

Specialty

Paul McDonnell – Senior Vice President – Operations

United Rentals®

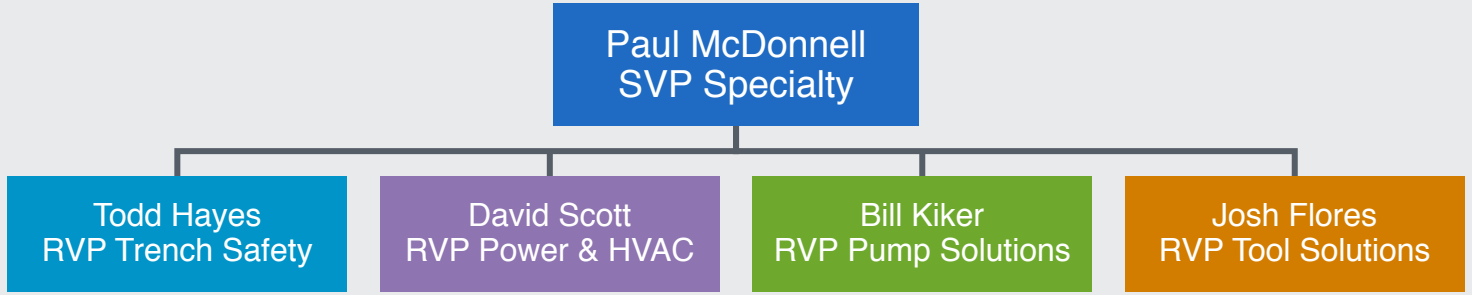
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Introduction



Paul McDonnell
Senior Vice President, Specialty

- Joined company as District Manager in 1999
- Prior to joining URI, Paul accumulated 10 years experience in the construction industry
  - Project Manager with Ryan Engineering
  - General Manager of D&E Steelplate Rental
- Appointed to current position in 2008



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What is Specialty Rental?

Fleet and customers that require a different business model to serve effectively

Trench Safety



- Excavation support solutions, confined space entry equipment and customer training
- Used for construction, utility installs, manhole work, and other underground applications

Power & HVAC



- Complete solutions for mobile power and air flow
- Used for disaster response, plant shut downs, commercial renovations, and seasonal climate control

Pump Solutions



- Full range of pumps, hose, & fittings for fluid transfer
- Used by municipalities, industrial plants, mining, construction, and agribusiness

Tool Solutions



- Tool trailers stocked with hoisting, torqueing, pipe fitting, & air tools
- Used during refinery and other industrial shut downs, and also at large construction sites

Specialty business drives high margins and attractive returns

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Why is Specialty Rental an attractive business?

Customer loyalty	• Specialty improves relationships with high-value industrial and key accounts
Competitive advantage	• Offer customized solutions to customer verticals requiring deep expertise
Growth	• Platform for growth via expanding markets, cross-selling initiatives, etc.
High returns	• High returns and longer asset lives

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Strategy & Workstream summary

