

# EQOSTRA

HOLDINGS LIMITED



## Construction and Mining Equipment Distributorships

Investor day presentation  
29 November 2011

## Divisional overview

- ✓ The division provides distribution and aftermarket services for mobile capital equipment to the construction and mining industries
- ✓ Two business units:
  - ✓ Eqstra Construction Equipment - 9 Brewery Road, Isando
  - ✓ Eqstra Mining Services – 61 Maple Street, Pomona
- ✓ Primary brands – Terex Trucks, New Holland Construction and Bucyrus
- ✓ Total divisional employees at 30 June 2011 – 438
- ✓ Terex cranes transferred to Industrial Equipment at end of FY2011

EQSTRA  
CONSTRUCTION EQUIPMENT

## Markets served

- ✓ Mining – opencast, bulk earthworks
- ✓ Plant hire industry
- ✓ Construction – Road building and general construction
- ✓ Selected African markets



## Summary financials

Rm	Full year			6 monthly			
	2011	2010	% ch	H1'10	H2'10	H1'11	H2'11
Leasing assets	73	60	+21.7%	70	60	62	73
Inventories	576	771	-25.3%	1 088	771	575	576
Other assets	410	294	+39.5%	271	294	535	410
<b>Operating assets</b>	<b>1 059</b>	<b>1 125</b>	<b>-5.9%</b>	<b>1 429</b>	<b>1 125</b>	<b>1 172</b>	<b>1 059</b>
Revenue	1 337	1 080	+23.8%	530	550	691	646
EBITDA	106	(116)		(90)	(26)	28	78
Operating profit (loss)	103	(116)		(89)	(27)	24	79
Net finance costs	50	139	-64.0%	76	63	35	15
PBT (LBT)	40	(272)		(175)	(97)	(14)	54
Operating margin	7.7%	-10.7%		-16.8%	-4.9%	3.5%	12.2%
EBITDA to net finance costs	2.1x	(0.83x)		(1.2x)	(0.4x)	0.8x	5.2x

## Terex history in South Africa

- ✓ Terex Africa purchased by Eqstra in 2007
- ✓ At that stage it distributed only mining equipment and Terex Trucks
- ✓ Management ramped up construction side of the business just before global financial meltdown
  - ✓ Resulted in excessive inventories and overheads that required rapid rationalisation
- ✓ Since then rationalised range of Terex products – no overlap with New Holland
- ✓ Only distribute Terex Rigid and Articulated Trucks (and cranes through EIE) – This falls under Terex Inc.'s construction range of products
  
- ✓ Terex Mining was sold to Bucyrus, now sold to CAT



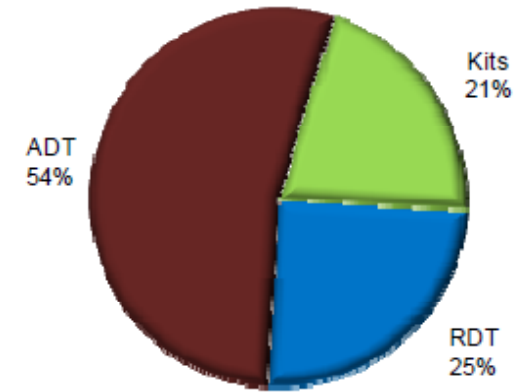
# Bucyrus / CAT transaction

- ✓ Eqstra is currently trading under cautionary
- ✓ Eqstra Mining Services represents c.39% of CMED revenues
- ✓ No. of staff = 242
- ✓ Inventory value at 30 June 2011 - ±R300m
- ✓ Targeting formal announcement of outcome before 31 December 2011

