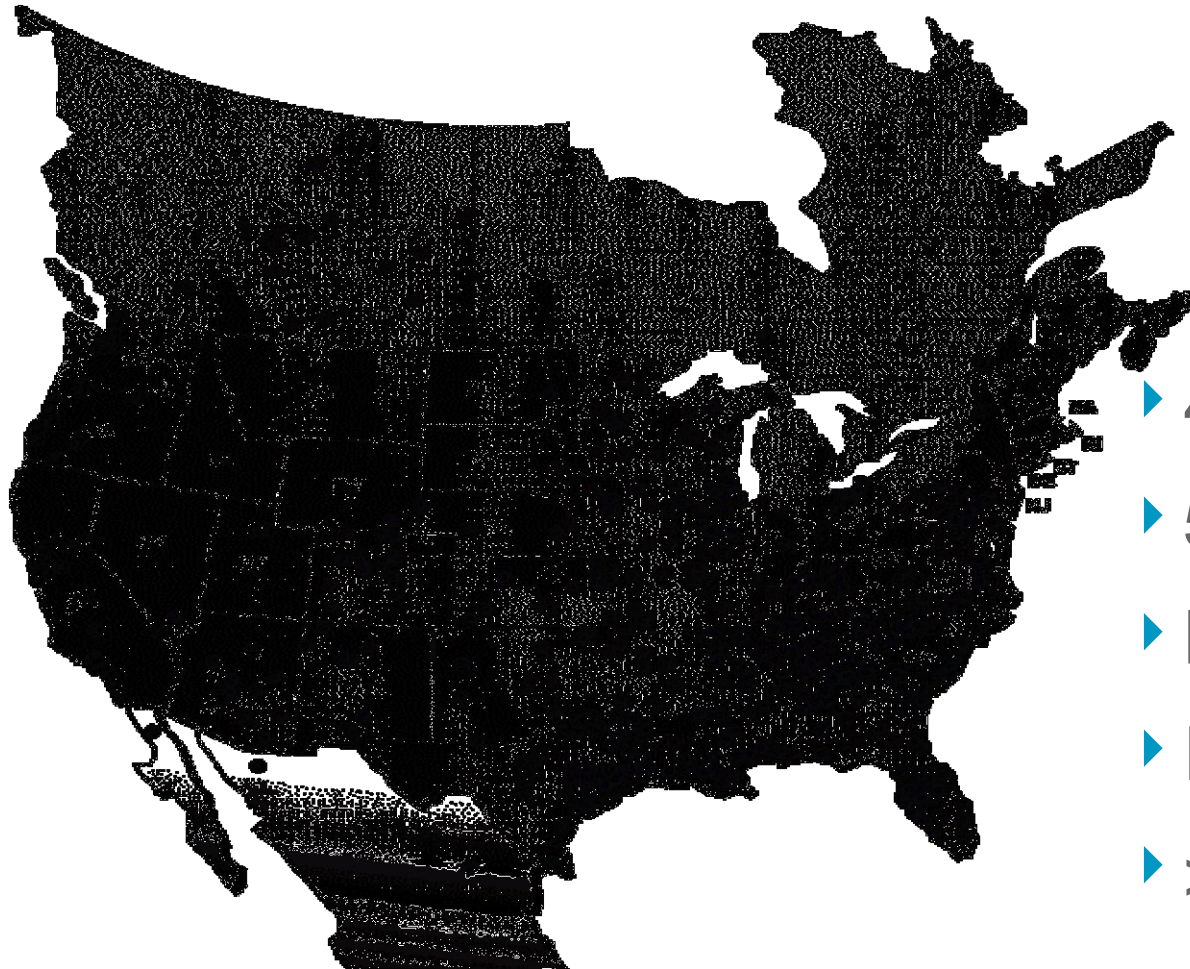
- ▶ 30 States
- ▶ 2 Provinces
- ▶ 282 Locations

Why Rental Service Corporation?

- ▶ Perfect fit to Atlas Copco's business; culture, business and customer attitude
- ▶ Complementary (to Prime) in geographical and territory coverage
- ▶ Access to proven management team with record of success
- ▶ Synergies
 - ▾ Synergies with Prime Service
 - ▾ Synergies with other Atlas Copco divisions
 - ▾ Provide greater access to, and lower cost of capital

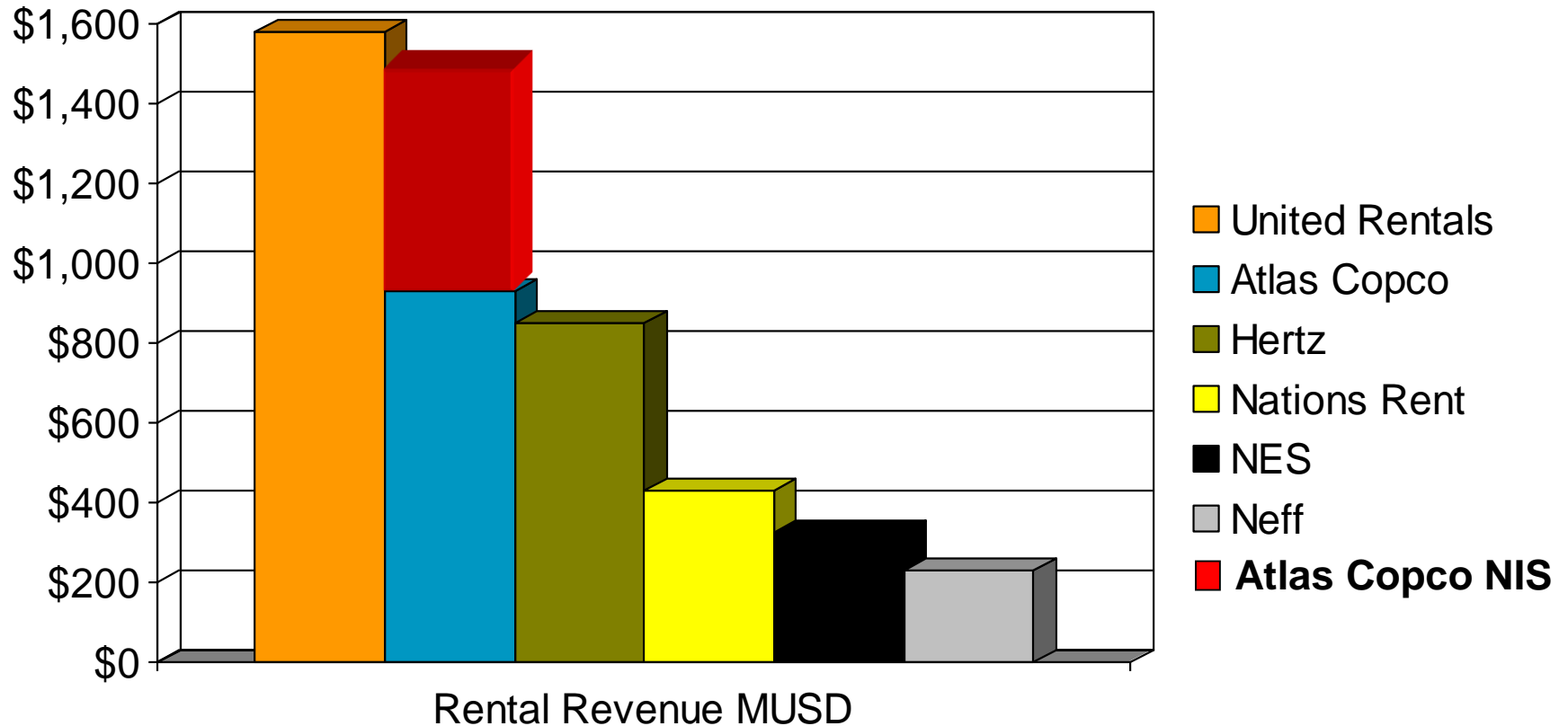
Rental Service Business Area

February 2001



- ▶ 42 States
- ▶ 5 Provinces
- ▶ Mexico
- ▶ Puerto Rico
- ▶ > 575 stores

Today We are the Second Largest



Source: Rental Equipment Register, Corporate Web pages

Industry Consolidators

Increase in Store Locations, 1997-2000

	1997	1998	1999	1998-1999 %Change	2000	1999-2000 %Change
United Rentals	86	404	702	173%	740	5%
Atlas Copco	162	181	480	265%	589	39%
Hertz	144	230	288	25%	300	4%
NationsRent	0	134	187	40%	200	7%
NES	77	128	181	41%	184	2%
Ashtead/Sunbelt	43	66	146	121%	147	1%
Neff	67	83	84	1%	85	1%

Source: Atlas Copco, Rental Equipment Register, Company information

Vision

- ▶ To gain unquestioned status as the “most preferred supplier of products and services” to our customers!
 - ▾ Tangible differentiation from competition
 - ▾ Best in Class
 - ▾ Dominate all of our major service areas
 - ▾ Improve operating efficiencies

Bluechip Customer Base

Tenured Relationships



OxyChem.