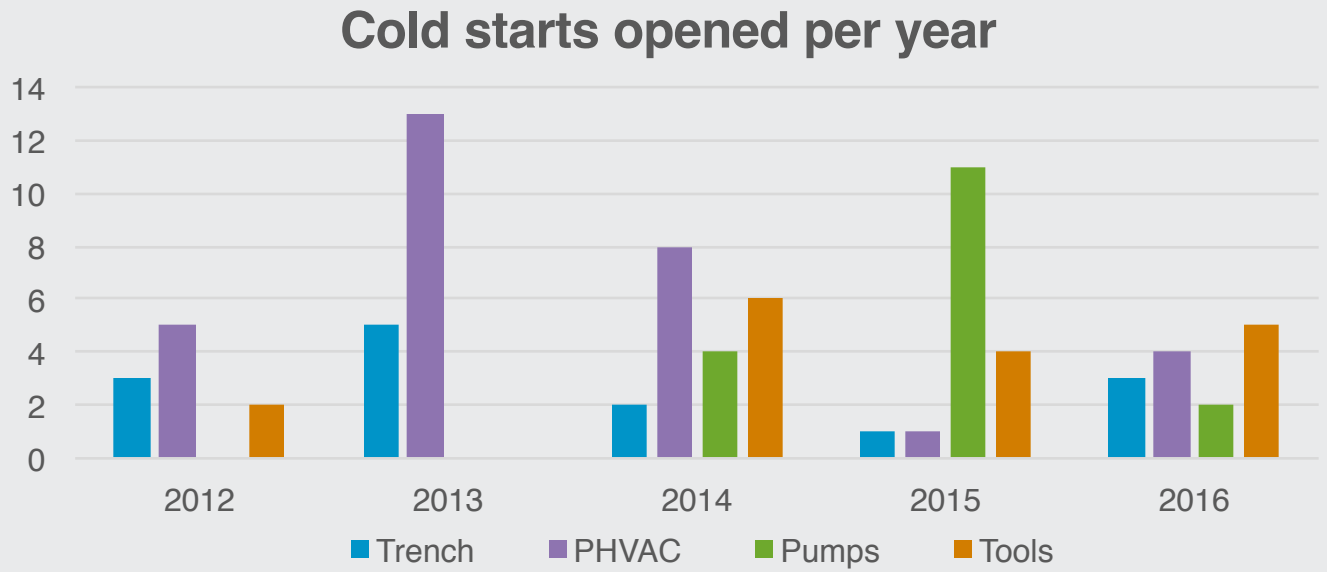
Trench Safety	Power & HVAC	Pump Solutions	Tool Solutions
Strategy			
• Lead in product innovation • Increase compliance and rental penetration	• Expand footprint and product offering • Focus on Industrial, Restoration, and Entertainment verticals	• Expand footprint • Diversify end markets into industrial, municipal, mining, and commercial	• Utilize Gen Rent sales force to gain share in Industrial and Commercial • Increase presence of managed tool trailers

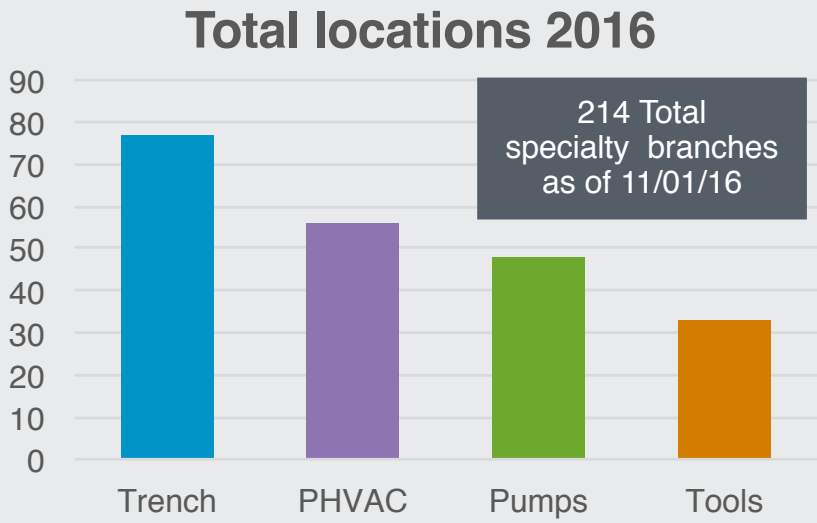
2016 Strategic Workstreams

1. Footprint (cold starts)
2. Talent acquisition and development
3. Cross-sell
4. New product launches / Bolt-on M&A

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Cold starts enhance value proposition and deliver strong returns



