

EQOSTRA

HOLDINGS LIMITED



Industrial Equipment

Investor day presentation
29 November 2011

Divisional overview

- Third largest division of Eqstra – 20% of revenues and 16% of revenue producing (leasing) assets
- Main activity is the distribution and rental (+ provision of related value-added services) of industrial, material handling and agricultural equipment
- The division is the market leader in the southern African forklift market and has the largest aftermarket infrastructure
- Dominant business units:
 - Toyota Forklift – c.70% of divisional revenues
 - CAT Lift Trucks (UK) – c.19% of divisional revenues



Services offered

- /// Short-term rental (SA – 2289 units, UK – 1094 units)
- /// Long-term rental (average age of fleet in SA – 25 months, UK – 23 months)
 - /// Full maintenance rental
 - /// Rental with a service contract
- /// Service / maintenance agreements on cash sales
- /// Fleet management
- /// Operator training
- /// Battery bay management
- /// Load testing



Summary financials

Rm	Full year			6 monthly			
	2011	2010	% ch	H1'10	H2'10	H1'11	H2'11
Leasing assets	1 201	1 096	+9.6%	1 134	1 096	1 101	1 201
Inventories	306	269	+13.8%	282	269	296	306
Other assets	294	240	+22.5%	205	240	262	294
Operating assets	1 801	1 605	+12.2%	1 621	1 605	1 659	1 801
Revenue	1 502	1 345	+11.7%	655	690	728	774
EBITDA	477	475	+0.4%	232	243	230	247
Operating profit	190	185	+2.7%	80	105	96	94
Net finance costs	80	98	-18.4%	52	46	41	39
PBT	108	85	+27.1%	29	56	48	60
Operating margin	12.6%	13.8%		12.2%	15.2%	13.2%	12.1%
EBITDA to net finance costs	6.0x	4.9x		4.5x	5.3x	5.6x	6.3x

Operational overview

Total staff compliment	:	1,265 employees (SA & UK)
Units in operation SA	:	24,510 units
Rental fleet SA	:	6,766 units
Maintenance only	:	1,703 units
Rental fleet UK	:	3,090 units
Maintenance only	:	820 units
Market share SA	:	35 % (materials handling)
Market share UK	:	3.6%

Top 20 global forklift suppliers in 2010

		2010 Revenues	Brands	Home country
1	Toyota Industries	\$5.9bn	Toyota, Raymond, BT	Japan
2	KION Group	\$4.7bn	Linde, Still, OM, Baoli	Germany
3	Jungheinrich Lift Truck Corp.	\$2.4bn	Jungheinrich	Germany
4	Crown Equipment Corporation	\$1.8bn	Crown, Hamech	USA
5	NACCO Industries, Inc.	\$1.8bn	Hyster, Yale	USA
6	Mitsubishi Caterpillar Forklift America Inc.	\$1.2bn	Mitsubishi, CAT	Japan
7	Komatsu Utility Co.	\$1.0bn	Komatsu, Tusk	Japan
8	Nissan Forklift Corp.	\$900m	Nissan, Barrett, Atlet	Japan
9	TCM Corp.	\$889m	TCM	Japan
10	Anhui Forklift Group	\$777m	Heli	China
11	Nippon Yusoki Co.	\$747m	Nichiyu	Japan
12	Clark Material Handling Company	\$570m	Clark	South Korea
13	Doosan Infracore	\$475m	Doosan	South Korea
14	Zhejiang Hangcha Engineering Machinery Co.	\$313m	HC	China
15	Hyundai Heavy Industries	\$258m	Hyundai	South Korea
16	Tailift	\$125m	Tailift, Worldlift	Taiwan
17	Combilift	\$110m	Combilift	Ireland
18	Hubtex	\$75m	Hubtex	Germany
19	Hytsu	\$69m	Hytsu	China
20	Godrej & Boyce Manufacturing	\$67m	Godrej	India