Disney

BASF




ExxonMobil



Brown & Root, Inc.



INTERNATIONAL  PAPER

 The H.B. Zachry Company

Mission

- ▶ To achieve above-industry growth while focusing on customer care
 - ▾ same store = greenfields
- ▶ To meet Atlas Copco Group's financial goals, thereby being accretive to the Group and improve accretion year over year
- ▶ To achieve maximum synergies subject to the items above

Strategy

- ▶ Growth from mixture of greenfields, same store and acquisitions, with emphasis on greenfields
- ▶ Benefits and synergies from merger to support growth and contribute to increased profitability
- ▶ Continuous improvement
- ▶ Stability - Profitability - Growth

THE *POWER*



OF

PRIME
Service, Inc.

Rentals/Sales/Service/Systems

A Company Within The Atlas Copco Group

RSC

Rental Service Corporation



Merger

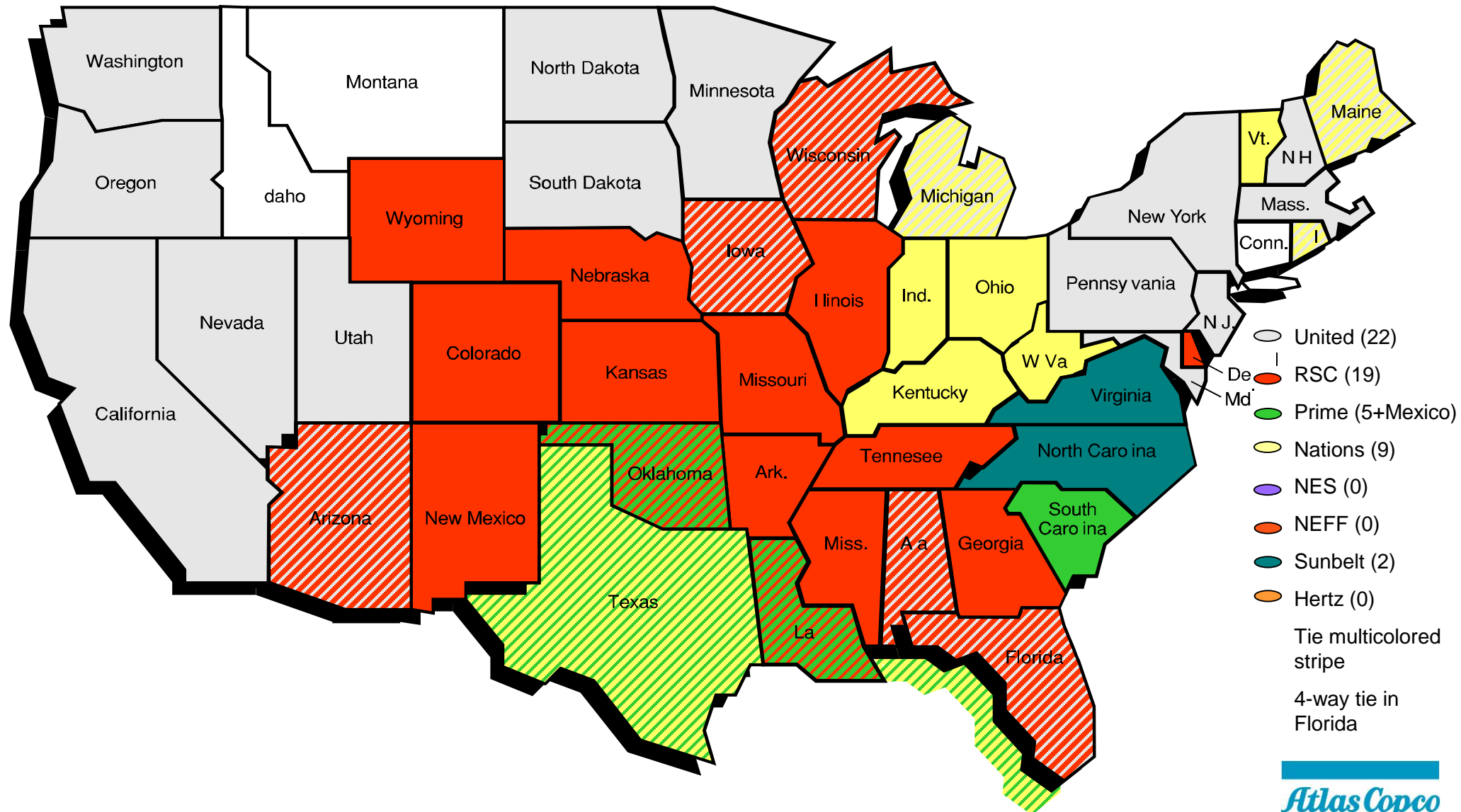
- ▶ Proactive
- ▶ Great for customers
- ▶ Great for employees
- ▶ Accelerates efficiencies and synergies

Merger - Customer Benefits

- ▶ “Bigger is better and stronger”
 - ▾ surety of supply
 - ▾ nationwide footprint
- ▶ Brand identity
 - ▾ First in Mind, First in Choice
- ▶ Customer focused marketing
- ▶ Customer focused organization
 - ▾ Increased geographic coverage
 - ▾ Increased availability of supply
 - ▾ Simpler - easy to understand
 - ▾ One legal entity - one invoice

