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**2020
ANNUAL RENTAL
REPORT**

**Companion to the Cost of
Doing Business Report**

(Based on 2019 Operations)
AEDNET.ORG

Annual Rental Report

Companion to the 2020 AED Cost of Doing Business Report

The **Annual Rental Report - Companion to the 2020 Cost of Doing Business Report** presents a detailed analysis of rental practices from the equipment distribution industry. Based on confidential surveys completed by 91 AED distributors in mid-2020, this report includes a compilation and analysis of rental financial and operations data segmented by sales volume by type, line of business, regions (based on climate), and a special grouping of “High Profit” dealers.

This year’s **Annual Rental Report** provides a specialized focus on common rental practices within the industry. The survey is published by the Associated Equipment Distributors (AED), an international trade association representing companies involved in the distribution, rental and support of equipment used in construction, mining, forestry, power generation, agriculture and industrial applications.

The **Annual Rental Report** results were compiled, tabulated, and analyzed by Industry Insights Inc. (www.industryinsights.com), an independent professional research and consulting firm that specializes in conducting financial surveys, compensation studies, market assessments, customer satisfaction research, educational programs and other forms of customized research.

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DISCLAIMER

The information contained in this report is believed to be largely representative of the profile characteristics, opinions, and sentiments of responding equipment distributors. All reasonable efforts were taken by Industry Insights, Inc. to ensure data comparability within the limitations of basic reporting procedures. However, the findings are based on those who chose to participate, and the sample was not adjusted to reflect any pre-determined profile expectations. Industry Insights and AED make no representations or warranties with respect to the results of this study and shall not be liable for any information inaccuracies, or errors or omissions in contents, regardless of the cause of such inaccuracy, error, or omission. In no event shall Industry Insights nor AED be liable for any consequential damages.

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ABOUT THIS REPORT

As an exciting service to its members, the Associated Equipment Dealers is very pleased to provide the **Annual Rental Report – Companion to the 2020 Cost of Doing Business Report**. This unique research effort is intended to provide you with insights into common rental practices as it relates to dealer rental strategies, business models, and rental operations. Of course, the information is only as complete as the survey forms submitted. The value of the report increases as the completeness of the data increases. This study is designed to serve as an easy-to-understand performance management tool with which member firms can evaluate their own company's rental practices and policies. The overriding goal of this report is to provide information that will enable AED members to better manage their businesses.

The AED employed the services of Industry Insights, Inc., a survey research firm headquartered in Columbus, Ohio, to collect and process the survey results to assure strict confidentiality of responses. Confidential survey forms (refer to the Appendix for a sample) were sent to AED members in early 2020. A total of 91 survey forms were received for processing.

A valuable feature of the **Annual Rental Report** is that all firms participating receive an in-depth confidential Company Performance Report (CPR). Each company's own results are computed in a manner consistent with those appearing in the overall report, then displayed alongside the appropriate industry comparatives.

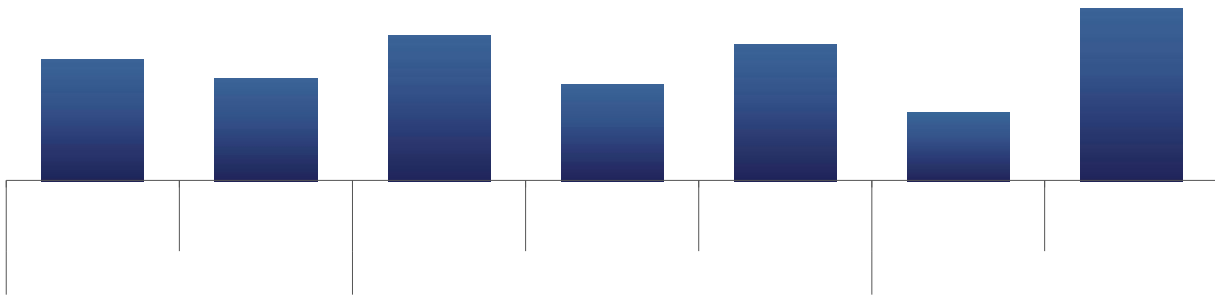
In addition to receiving access to the Company Performance Report, participants also receive access an interactive "Searchable Results" program. The Searchable Results application provides more specific information than any single report could reasonably provide. Using the program, users are able to create their own data cuts to create benchmarks that most closely match their organizations. For example, a dealer could create a data cut based on a specific revenue size range and region, whereas the report only provides single-level cuts (e.g., revenue size range *or* region). The Searchable Results program and other interactive data comparison tools are housed in the participants' online portal.