Source: Modern Materials Handling, August 2011

Global forklift market

Region	Orders			Shipments		
	2009	2010	% Change	2009	2010	% Change
Europe	200,311	259,932	130%	207,082	245,512	119%
Americas	118,929	181,060	152%	128,246	152,160	119%
Asia	206,531	322,953	156%	207,207	314,307	152%
Africa	9,721	15,534	160%	9,953	14,243	143%
Oceania	11,340	14,973	132%	12,451	14,468	116%
Total	546,832	794,452	145%	561,939	740,690	132%

Source: Modern Materials Handling (WITS), August 2011

➤ In 2010 China (206 465) passed America (183 595) as the largest forklift market in the world

WITS orders placed on factories:	Oct 2011 YTD	% increase
Europe	275 442	28%
America	183 595	30%
Asia	322 901	23%
Africa	14 274	14%
Oceania	17 478	41%
	-	
World	813 690	26%

Source: WITS

Operating strategy

- ✓ A national footprint
- ✓ Develop existing asset classes into a full value chain proposition
- ✓ Identify further complementary businesses to exploit this business model
- ✓ Implementation of UK CAT Lift growth strategy
- ✓ Multi-skill technicians to work on all products
- ✓ Introduce customer service training for technicians
- ✓ Establish and implement CRM system



Key divisional strengths

- ✓ Quality brands with high recognition factor
- ✓ Aftermarket infrastructure
- ✓ Strong relationships with OEM's
- ✓ Diversified and fragmented rental book - no customer greater than 5% of business
- ✓ High quality of accounts receivable
- ✓ A culture of people development
- ✓ Ability to offer a total solution



Training and development

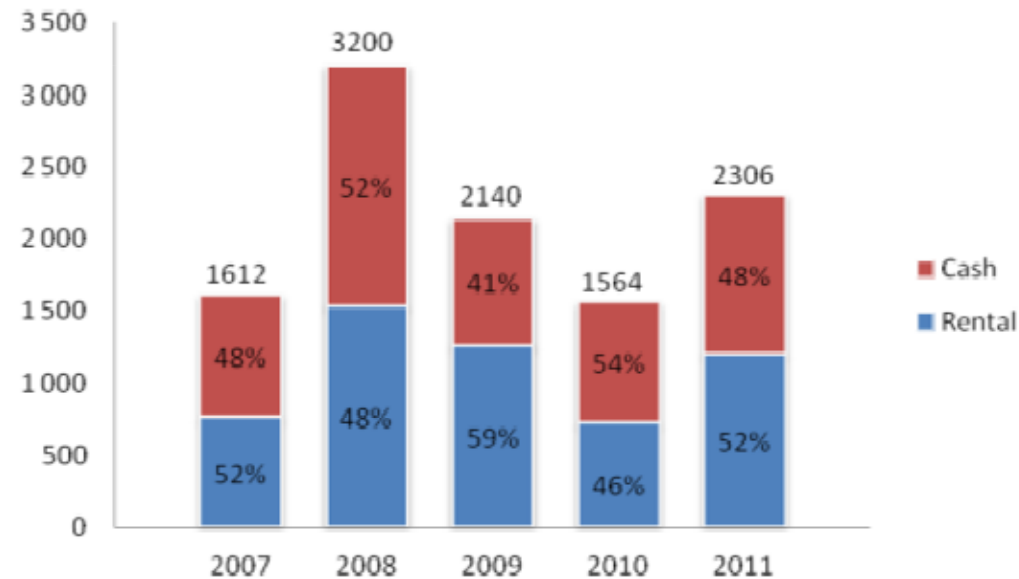
- ✓ Committed to full time training of our technicians in order to keep up to date with new products and the latest technology
- ✓ Operator academy undertakes forklift operator training and trained 1,026 operators in FY2011
- ✓ Only forklift company accredited to do apprentice trade tests by MerSETA
- ✓ Continued education focus
 - ✓ Presented by National Product Manager and Trainer in every branch (S.T.E.P)
- ✓ First division to materially benefit from “Eqstralution” SED program, which provides assistance to technical schools