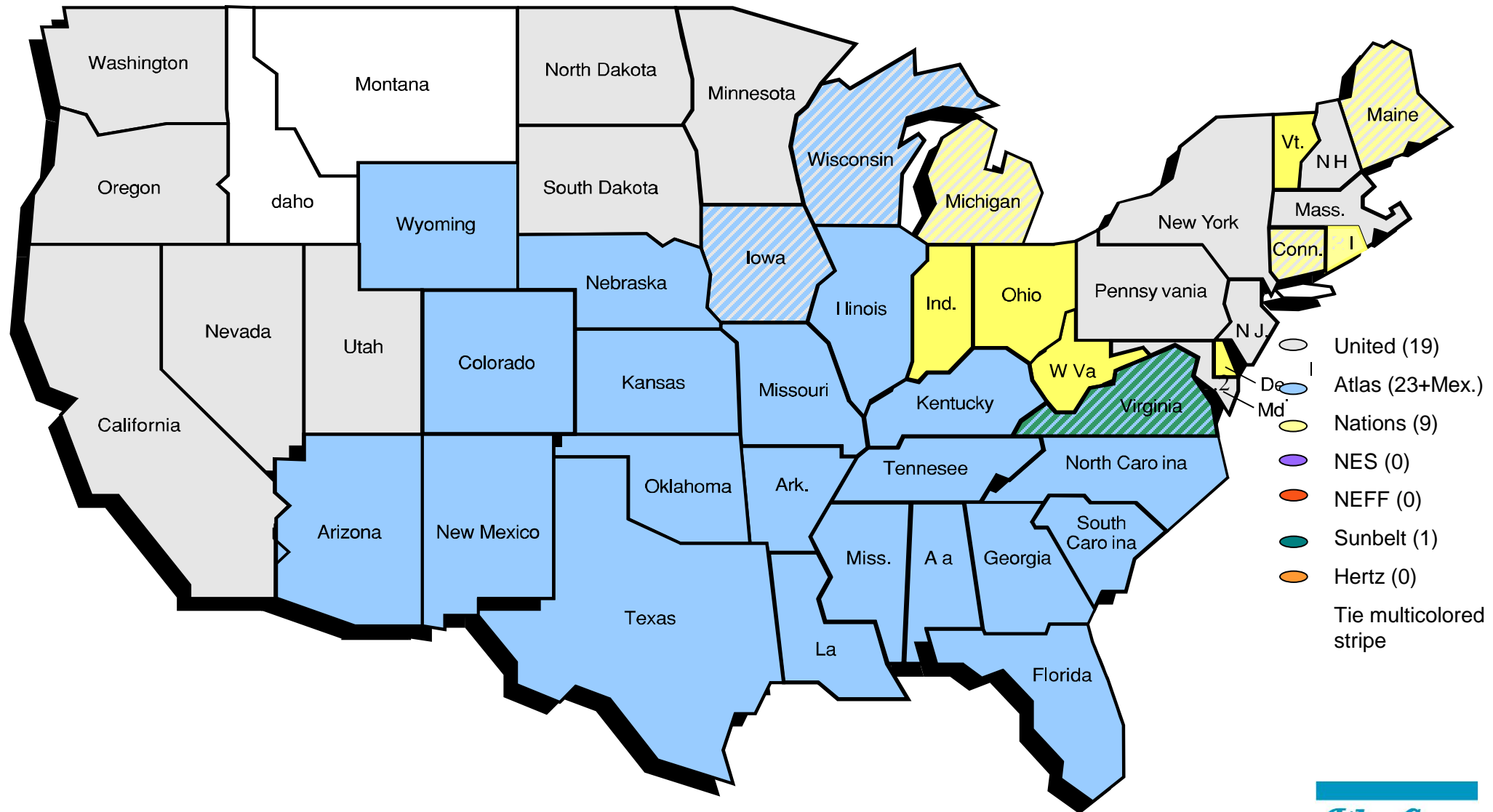
Estimated Stand-Alone Market Share

(subjectively based)



Estimated Consolidated Market Share

(subjectively based)



Video

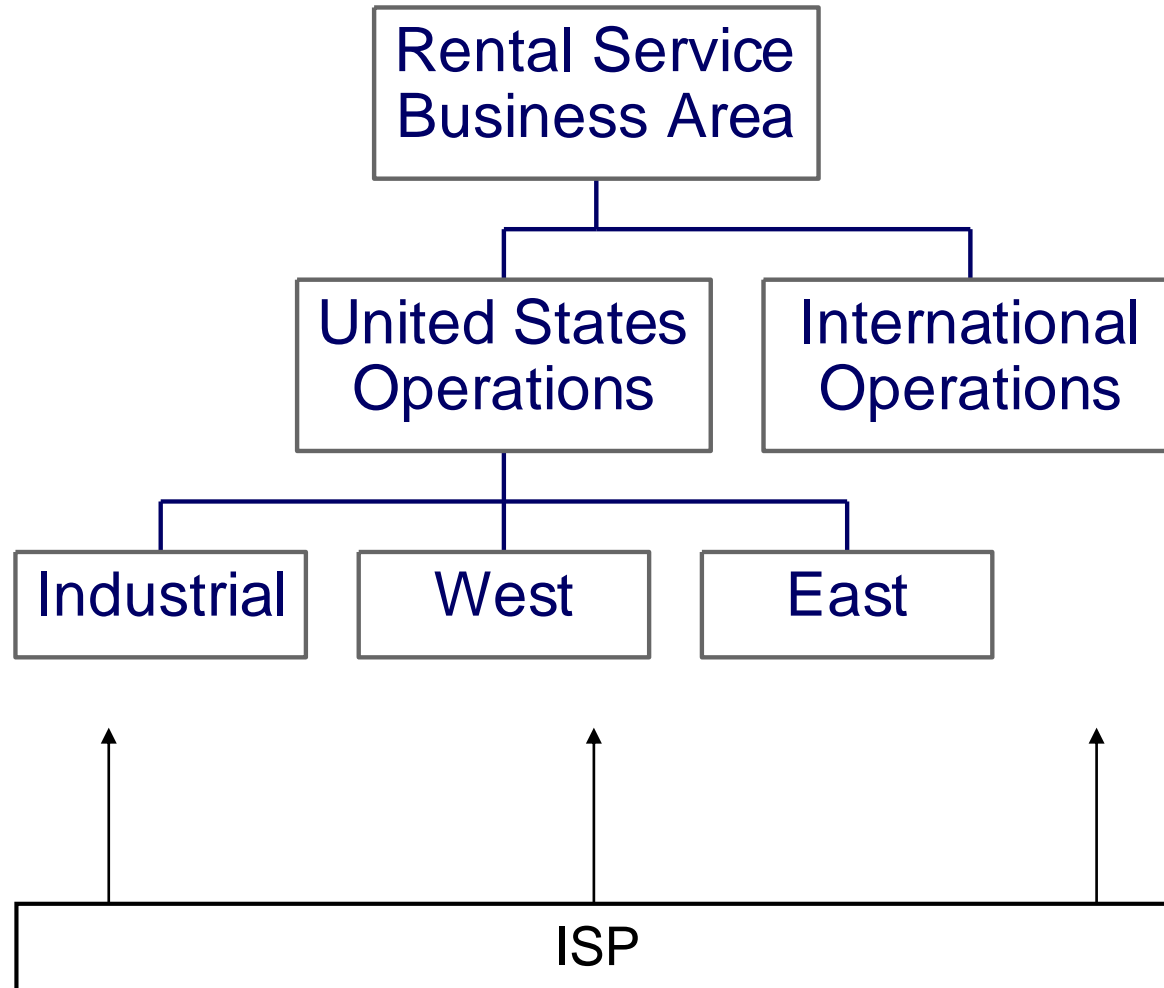
Synergies

- ▶ One legal entity and one common management
 - ▾ Fleet management / fleet sharing
 - Parts and merchandising
 - ▾ Purchasing
 - ▾ Standardization of rental rates
 - ▾ Store consolidation
 - ▾ One administrative support - ISP integration
- ▶ Common platforms and systems
- ▶ One brand per market segment

Employee Benefits

- ▶ Over 7,000 employees on the same team!
- ▶ Streamline management structure
 - ▾ Common management in duplicate market areas
- ▶ Maximize quality of work force
- ▶ Common benefits at lowest costs

Organizational Structure



Rental Service Business Area Characteristics

- ▶ Here to Stay
- ▶ First in Mind - First in Choice
 - ▾ We do not want to be the biggest, but aim to be the first choice of our customers
 - ▾ To be First Choice, we have to offer the best value

Marketing

Key Strategic Elements

- ▶ Segmentation
- ▶ Focus
- ▶ Differentiation
- ▶ Coverage
- ▶ Positioning

Marketing Mix



National Ads & PR



Equipment Decals



Promotional items



Strategic Accounts



Sales Force Automation



Signage, Yellow Pages & National 800 #



E-Facts & E-commerce



On-Line Marketing Support



Direct mail programs

Marketing Focus

- ▶ Organized by customer and market segments
- ▶ Territory management
- ▶ Focused sales organization
- ▶ Key account management
 - ▾ standard national accounts approach
 - ▾ standard industrial account approach
- ▶ Unified advertising program
- ▶ e-Commerce
 - ▾ Brand is key to website awareness

ONE-STOP SHOPPING



Customer Focus and Service

One-Stop Shop

- ▶ Vast product availability
- ▶ National presence
- ▶ Just-in-time delivery
- ▶ 24-hour service
- ▶ Comprehensive maintenance program
- ▶ Professional, experienced sales force who will
 - ▾ Sell, rent, trade, service, and add value!

e-Commerce

RSC
Rental Service Corporation

WEATHER enter city or zip:

PRIME Industrial

>> News <<

February 11, 2001

A STRATEGIC MERGER EQUIPPED TO SERVE YOU BETTER...