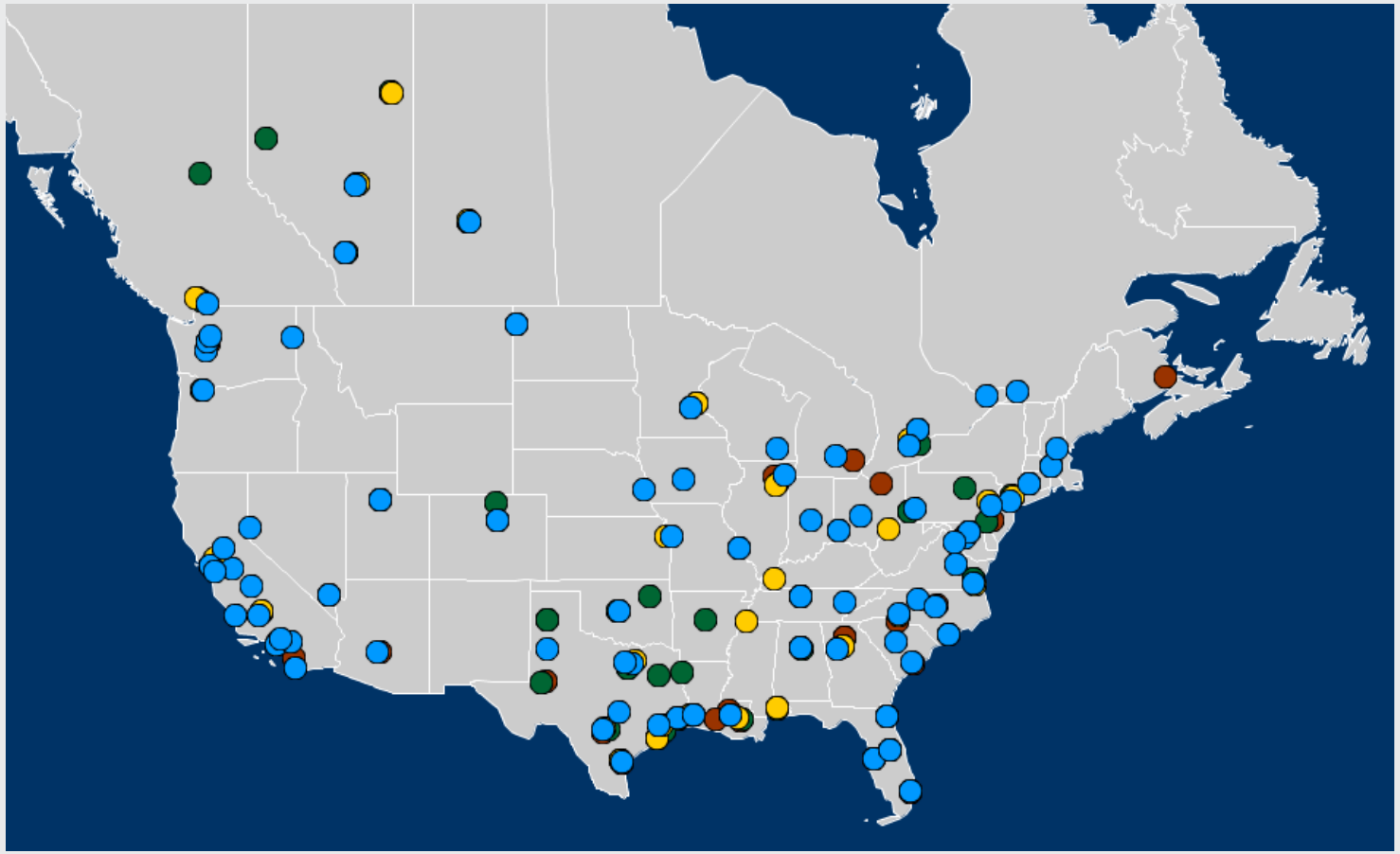


Cold start key metrics	Trench		PHVAC		Pumps	
	1-12 mo.	13-24 mo.	1-12 mo.	13-24 mo.	1-12 mo.	13-24 mo.
Avg. rev/branch:	$1.1MM	$1.8MM	$2.2MM	$3.5MM	$1.1MM	NA
EBITDA margin:	20.1%	39.2%	38.2%	45.9%	28.7%	NA

79 Specialty cold starts opened since 2012

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Specialty branch footprint



214 Specialty Locations[1]

PHVAC	56
Pumps	48
Tools	33
Trench	77

We anticipate opening another ~60 cold starts by 2020

Note: 1- as of 11/01/16

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Specialty bolsters total company opportunity