Long-term rental versus cash sale

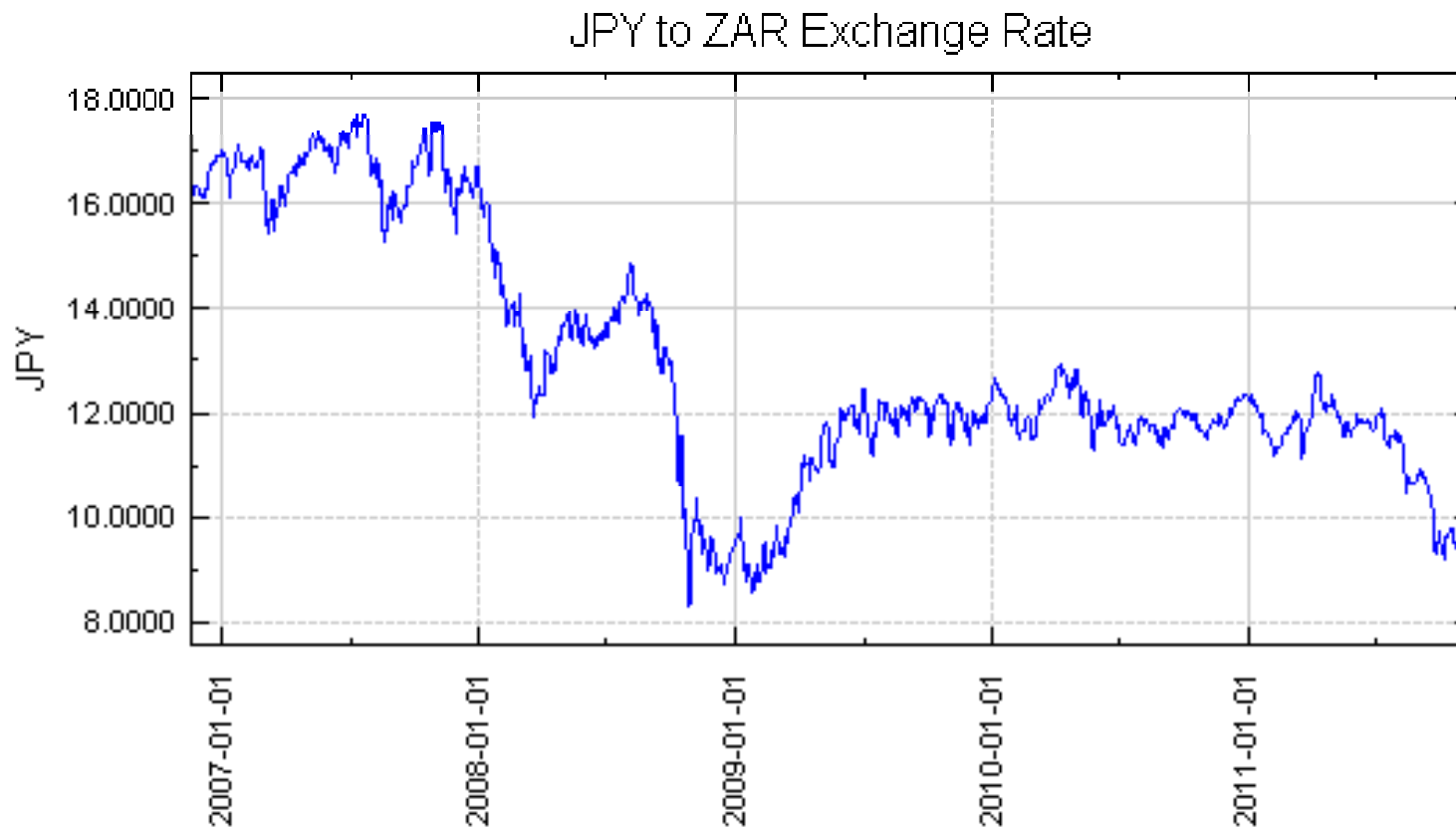
- Customer ultimately decides on method of purchase
- Past 5-year average is 52% / 48% split in favour of rental
- Outsourcing of non-core activities, flexibility of off-balance sheet financing influence rental versus buy decision
- Rental agreements gross profit amortised over contract period

EIE South African unit sales



Currency impact

- Division is most impacted by YEN/ZAR exchange rate (Toyota)
- The yen has firmed against the rand in recent months
- Competitiveness and margins reduced, but strength of client relationships is a mitigating factor
- Competitive landscape impact