Merger of PRIME and RSC Creates Powerhouse in Equipment Rental Industry. [read more](#)

RSC Receives Award for Excellence in Mobile Computing and Wireless Data Communications. [read more](#)

PRIME Energy
[click here](#)

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Used Equipment
New Equipment
Managed Services
Industrial Services
Strategic / E-FACTS
PRIME Energy
Tools & Supplies
Locations
Careers
Company Info.
Contact Us

Talk to us NOW! [GO](#)

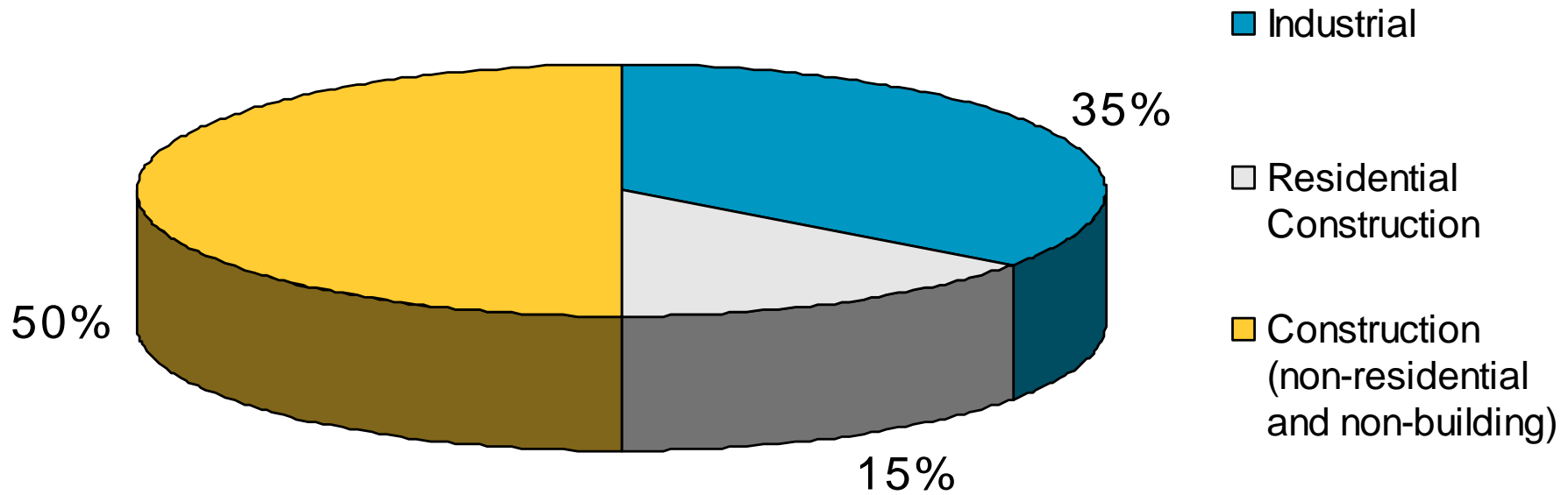
Featured Location [Click Here](#)

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- ▶ Customer focused web site
- ▶ Functionality
- ▶ Interactivity
- ▶ Connectivity
- ▶ Best in class

Market Segments

Rental Service Business Area



Positioning

- ▶ Market Leader by Market Segment
 - ▾ Customer focused
 - ▾ Segment specialist
- ▶ Technology Leader
 - ▾ Fleet management - Total Control
 - ▾ Integrated Rental Management
 - ▾ E-commerce
 - ▾ Sales force automation
- ▶ Coverage



2001 Strategic Growth

Above Industry Average

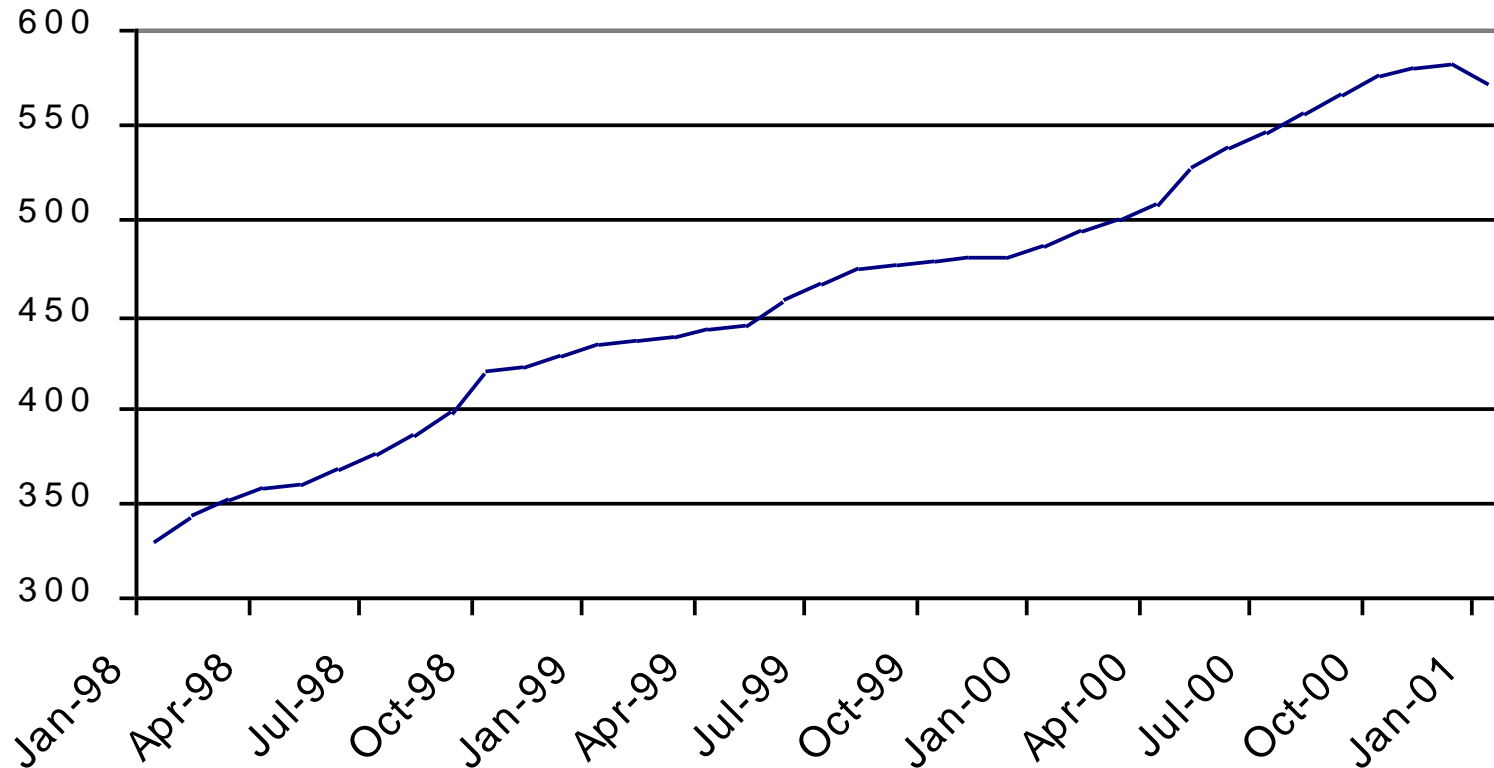
2001 Focus Growth Areas

- ▶ United States
 - ▾ California coast
 - ▾ Indiana, Michigan, Ohio & Northeast
- ▶ International
 - ▾ British Columbia, Quebec & Mexico
 - ▾ Puerto Rico
 - ▾ Brazil
 - ▾ South America

Internal Score Card

Store Count

Number of stores



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- ▶ [Economic situation and outlook](#)