With Specialty, URI customer base spans many sectors



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Case Study: PHVAC



Data Center I Dallas, TX

Antwan Houston, District Manager

Challenge

- Cooling system failure in major data center threatened permanent damage to servers
- Immediate need for temporary evaporative cooling solution while underground lines repairs and/or replaced

Solution

- Fast installation of 6,000 tons of cooling tower capacity
- Link into existing system using PVC extensions & fittings
- 24K GPM Water pump systems
- Specialty transformer needed
- Maintain rental solution for 6 months while repairs take place on main system

Cross-selling in action

- Initial contact was Power & HVAC group. Eventual revenue of $750K for the division
- Successful cross selling brought in Gen Rent revenue of $400K and Aerial revenue of $200K

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Case Study: Trench Safety

Engineered sheeting & bracing at Charlotte Airport



Airport I Charlotte, NC

Blake Smith, Region Sales & Marketing Director

Challenge

- Construct eight at-grade vehicle lanes, eight elevated vehicle lanes & two pedestrian tunnels below new roadway
- Limited spacing – constructed between parking deck and main terminal
- Sandy clay with rock below the base

Solution

- Provided 3D conceptual drawings
- Sheeting & bracing gave the customer the ability to reuse all the shoring vs. losing material cost of abandoning beam & lagging
- Ten months into the project the customer stated in a news article that they were eleven months ahead of schedule

Cross selling impact

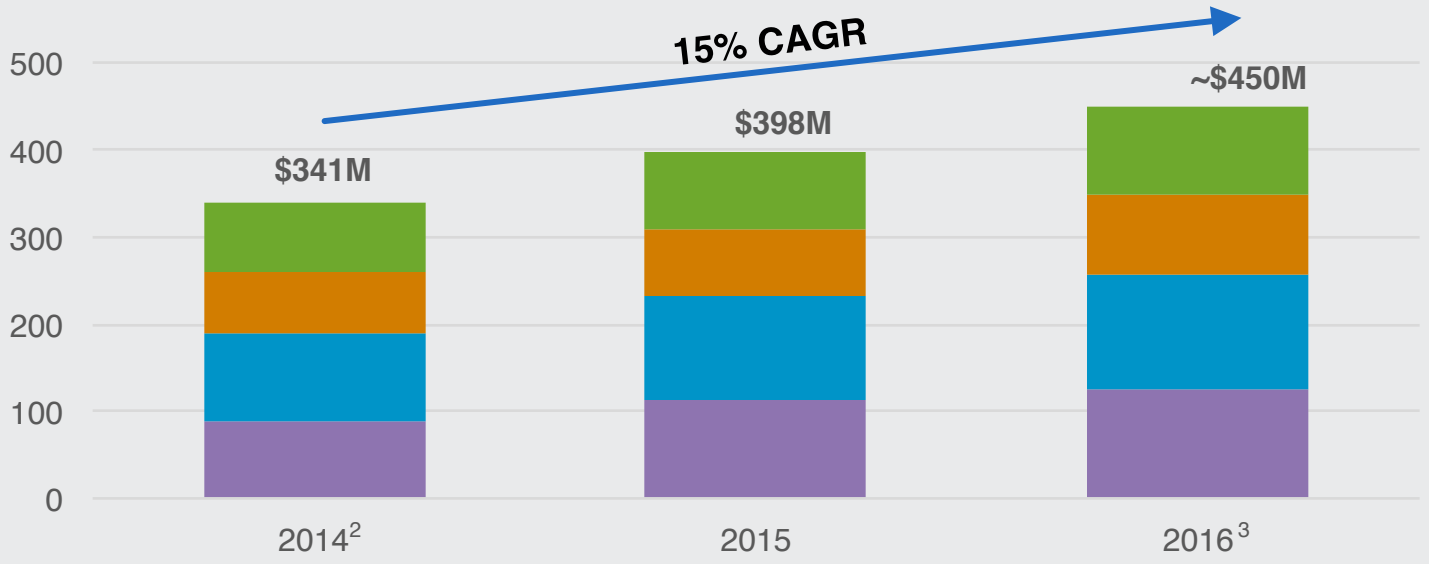
- $200K of Trench Safety revenue, largely weighted toward engineering
- Additional $300K of Gen Rent revenue resulted from cross selling

