Fleet Management

Dale Asplund, Senior Vice President – Business Services & CIO
Introduction

Dale Asplund
Senior Vice President, Business Services / CIO

• Joined the company in 1998. Currently responsible for Fleet Management, Procurement, Shared Services, and Information Technology functions

• Various responsibilities for the company's information technology systems

• Served as director-operations support, and then vice president-supply chain, before being promoted to his current position

• Divisional Manager, United Waste Systems
$9.2 billion of fleet comprised of approximately 450,000 units

Customers know we have the fleet they need

Serves diverse customer base

Note: Percentages based on ending balance as of 9/30/2016.
Fleet management to improve ROIC

- Purchase best TCO assets
- Fleet management to improve ROIC
Vendor negotiation topics

- Lead Times
- Technical Support
- Freight
- Training Support
- EDI Capabilities
- ePro – SmartEquip
- Retail Ability
- Parts, Pricing & Discounts
- Pricing
- Payment Terms
- Warranty
- (Mileage, Labor Rate, Travel Time, Down Time)
- Duration & Coverage
- Trade Options
- Support
United Rentals strategic suppliers

John Deere
Ditch Witch
DOOSAN
MQ Multiquip
Cummins
Genie
JCB
Pioneer Pump
Atlas Copco
CASE Construction
MAGNUM Products LLC
Skyjack
Takeuchi
Total cost of ownership

Brand A
- Acquisition cost: 93
- Maintenance cost over life (parts): 7.5
- Maintenance cost over life (labor): 9
- Resale value after 7 years (retail): (50)
- Total cost of ownership: 59.5

Brand B
- Acquisition cost: 95
- Maintenance cost over life (parts): 9
- Maintenance cost over life (labor): 9
- Resale value after 7 years (retail): (53)
- Total cost of ownership: 60

Brand C
- Acquisition cost: 89
- Maintenance cost over life (parts): 8
- Maintenance cost over life (labor): 10
- Resale value after 7 years (retail): (52)
- Total cost of ownership: 55

Gap vs. Best of Best
- Brand C: +8%
- Brand B: +9%

Brand C has a 8%–9% total cost advantage

Note: Sample data only, in $ thousands less percentages.
Fleet management to improve ROIC

- Purchase best TCO assets
- Mix of rental fleet
- Fleet management to improve ROIC
## Improving Fleet Mix returns

<table>
<thead>
<tr>
<th>Purchase one excavator</th>
<th>= $178,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated annual ROI</td>
<td>= 27.3%</td>
</tr>
<tr>
<td>Estimated annual revenue</td>
<td>= $48,539</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Blended Fleet Mix Investment</th>
<th>= $178,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated annual ROI</td>
<td>= 69.2%</td>
</tr>
<tr>
<td>Estimated annual revenue</td>
<td>= $123,102</td>
</tr>
</tbody>
</table>

![Excavator Image]

![Blended Fleet Mix Image]
Focused Fleet plan to improve margin

- **Rate opportunity zone**: 31% → 30%
  - 2014 mix: 31%
  - Current mix: 30%

- **Fleet growth zone**: 40% → 48%
  - 2014 mix: 40%
  - Current mix: 48%

- **Fleet reduction zone**: 4% → 9%
  - 2014 mix: 4%
  - Current mix: 9%

- **Sales penetration zone**: 25% → 13%
  - 2014 mix: 25%
  - Current mix: 13%

Focused on profitable growth with capital expenditures
Fleet management to improve ROIC

- Purchase best TCO assets
- Mix of rental fleet
- Time utilization
Time utilization

- Review units available for transfer
- Reduce fleet not available
- Balance rate with time utilization
- Capital allocation done based on market and customer demands
- Goal is profitable growth
Fleet change & time utilization in oil & gas markets

Gen Rent branches time utilization for Q3, 2014 – 70.9%, 2015 – 66.6%, 2016 – 69.8%
Fleet management to improve ROIC

- Purchase best TCO assets
- Mix of rental fleet
- Time utilization
- Rental rate management
- Fleet management to improve ROIC
Sequential rental rate trends

- Rates are analytically based with market input from management
- Consistent pricing practices across the sales network
- Support for customer segmentation
- Balance rate with time utilization
- Goal is profitable growth
Fleet management to improve ROIC

- Purchase best TCO assets
- Mix of rental fleet
- Time utilization
- Rental rate management
- Maximize rental useful life

Fleet management to improve ROIC
Rental useful life evaluation

- Rental useful life evaluated to set optimal age to sell an asset
- Extending the life of our booms by 2 to 3 years can increase our IRR by 33%
Fleet management to improve ROIC

- Purchase best TCO assets
- Mix of rental fleet
- Time utilization
- Rental rate management
- Sell assets at optimum price
- Maximize rental useful life

Fleet management to improve ROIC
Used equipment pricing

- Age
- Asset past Rental Useful Life (RUL)?
- Hours < or > target hours??
- Utilization > target level??
- Utilization
- Hours
Summary

• Fleet purchases focused on best total cost of ownership
• Fleet mix focused on profitable growth
• Focused on balanced time and rate improvements to optimize returns
• Assets are sold at optimal time for replacement and returns
• Analytics used to sell used assets at optimal price