Economic Conditions/Outlook

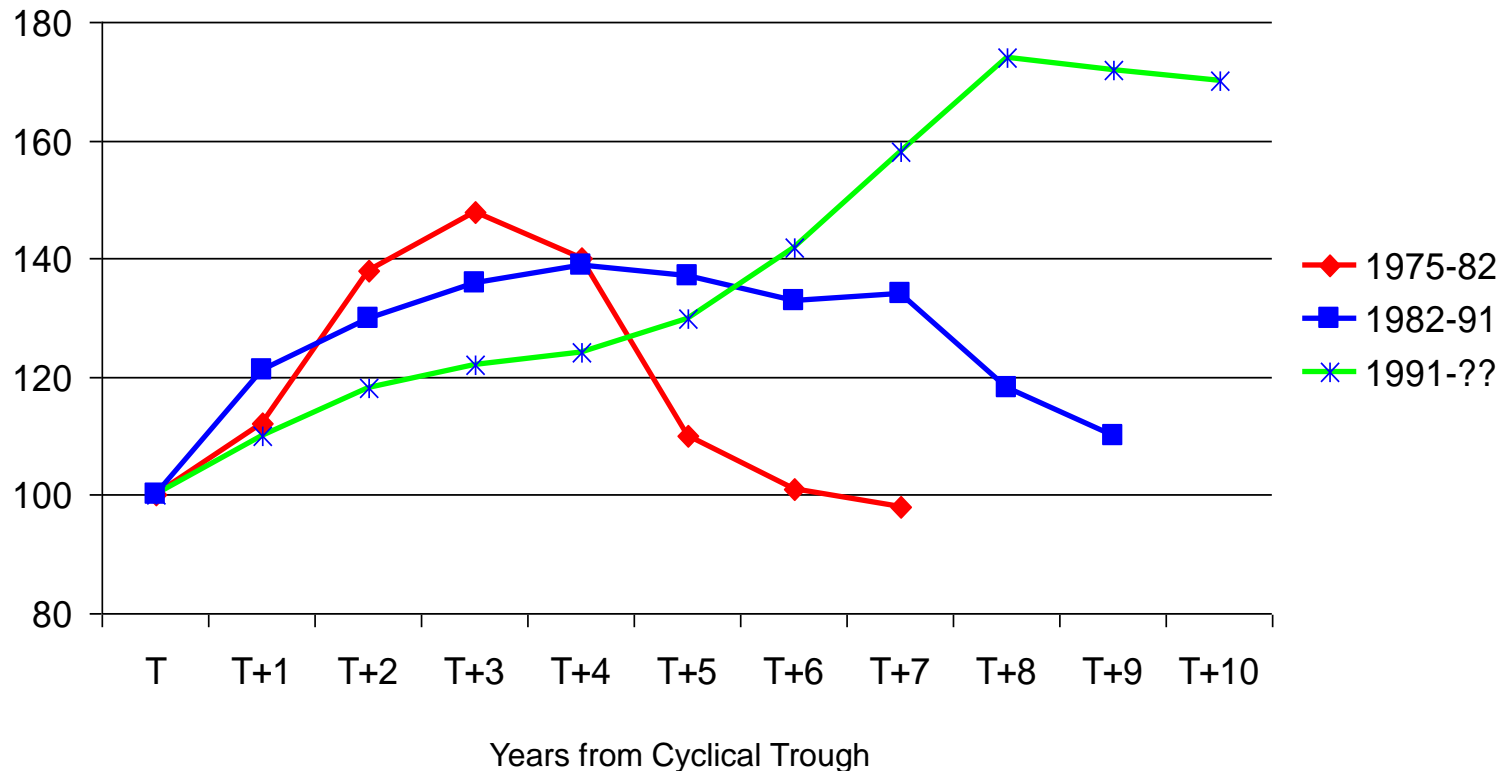
▶ Market Conditions

- ▶ Higher awareness of outsourcing
- ▶ Cost of money environment
- ▶ Tenth year of economic expansion
- ▶ Predicted slower growth creates caution
- ▶ Demand for products and services continues