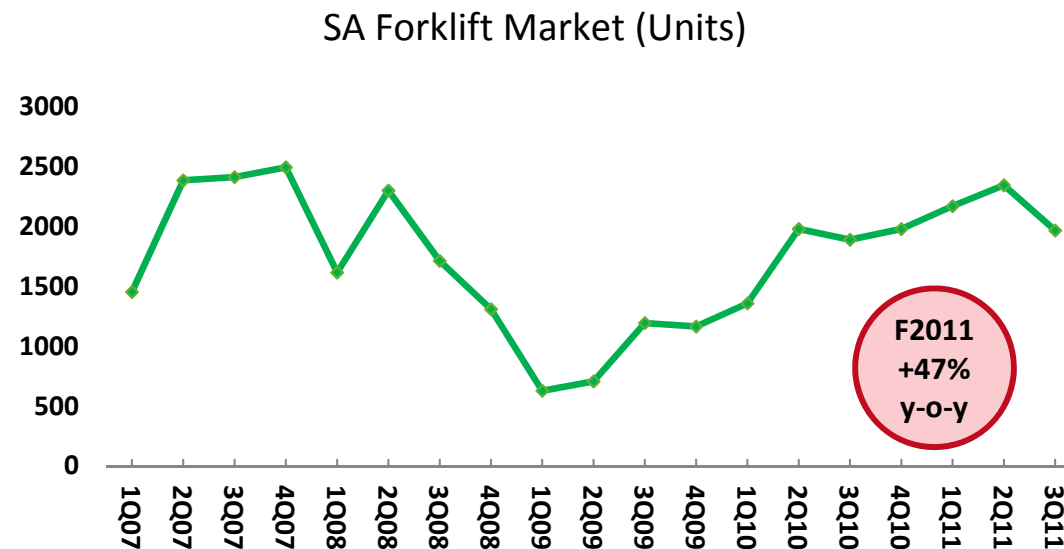
Customer financing model

- ✓ A total solution is offered to clients when signing a long-term rental agreement
- ✓ Focus is on a value proposition rather than off-balance sheet financing
- ✓ Average length of contract is 52 months in SA and 43 months in the UK
- ✓ Customer returns after 5 years and replaces with new
- ✓ Aim is for funding rate to be a secondary decision and total solution offering / optimal life-time value being primary decision
- ✓ OEM support in terms of special pricing for strategic deals and payment terms can assist competitiveness



SA forklift market

- Market has steadily risen off 2009 lows
- Broad based demand from a variety of sectors
- Q-o-Q growth has tapered off in recent months
- Outlook for 2012 remains positive, continuing global uncertainty a negative



Source: WITS orders placed on factories

Impact Handling (UK)

- ✓ CAT distribution agreement commenced 1 November 2010
- ✓ 19% of FY2011 divisional revenues, but at lower margins due to rental vs cash split
- ✓ Footprint now significantly expanded to include entire UK (from 65%) and Ireland
- ✓ Fleet size over 3,000 units - market is primarily a rental market
- ✓ Annualised market share of 3.6% to June 2011 – 4.1% for second half