# South Africa is a key Terex Truck market

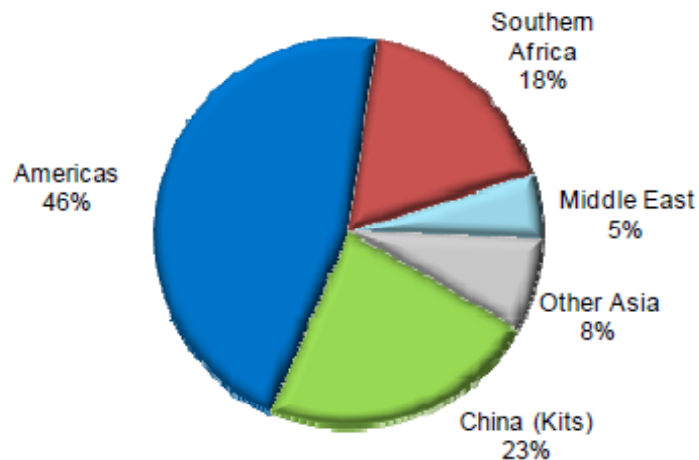
- OEM support is critical to meeting clients high expectations
- Versatile articulated trucks sell in higher volumes

Terex Trucks - 2010 Net Sales by Product



Source: Terex Inc.

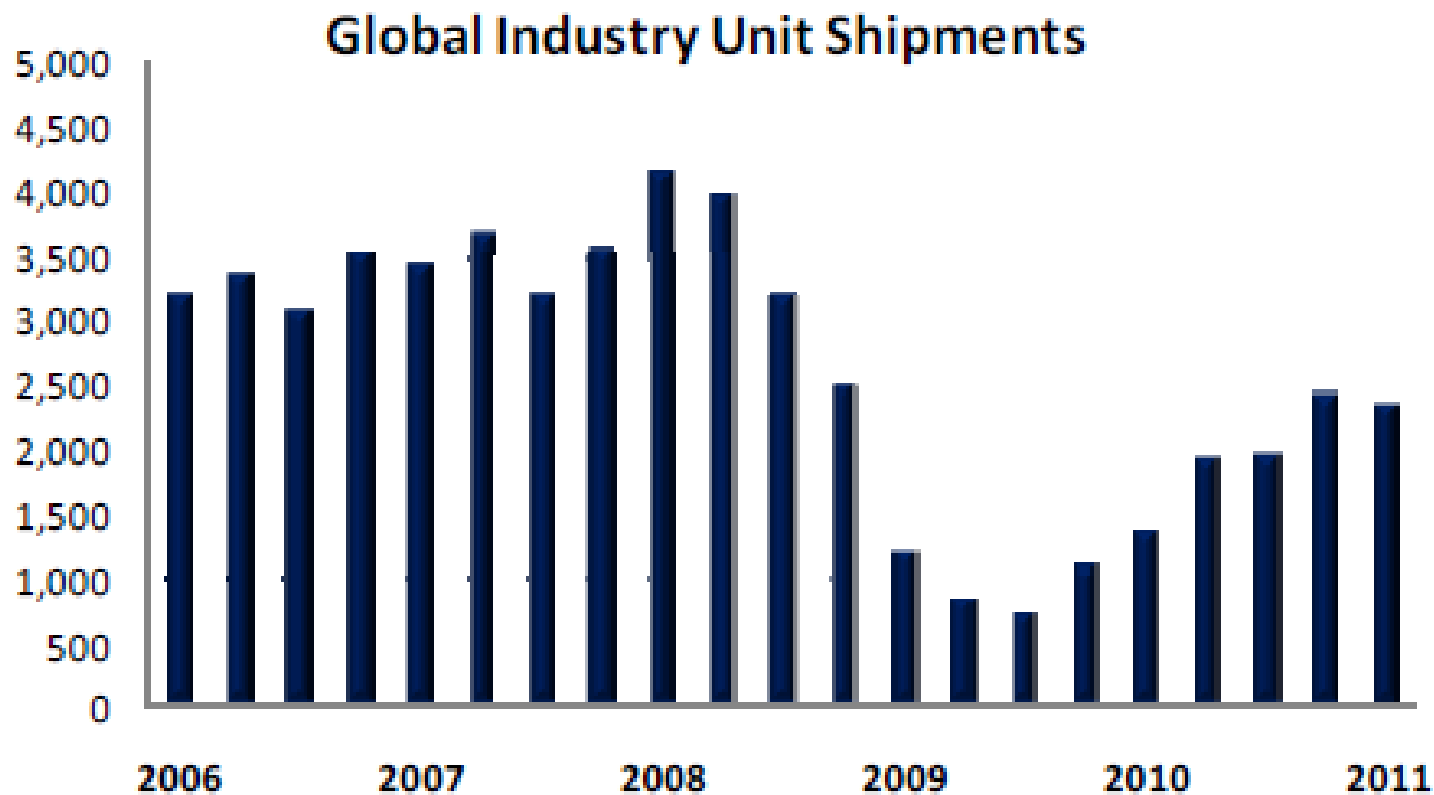
Terex Trucks - 2010 Geographic Net Sales