We are proud to present the enclosed insights into the dealer rental practices for the equipment distribution industry and hope you will find this to be a useful guide. Thank you to all of the individuals who submitted data for this study.

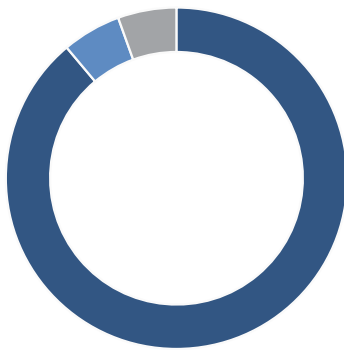
DEALER RENTAL BUSINESS MODELS

RENT-TO-SELL BUSINESS MODEL³

Percent of Dealers with an Established Rent-to-Sell Business Model



Primary Objective for the Rent-to-Sell Business Model (All Dealers)

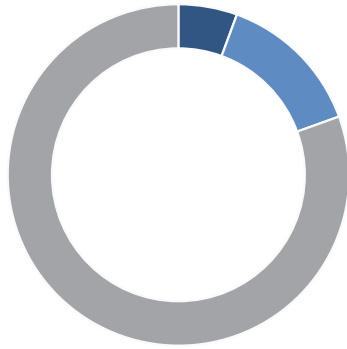


Rent-to-Sell & Machine Sales Distribution (% of Total RtS & Machine Sales Revenue)

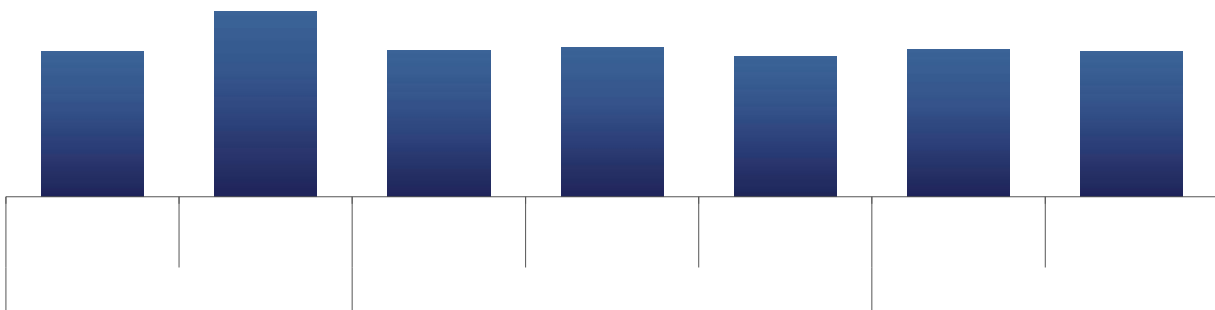


³ For the purpose of the report business model refers to an intentional design feature in a Dealer’s organizational structure to support rentals

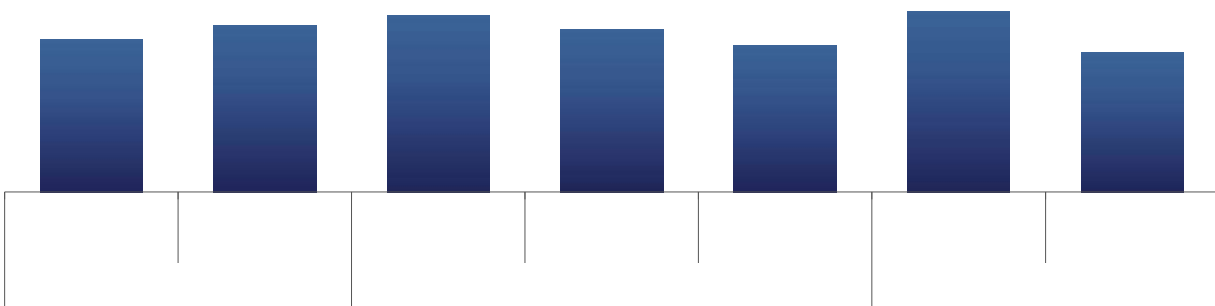
Rent-to-Sell Revenue Margins vs. Margins on New Equipment Sales (All Dealers)