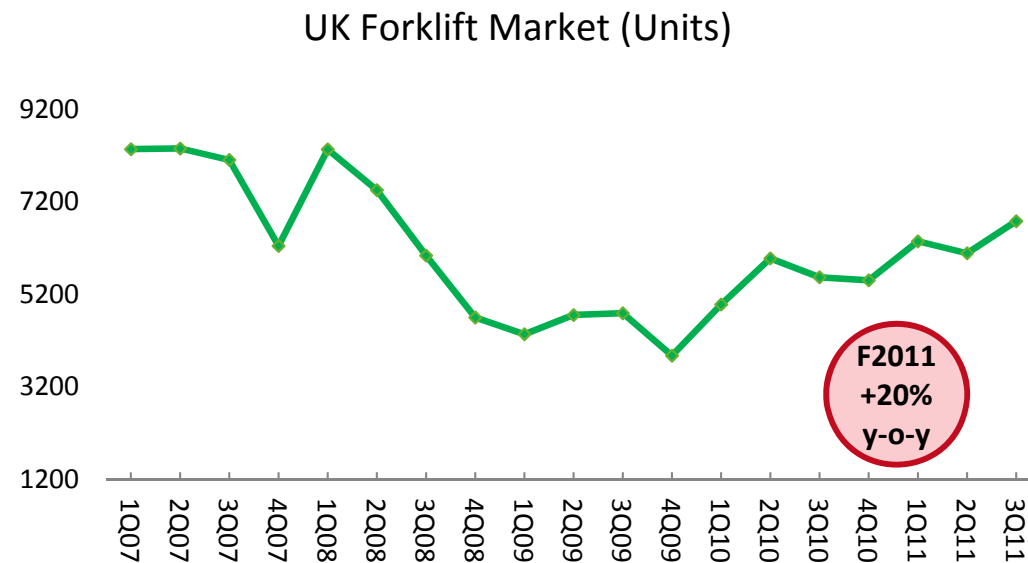


CAT Lift Trucks



UK forklift market growth trending lower

- UK market is roughly 3-4 times the size of the SA market
- General economic conditions remain weak, but forklift demand has shown growth
- CAT Lift franchise should result in market share gains based on current order intake



Source: WITS orders placed on factories

Value chain statement

FY2011 Group revenue, excluding corporate office (Rm)	Distribute	Rent/lease	Value-add	Sell
Contract Mining and Plant Rental		424	2 552	
CMED	962		260	
Passenger and Commercial Vehicles		749	782	358
Industrial Equipment	477	580	352	87
Total revenue	1 439	1 753	3 946	445

Income statement key points

- ✓ Revenue growth is a function of outright sales, new and existing rental income growth and growth in aftermarket (parts and services) revenues
- ✓ Overhead to sales ratio is targeted at 8.5% -- actual 11% for FY2011, but did include once off expenses
- ✓ Depreciation to revenue ratio expected range between 18% and 20% (FY2011: 19.2%)
- ✓ Operating margin targeted in 12-15% range (FY2011:12.6%), UK growth could have dilutionary impact
- ✓ ROE targeted at 20%



Balance sheet key points

- ✓ Overall gearing target is 3.5x – 4.0x
- ✓ UK gearing target 5x
- ✓ Working capital to revenue ratio target is 15% (FY2011: 14.8%)
- ✓ Inventories – max. 3 months sales for SA and 1 month sales for UK, Parts 6 months
- ✓ Fleet utilisation measures only applicable to the short-term rental fleet