Source: Terex Inc.



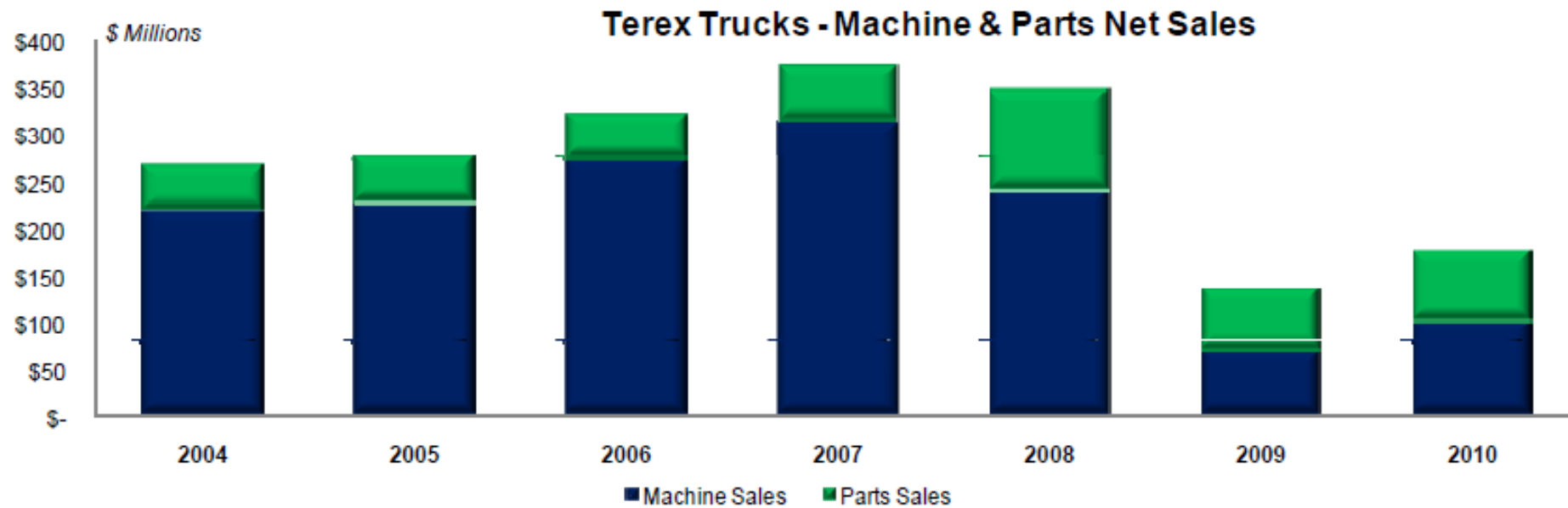
- Global Terex truck sales have recovered off recent lows, but still well off highs achieved in 2008



Source: Terex Inc.

## Parts sales are defensive

- Terex Truck sales has shown cyclicality, but part sales has shown resilience through the economic cycle



Source: Terex Inc.