Total Rent-to-Sell & Machine Sales Gross Margin

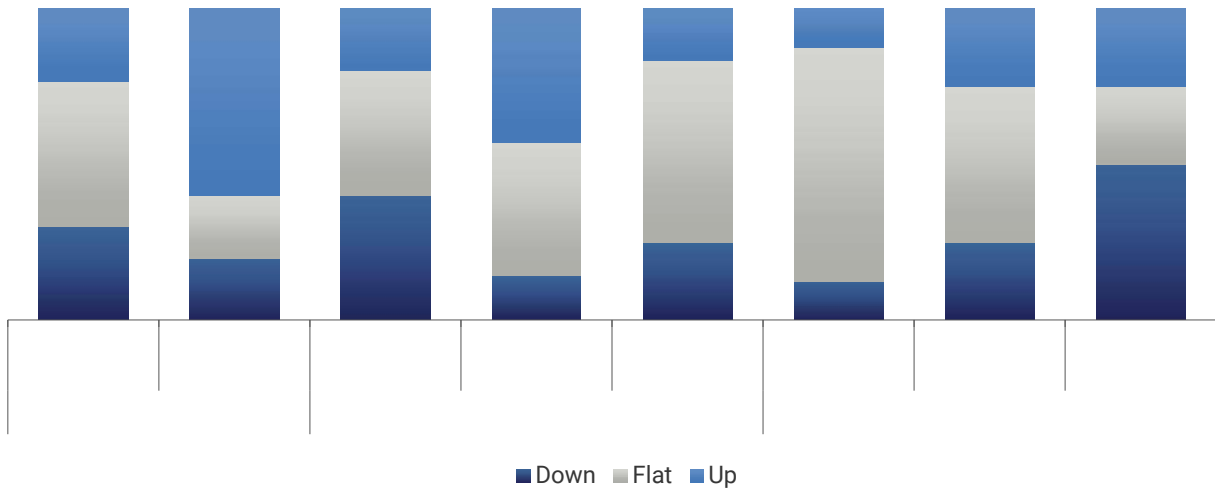


Rent-to-Sell Inventory Utilization Rate⁴

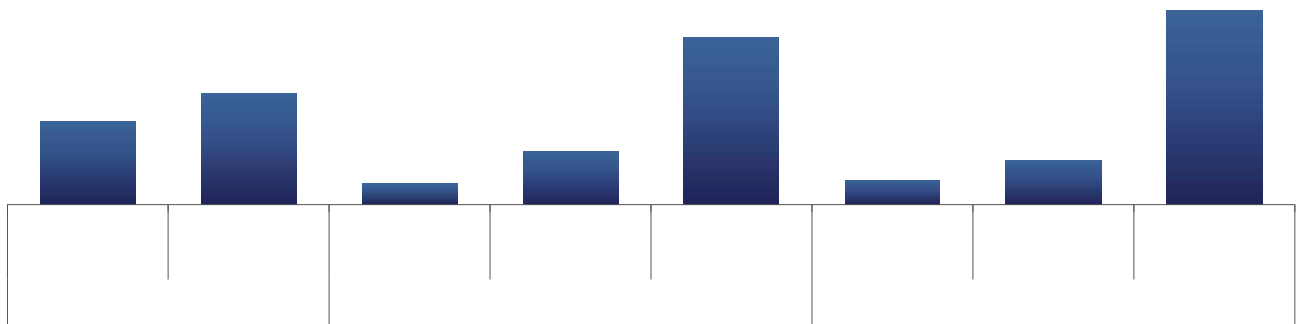


⁴The inventory utilization rate is the total line of business rental revenue as a percentage of the average equipment cost