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Cross-selling results



National Account Specialty cross-sell revenue



Cross-sell Penetration[1]	16%	18%	20%

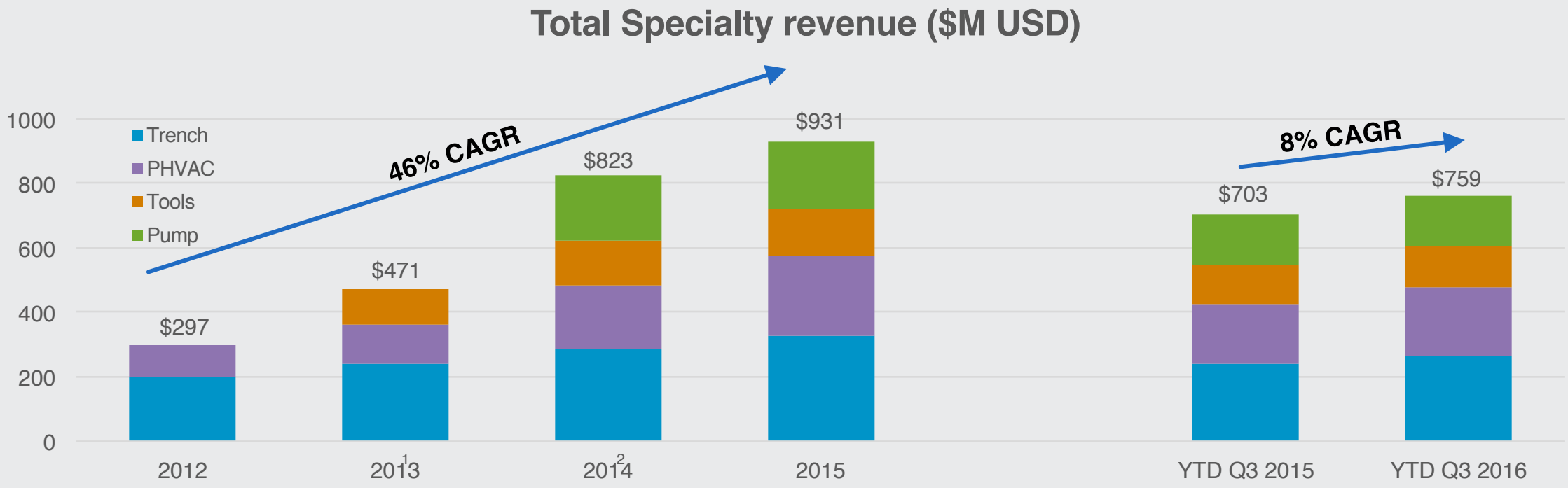
‘14 – ’16 CAGR	
Pumps	11.9%
Tools	12.6%
Trench	15.7%
PHVAC	18.3%

Cross selling provides for cost-effective customer acquisition, improved customer retention, & a broader revenue base

Note: 1- Cross-sell penetration is the % of total National Account revenue attributable to specialty cat classes. 2- Pump 2014 is pro-forma. 3- 2016 full-year is estimated using YTD figures and seasonality ratios from previous years.

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Specialty growth



EBITDA Margin	41.7%	45.4%	47.2%	44.6%	45.4%	47.0%

Specialty has grown to 20% of total company revenue

Note: 1- Tool Solutions was added in 2013. 2- Pump Solutions was added in April 2014.