Total Construction Activity by Cycle

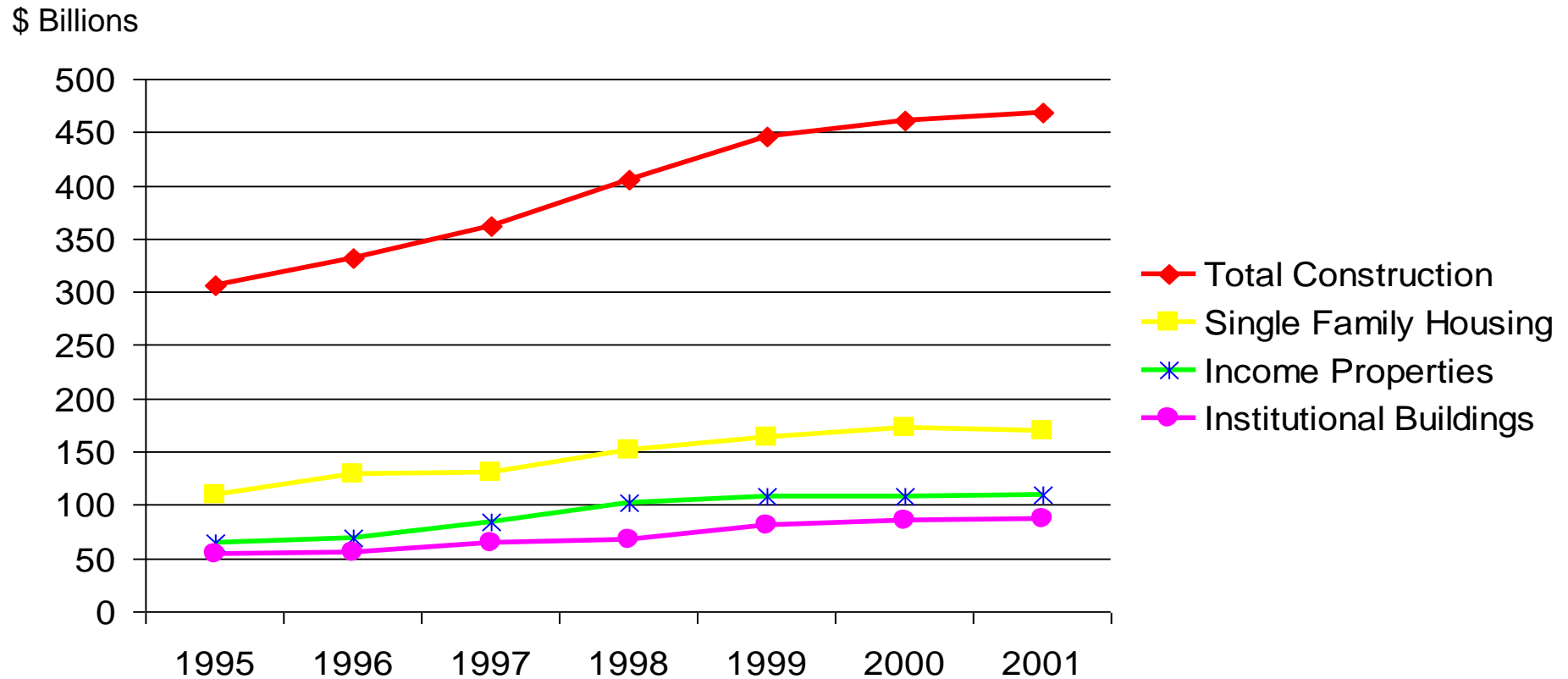
Based on constant 1992 prices

Cyclical Trough (T) = 100



Source: McGraw-Hill Construction Information Group

U.S. Construction Outlook

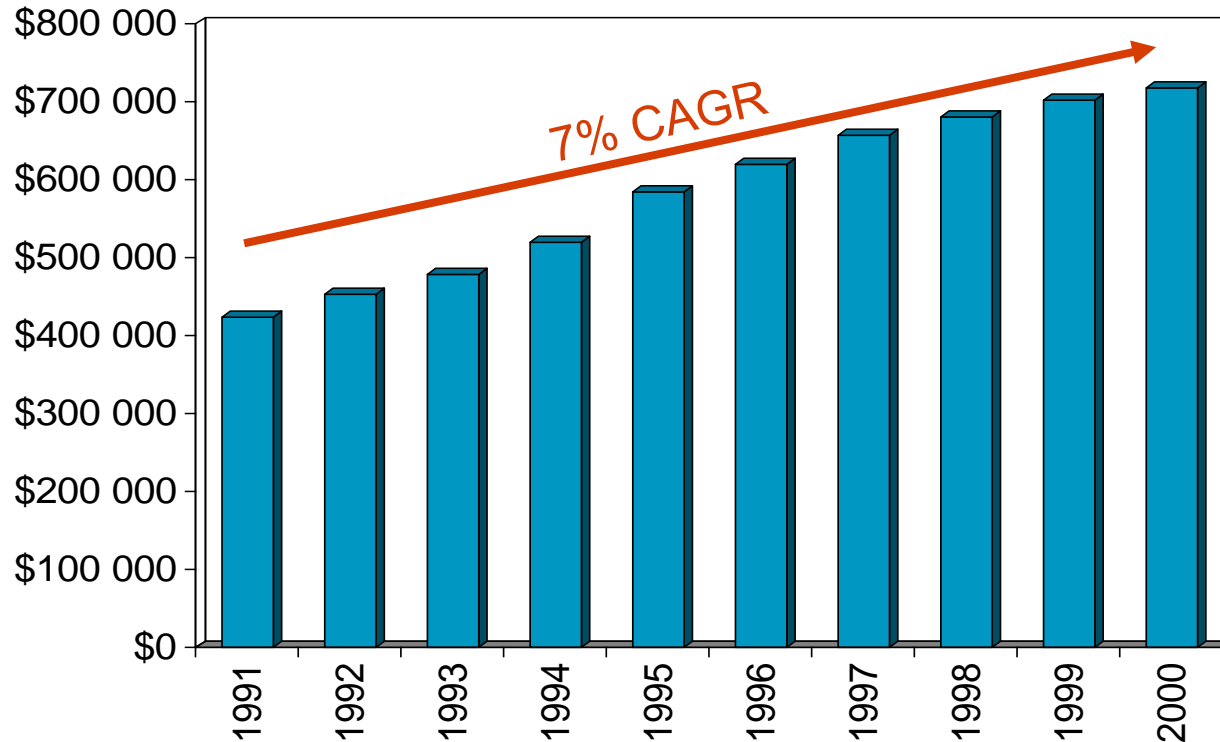


Source: McGraw-Hill Construction Information Group

Construction Put in Place

Estimated for the United States

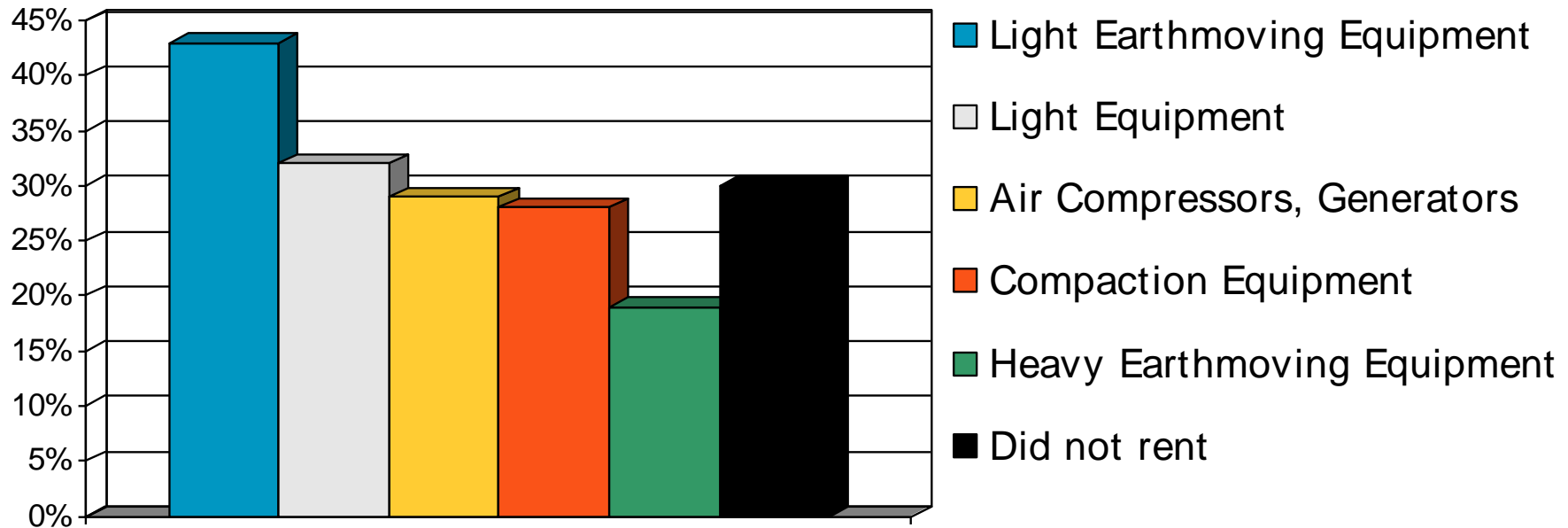
\$ Millions (current)



Source: Building Permits, Construction Put in Place, Clark Reports and trade sources.
Estimates and forecasts by FMI.