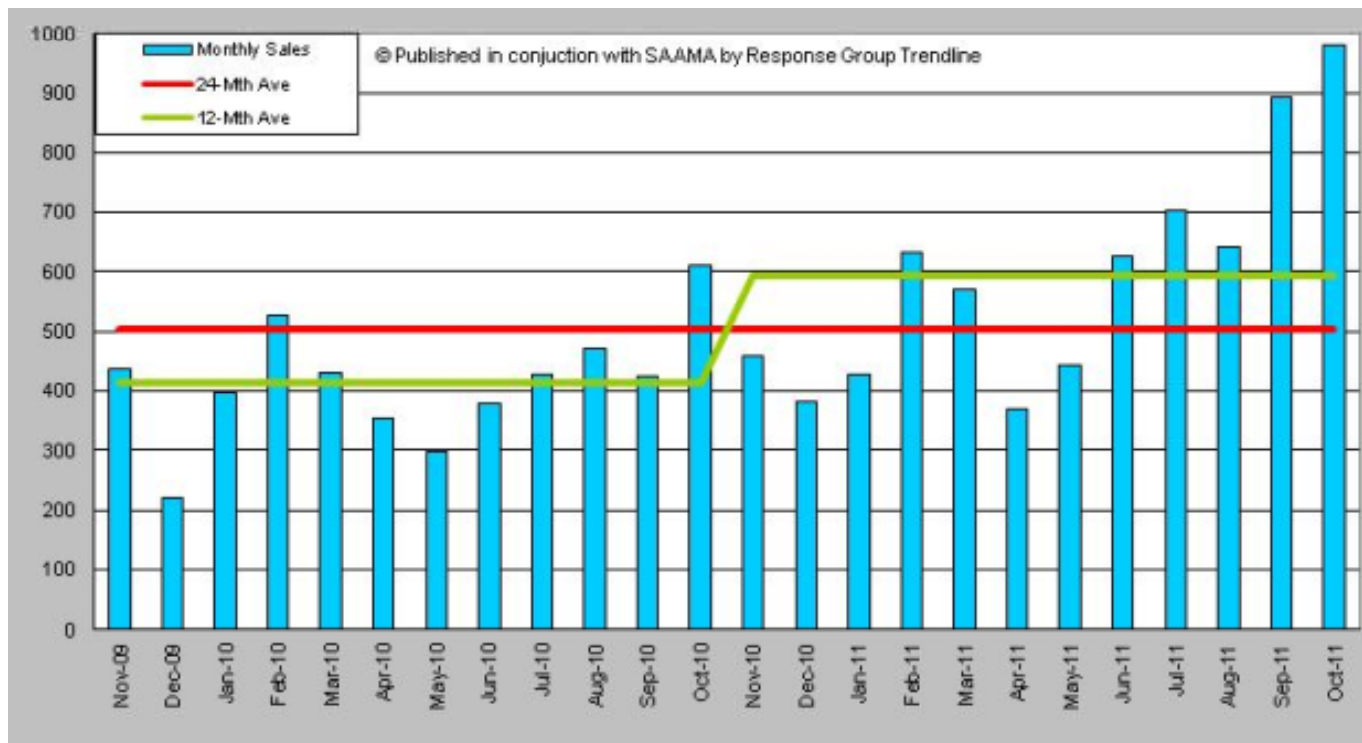
Capital expenditure outlook

- Expansion capex is a function of new contracts / leasing fleet additions
- Replacement capex - average contract duration is 4-4.5 years = therefore $\pm 30\%$ of leasing fleet value per annum should be spent as replacement capex
- Adequate distribution and servicing facilities in place country wide



Agri equipment

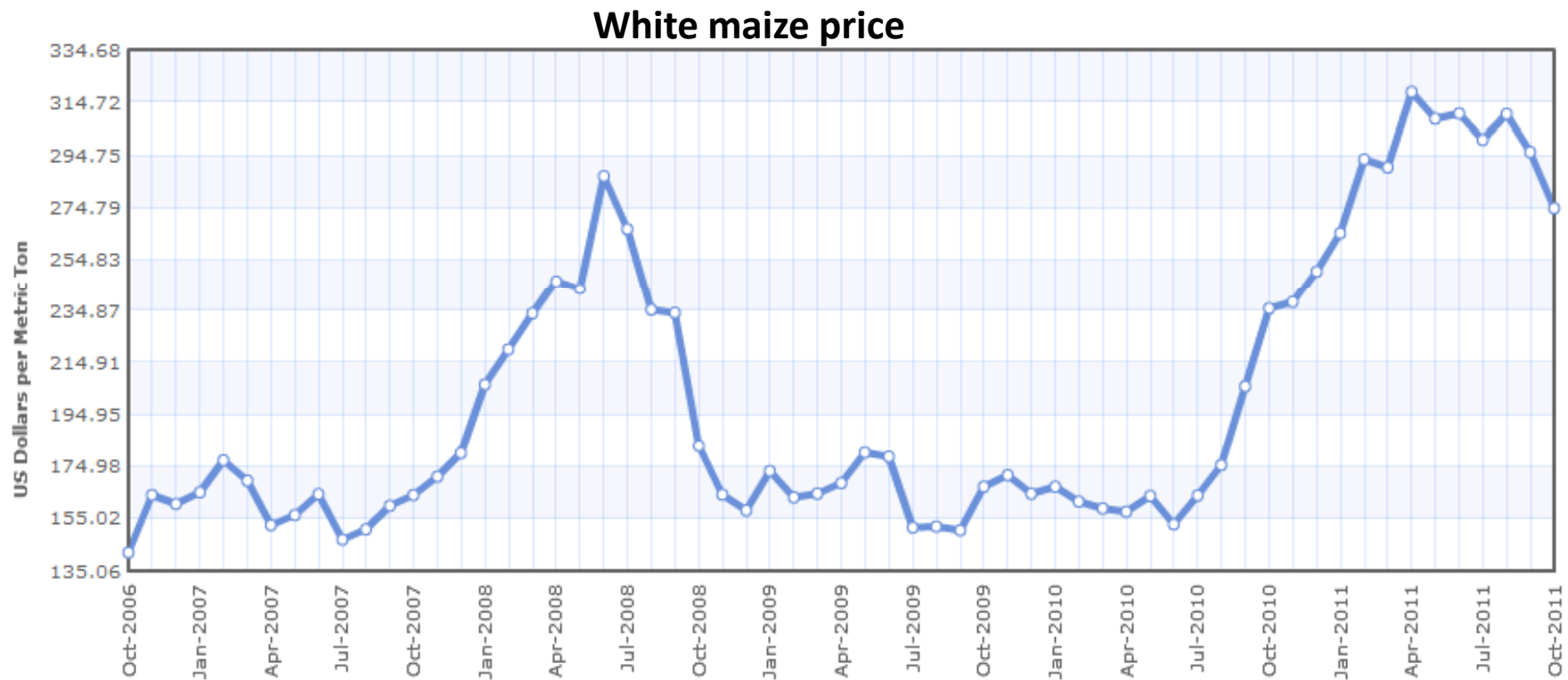
- Commenced distribution of SAME Deutz Fahr in 2008 using a dealer model
- Tractor market as big as the forklift market (units)
- Business unit still in ramp-up phase – <5% of divisional revenue and was a drag on FY2011 results
- Current market share of 2%, aiming for 10% in the long term