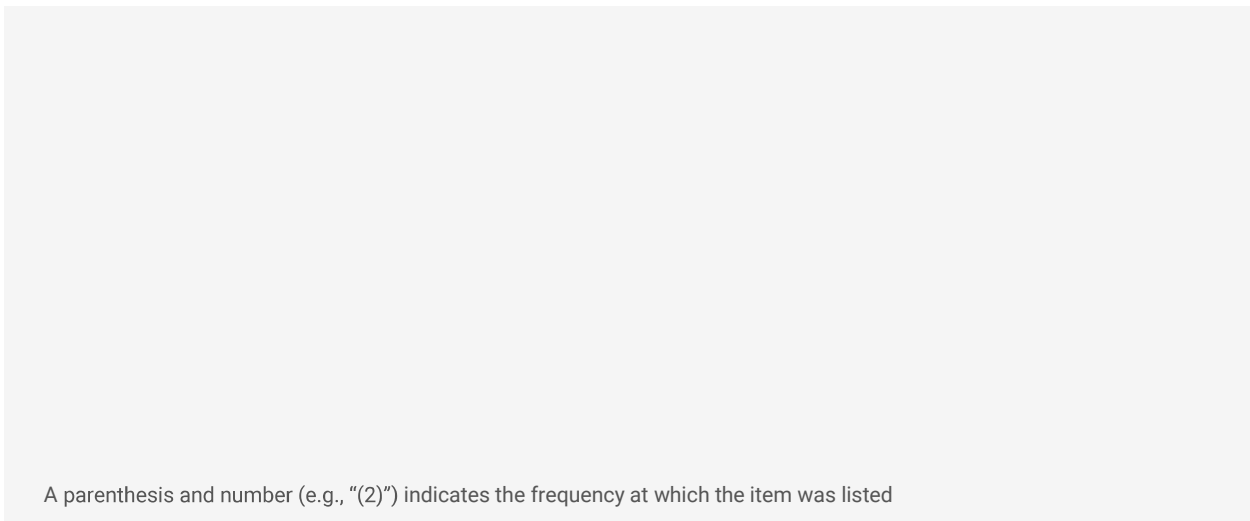
Change in Time Utilization (%) During 2019



Percent of Dealers that Utilize Third Party Services to Benchmark Rental Rates



Software Solutions Utilized by Dealers to Manage Rentals



A parenthesis and number (e.g., "(2)") indicates the frequency at which the item was listed

	All Dealers	High Profit Dealers	Rent-to-Sell & Machine Sales Revenue		
			Under \$25 Million	\$25 to \$50 Million	Over \$50 Million
RENTAL PRACTICES					
Dealer Rental Strategy					
Does the Dealership have an intentional rental strategy established?					
Yes					
No					
If a rental strategy exists, is it an integral component of overall dealer strategy?					
Yes					
No					
If a rental strategy exists, is it growth oriented?					
Yes					
No					
Dealer Rental Business Models					
Which of the following are established business models within your organization?					
Discrete Rent-to-Sell model					
Discrete Rent-to-Rent model					
Both Rent-to-Sell model and Rent-to-Rent model					
None					
If both Rent-to-Sell and Rent-to-Rent operations exist, are they comingled in the same business model?					
Yes *					
No *					
Rent-to-Sell Business Model					
What is the primary objective for the Rent-to-Sell business model?					
Conversion of the rental asset to sale					
Short-term rental profitability					
Other					
How do targeted margins on Rent-to-Sell Revenue compare to margins on outright sales of new equipment?					
Less than margins on outright sale of new equipment					
Equal to margins on outright sale of new equipment					
Greater than margins on outright sale of new equipment					
Who does Rent-to-Sell operations report to in the Dealer management team?					
Sales Manager					
Used Equipment Manager					
Rental Manager					
Product Support Manager					
Other					

	All Dealers	High Profit Dealers	Rent-to-Sell & Machine Sales Revenue		
			Under \$25 Million	\$25 to \$50 Million	Over \$50 Million
What is the targeted time for Rent-to-Sell fleet to be held?					
1 to 3 months					
4 to 6 months					
7 to 9 months					
10 to 12 months					
More than 12 months					
Rent-to-Rent Business Model					
What is the primary objective for the Rent-to-Rent business model?					
Optimize return on investment over the lifecycle of the asset					
Optimize annual profitability of rental income					
Other					
How do targeted margins on Rent-to-Rent Revenue compare to margins on outright sales of new equipment?					
Less than margins on outright sale of new equipment					
Equal to margins on outright sale of new equipment					
Greater than margins on outright sale of new equipment					
Who does Rent-to-Rent operations report to in the Dealer management team?					
Sales Manager					
Used Equipment Manager					
Rental Manager					
Product Support Manager					
Other					
What is the targeted time for Rent-to-Rent fleet to be held?					
1 year or less					
1 to 3 years					
4 or more years					