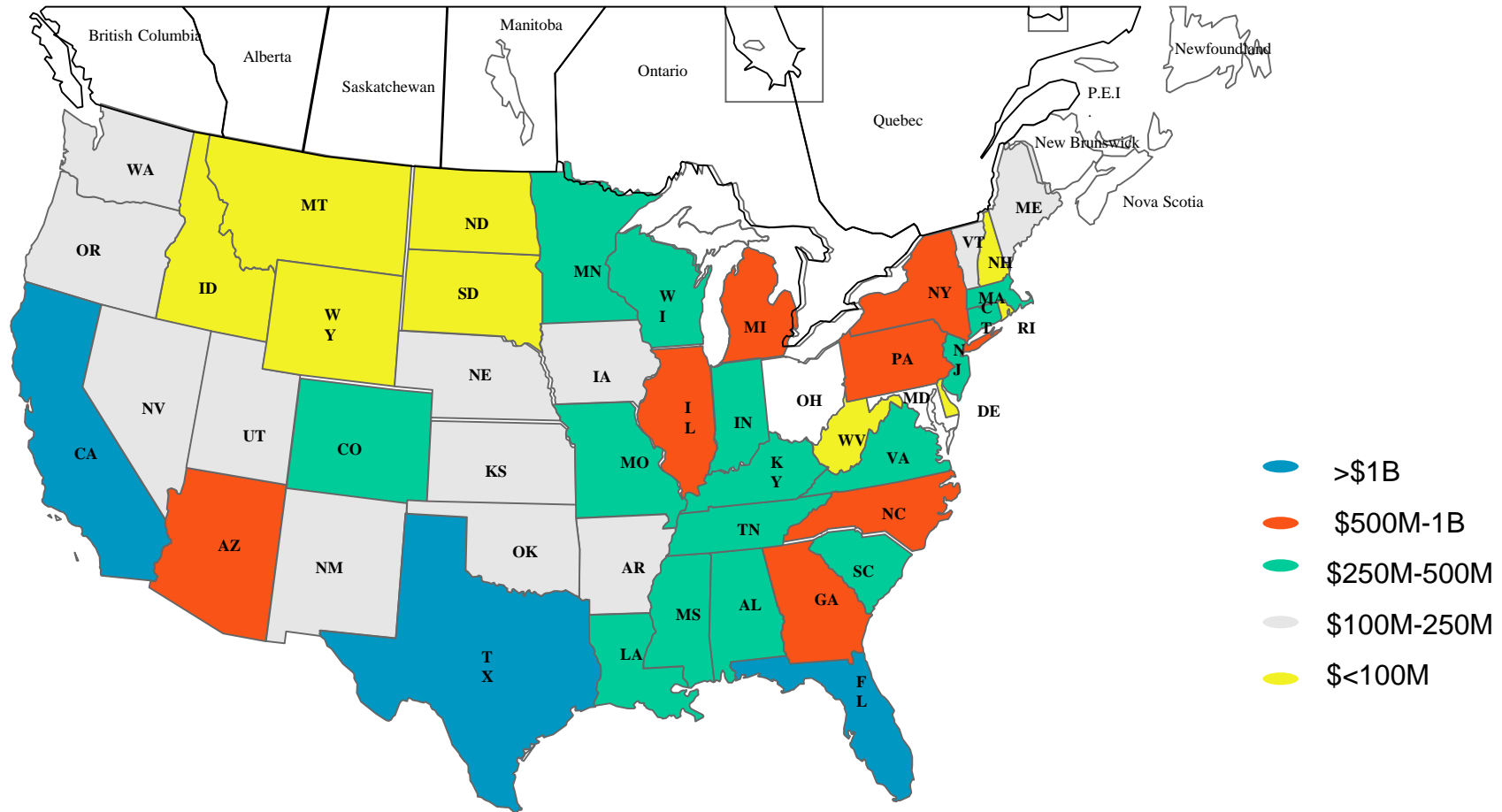
Contractor Rental Trends

% Renting Equipment, by Type



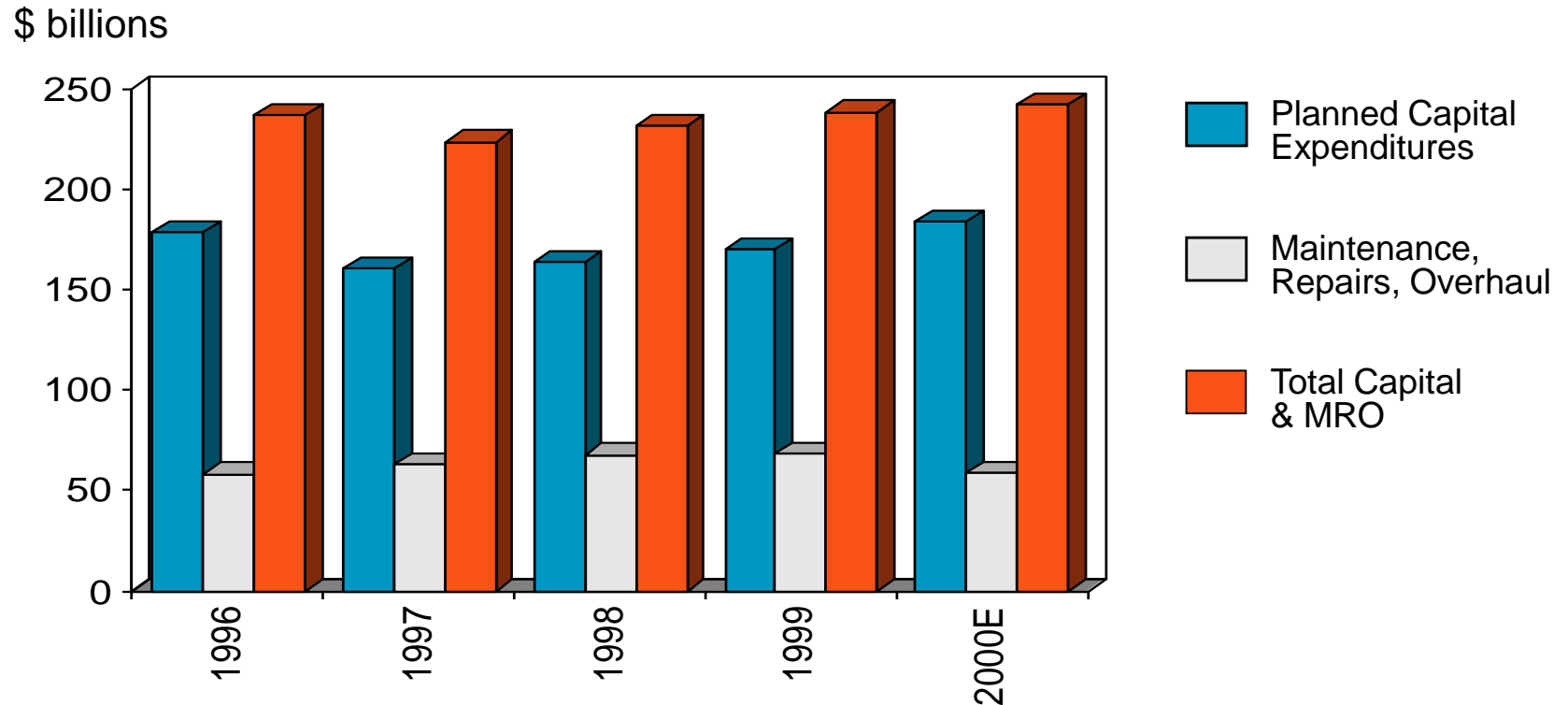
Source: Construction Equipment/New Holland Construction Annual Report & Forecast Study