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Key drivers for Specialty growth beyond 2016

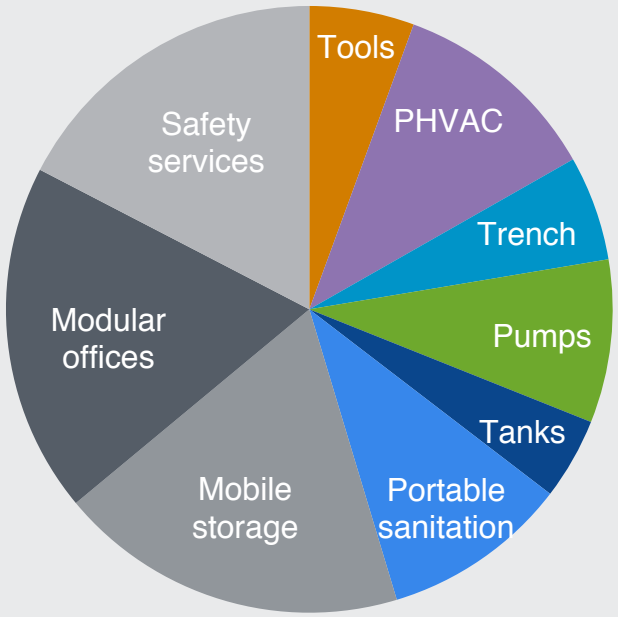
Trench Safety	• Federal infrastructure commitments • Increased compliance	• Continued expansion of gas distribution network • Strong commercial construction
Power & HVAC	• Aging power grid • Growth in domestic industrial sector	• Sports & entertainment growth • Disaster response
Pumps	• Federal infrastructure commitments • Industrial sector growth	• Shift away from ownership • Strong commercial construction
Tool Solutions	• Shift away from ownership • Industrial sector growth	• Strong commercial construction

Runway for growth with macro tailwinds

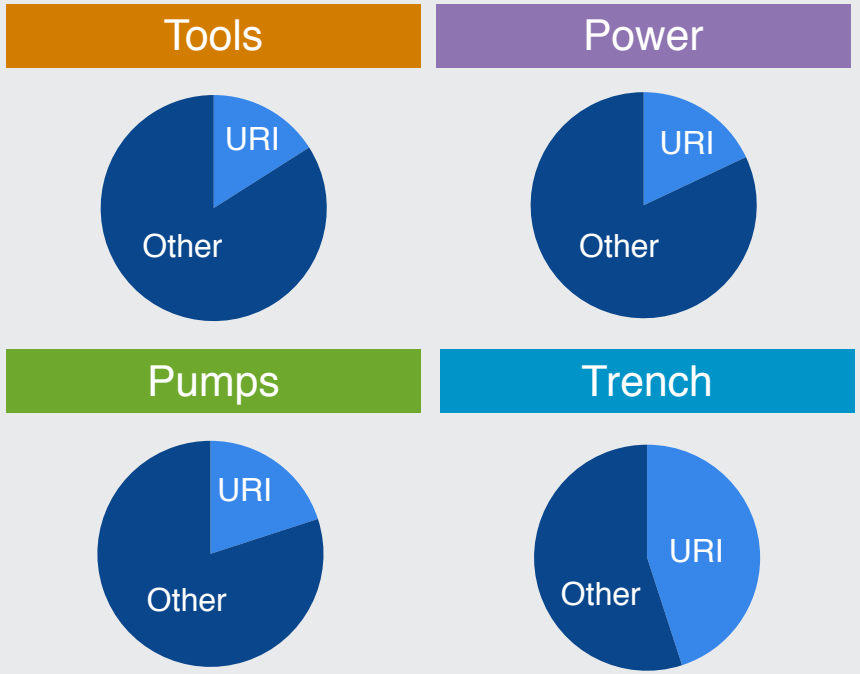
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Specialty plays in large markets with room for growth

North American Specialty rental market exceeds $16B



Meaningful runway to grow current mix of Specialty businesses



We plan for strong growth in all our specialty businesses

Source: Internal Market Estimates.

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Summary

- Specialty businesses are high return, solution-based businesses that strengthen our value proposition and deepen customer entanglement
- Continue to drive growth through: cold starts, talent acquisition, cross-selling, and new specialty product launches/ lines
- Macro outlook is supportive for continued growth among a diverse set of customer verticals and end markets

Specialty aims to grow to $2 billion of revenue by 2020

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