# New Holland Construction history in South Africa

- ✓ Eqstra awarded the distribution rights for New Holland Construction equipment in 2007
- ✓ Distributed a full range of construction equipment prior to the global financial crisis
- ✓ Post 2008 slowdown, focused on distributing only high volume, fast-moving product ranges were retained
- ✓ Slow-moving equipment and parts were returned to supplier where possible
- ✓ Construction sector still under pressure



# Eqstra Construction Equipment operating strategy

- Increase market share in targeted equipment ranges
  - Increase marketing efforts
  - Unwavering commitment to maintain high levels of service
  - Close client relationships
- Grow parts and servicing revenues -- challenge as there is a limited park
- Permanent technical and aftermarket support function at major client's base
- Expand in the mining industry
- Continue increasing leasing book of Terex rigid and articulated trucks



# Currency impact

- ✓ Primary currencies:
  - ✓ Terex Trucks                      British pound
  - ✓ New Holland                      Euro
  - ✓ Bucyrus Trucks                      US dollar
  - ✓ Bucyrus Excavators                      Euro
- ✓ Rand weakness is a negative for competitiveness, although other suppliers also impacted
- ✓ However, the relatively weak pound has increased the pricing attractiveness of Terex Trucks
- ✓ All major orders are covered by FEC's



## Training and development

- Skills shortage a limiting factor
- To combat the skills shortage, there is an active apprenticeship program in place that runs over four years
- Currently 20 apprentices in training
- 15 graduated during the prior financial year



# Income statement key points

- ✓ Revenue – Currently impacted by slow construction sector and may be impacted by outcome of Bucyrus transaction
- ✓ Costs – Divisional overhead structure has been rationalised
- ✓ As parts and service revenues increase, margins will improve
- ✓ Operating margin range target 5% - 8% in the short term
- ✓ Operating margin negatively impacted by:
  - ✓ Under absorption of overhead
  - ✓ Sudden currency movements

# Balance sheet key points

- ✓ Optimal gearing target 50% - 70%
- ✓ ROE target 25%
- ✓ Working capital to revenue 42% at FY2011 – high level of slow moving mining spares
- ✓ Net working capital days = 255
- ✓ Working capital cycle is improving



<ul style="list-style-type: none"><li>• <b>Return to sustainable profitability</b></li></ul>	<ul style="list-style-type: none"><li>• Continue to recover shareholder value destroyed</li><li>• Increase revenue through channeled marketing and driving sales &amp; after-sales revenue</li><li>• Develop plant leasing and rental to increase annuity income</li><li>• Co-ordinated exit from Bucyrus distributorship</li></ul>
<ul style="list-style-type: none"><li>• <b>Inventory reduction</b></li></ul>	<ul style="list-style-type: none"><li>• Strategically exit of slow moving inventory and spares</li></ul>
<ul style="list-style-type: none"><li>• <b>Counter cyclical business model</b></li></ul>	<ul style="list-style-type: none"><li>• Geographical spread into other African countries</li><li>• Manage total overheads to baseline income (absorption cost)</li><li>• Identify further associated value-add revenue streams</li><li>• Establish used equipment remarketing channel either directly or through alliances</li></ul>

## ✓ 1H 2012

- ✓ Slow construction sector and Eqstra Mining Services uncertainty
- ✓ Sales prospects positive for new equipment

## ✓ 2H 2012

- ✓ Cautiously optimistic as current uncertainty in commodity markets plays havoc with forecasts
- ✓ Other variables that affect the revenue growth outlook:
  - ✓ Fluctuations in exchange rates
  - ✓ Opportunity to improve parts and service revenues
    - ✓ Greater focus on aftermarket support
    - ✓ Establishment of on-site stores
  - ✓ Opportunity to increase market share of ADT range off low base

# Outlook

- The 2012 financial year will remain challenging for New Holland Construction due to exposure to the construction industry
- Terex Truck orders slow in first half, but we expect improved orders in the second half
- We expect to improve our market share for new equipment
- Increase investment in training and skills development to support our products



# QUESTIONS?