2000 Construction Market Rental Potential \$17.5B



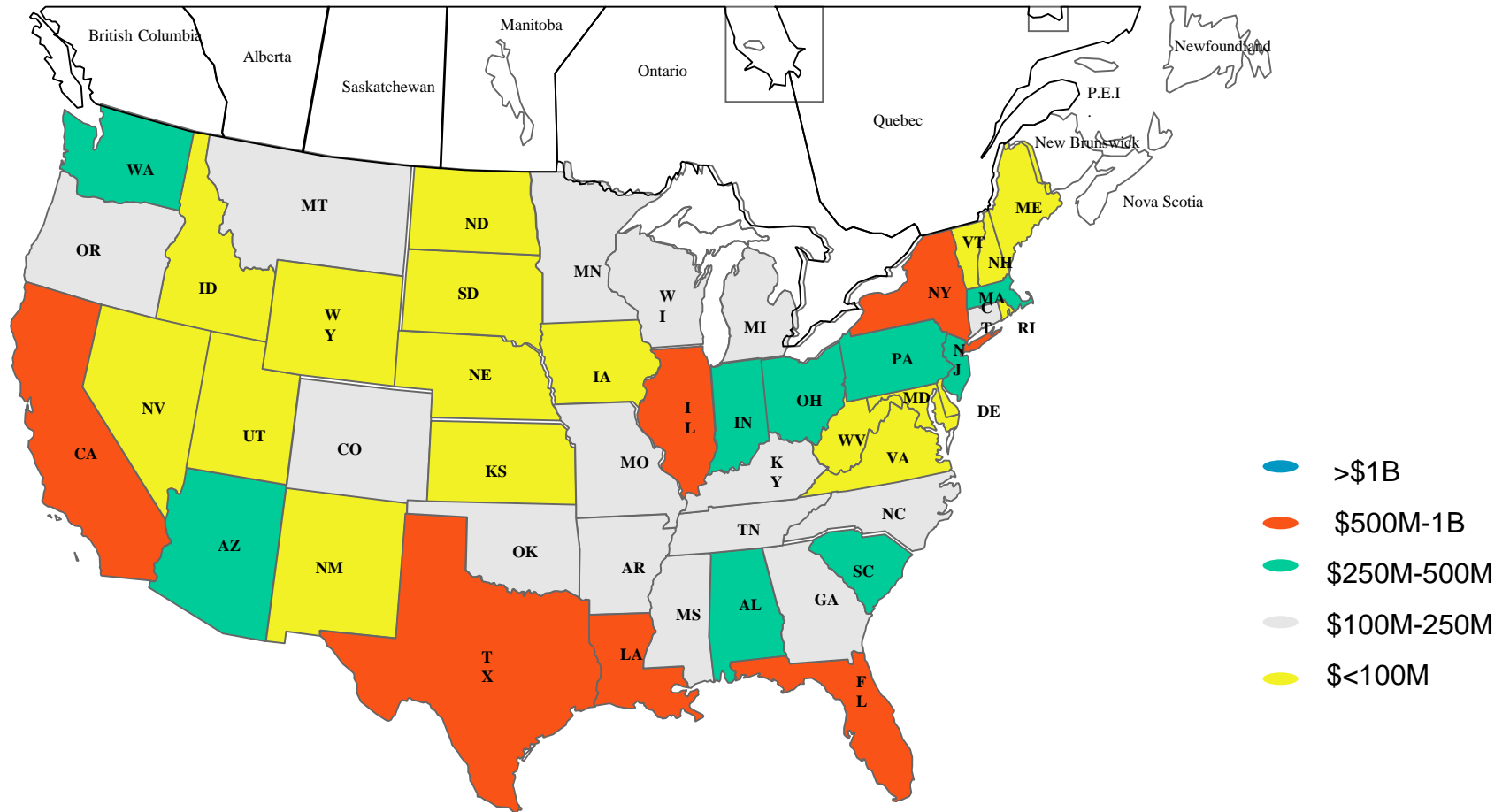
U.S. Forecast Analysis

Industrial Market

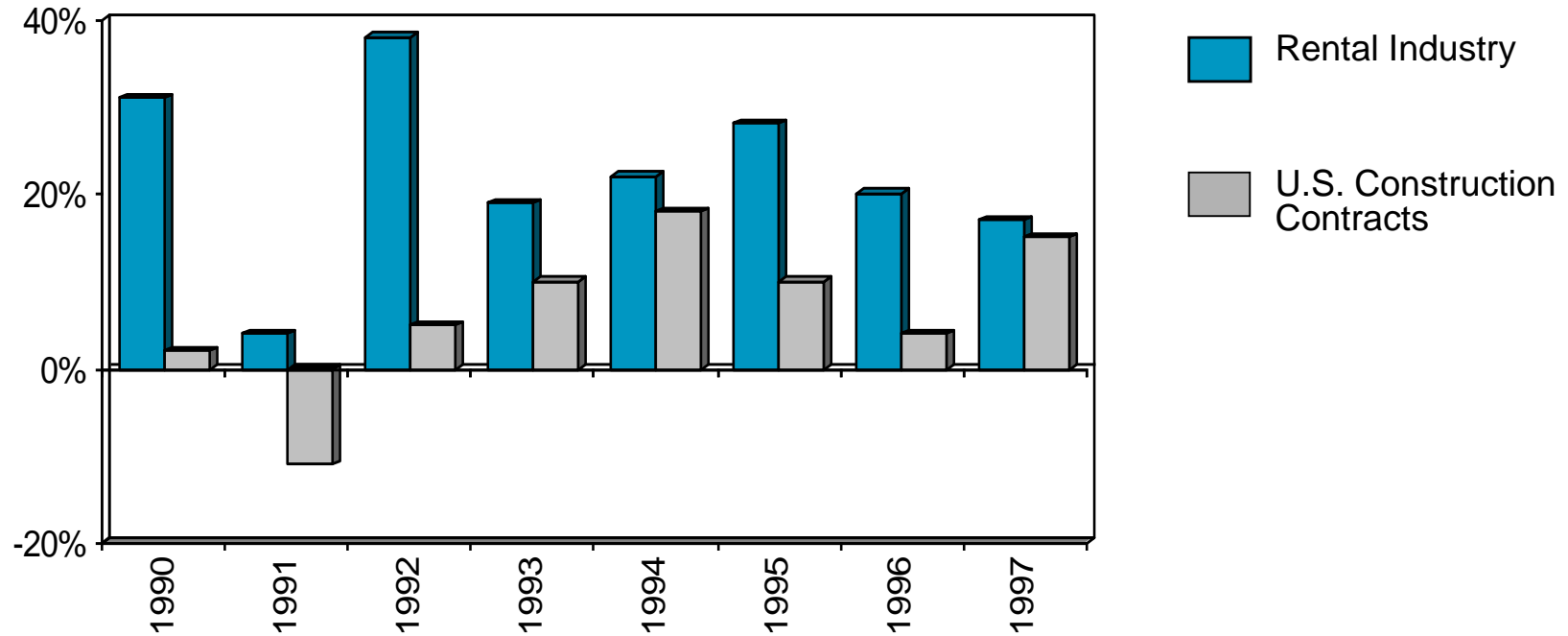


Source: Industrial Information Resources

2000 Industrial Rental Potential \$4.4B



Rental Growth vs. Construction Activity



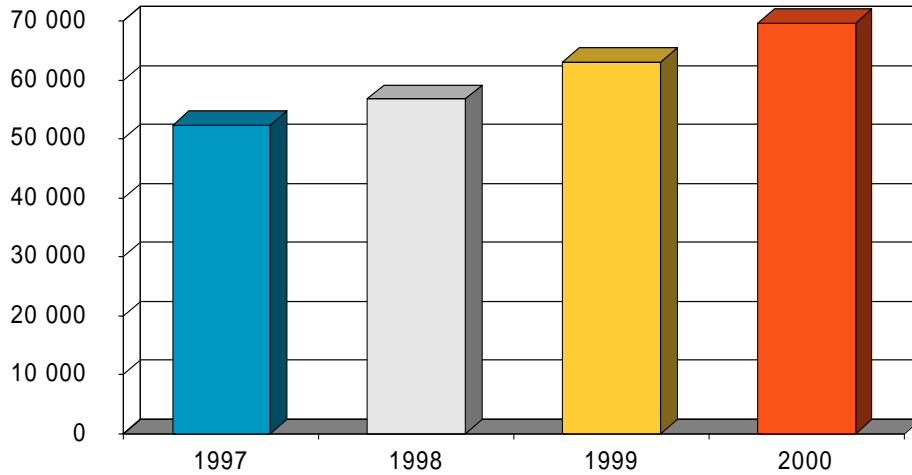
Source: Rental Equipment Register, Bureau of Census, Dept. of Commerce

What Has Changed?

- ▶ Manufacturers capacities and efficiencies expanded over a ten year growth cycle!
- ▶ Supply of equipment grew faster than customer demand
- ▶ Today we experience flooded supply in certain types of equipment

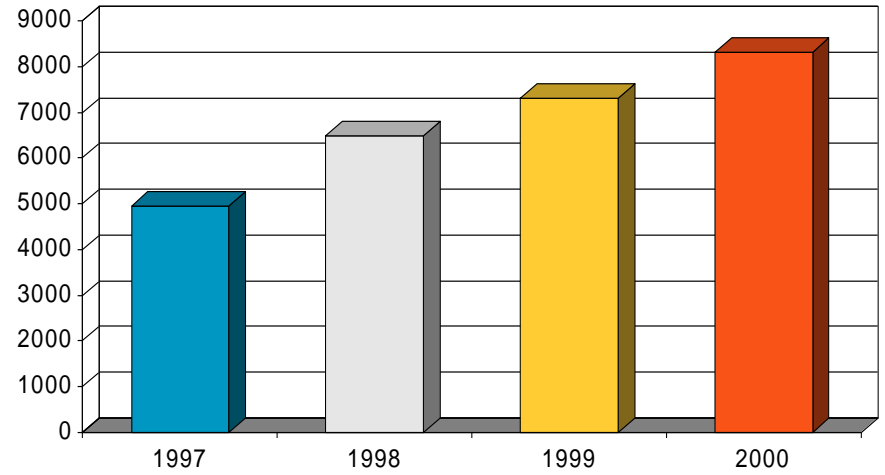
Supply of Equipment Grew Faster Than Customer Demand

▶ Skidsteers sold



Source: EMI Data

▶ Straight Booms sold



Source: EMI Data

Market and Business Conditions

What Has Changed?

- ▶ Financial community involvement
 - ▾ Wall Street mentality, short term earnings focus
 - ▾ Greater access to capital
- ▶ New Equipment
 - ▾ More equipment leased
 - ▾ Split/rents
 - ▾ Vendor financing program
- ▶ Higher availability of supply
- ▶ Price compression

Rental Industry

- ▶ Needs to:
 - ▾ Raise rates
 - ▾ Strengthen balance sheet
 - ▾ Improve margins
 - ▾ Financial survivability in downturn

Economic Summary

- ▶ Economy still strong and at an all-time high level
- ▶ Fed is lowering interest rates to maintain economic growth
- ▶ Much opportunity ahead
- ▶ Strong drivers in place toward rental
 - ▾ Outsourcing



The face of interaction



Cautionary Statement

- ▶ “Some statements herein are forward-looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially effected by other factors like for example, the effect of economic conditions, exchange-rate and interest-rate movements, political risks, impact of competing products and their pricing, product development, commercialization and technological difficulties, supply disturbances, and the major customer credit losses.”