Monthly RSA tractor sales

Higher maize prices encourage tractor sales

- Farming community sensitive to the macro environment
- Local grain stocks have reduced significantly and average maize prices are higher since 2009 and 2010



Source: Index mundi

Eqstra Heavy Lift

- /// Essentially a new business unit focused on industrial cranes and port equipment
- /// Relinquished Kalmar distributorship in August 2011
- /// Distributes the following brands:
 - /// Konecranes (from February 2011)
 - /// Terex Cranes (transferred from CMED)
 - /// Broderson (cranes – transferred from CMED)
 - /// Terberg (terminal tractors)

- /// Significant aftermarket opportunity exists
- /// Market segments targeted:
 - /// Industrial
 - /// Parastatal – container handling at ports and harbours
 - /// Container Handling
 - /// Mining
 - /// Manufacturing



Complementary / alternative products

- Product range expanded in recent years to provide complementary / alternative products
- Aim is to provide a total solution and to further entrench client relationships
- In total brands below contributed less than 10% to FY2011 divisional revenues:
 - Clarklift and JCB Teletruk (run as an autonomous business unit)
 - Hako (cleaning equipment)
 - ABAC compressors (from May 2011)
 - Hawker (forklift batteries and chargers)



Sustainability

- Divisional activities overall have low impact on the environment
- Employee engagement on sustainability issues has led to the identification of three sustainability priorities for the division:
 - Energy
 - Waste (tyres, oil, lubricants)
 - Water
- Introduced a culture of “reduce, recycle and re-use” through the development of “Green Teams” within the division



Growth opportunities

- ✓ Africa – new, used equipment and aftermarket support
- ✓ Eqstra regional hubs in strategic towns
- ✓ Multi-skilled support staff
- ✓ Expand total solution offering in both SA and UK
- ✓ Complimentary business acquisitions



FY2012 outlook

- ✓ Forklift demand expect to remain firm in SA and UK – although with current exchange rates and uncertainty in Europe the market could decline slightly
- ✓ Continued strength in the Japanese yen could be a challenge resulting in reduced margins
- ✓ Full year of CAT Lift Trucks should benefit growth
- ✓ Supply of forklifts from Toyota and CatLift concerning
- ✓ Agricultural equipment set for growth given increased penetration and high maize prices



QUESTIONS?