	All Dealers	High Profit Dealers	Rent-to-Rent Revenue		
			Under \$2.5 Million	\$2.5 to \$10 Million	Over \$10 Million
RENTAL PRACTICES					
Dealer Rental Strategy					
Does the Dealership have an intentional rental strategy established?					
Yes					
No					
If a rental strategy exists, is it an integral component of overall dealer strategy?					
Yes					
No					
If a rental strategy exists, is it growth oriented?					
Yes					
No					
Dealer Rental Business Models					
Which of the following are established business models within your organization?					
Discrete Rent-to-Sell model					
Discrete Rent-to-Rent model					
Both Rent-to-Sell model and Rent-to-Rent model					
None					
If both Rent-to-Sell and Rent-to-Rent operations exist, are they comingled in the same business model?					
Yes					
No					
Rent-to-Sell Business Model					
What is the primary objective for the Rent-to-Sell business model?					
Conversion of the rental asset to sale					
Short-term rental profitability					
Other					
How do targeted margins on Rent-to-Sell Revenue compare to margins on outright sales of new equipment?					
Less than margins on outright sale of new equipment					
Equal to margins on outright sale of new equipment					
Greater than margins on outright sale of new equipment					
Who does Rent-to-Sell operations report to in the Dealer management team?					
Sales Manager *					
Used Equipment Manager *					
Rental Manager *					
Product Support Manager *					
Other *					

	All Dealers	High Profit Dealers	Rent-to-Rent Revenue		
			Under \$2.5 Million	\$2.5 to \$10 Million	Over \$10 Million
What is the targeted time for Rent-to-Sell fleet to be held?					
1 to 3 months					
4 to 6 months					
7 to 9 months					
10 to 12 months					
More than 12 months					
Rent-to-Rent Business Model					
What is the primary objective for the Rent-to-Rent business model?					
Optimize return on investment over the lifecycle of the asset					
Optimize annual profitability of rental income					
Other					
How do targeted margins on Rent-to-Rent Revenue compare to margins on outright sales of new equipment?					
Less than margins on outright sale of new equipment					
Equal to margins on outright sale of new equipment					
Greater than margins on outright sale of new equipment					
Who does Rent-to-Rent operations report to in the Dealer management team?					
Sales Manager					
Used Equipment Manager					
Rental Manager					
Product Support Manager					
Other					
What is the targeted time for Rent-to-Rent fleet to be held?					
1 year or less					
1 to 3 years					
4 or more years					

	Line of Business		Short Season	Region	
	Equip. 100 HP or Less	Equip. Over 100 HP		Moderate Season	Long Season
Net Revenue Analysis					
Sales					
Typical Net Revenue Volume					
Revenue Growth					
Revenue Mix (as a % of Total Net Revenue)					
Total RTS & Machine Sales Revenue					
Total Rent-to-Rent Revenue					
Total Parts Revenue					
Total Service Revenue					
Total Net Revenue					
Rent-to-Sell & Machine Sales (% of RtS and Machine Sales Revenue)					
Net Revenue					
New Equipment					
Used Equipment					
Rent-to-Sell Rental Revenue					
Sale of Rent-to-Sell Equipment					
Freight					
Miscellaneous					
Total RtS & Machine Sales Revenue					
Cost of Sales					
New Equipment					
Used Equipment					
Cost of Rental Equipment Sold					
Repairs and Maintenance (rent-to-sell)					
Rent-to-Sell Machine Depreciation					
Freight					
Unreimbursed Warranty (credit to service)					
Miscellaneous					
Total RtS & Machine Sales Cost of Sales					
Margin Analysis					
Total RtS & Machine Sales Gross Margin					

	Line of Business		Region		
	Equip. 100 HP or Less	Equip. Over 100 HP	Short Season	Moderate Season	Long Season
Rent-to-Rent (% of Total Rent-to-Rent Revenue)					
Net Revenue					
Rent-to-Rent Rental Revenue					
Sale of Rent-to-Rent Equipment					
Freight Invoiced to Customers					
Miscellaneous					
Total Rent-to-Rent Revenue					
Rent-to-Rent Cost of Sales					
Repairs and Maintenance (rent-to-rent)					
Cost of Rental Equipment Sold					
Rent-to-Rent Depreciation					
Freight					
Unreimbursed Warranty (credit to service)					
Miscellaneous					
Total Rent-to-Rent Cost of Sales					
Margin Analysis					
Total Rent-to-Rent Gross Margin					

SURVEY METHODOLOGY

In March 2020 Industry Insights, Inc. distributed strictly confidential questionnaires to AED members. The primary intent of this survey was to collect detailed information from equipment distributors by specific sales volume size, line of business, and other data aggregations of importance.

Once the questionnaires were received by Industry Insights, a confidential company identification code was assigned to each company. The data was then coded, entered into a proprietary system and edited by Industry Insights' analysts for accuracy and consistency.

The statistical information contained in this report is believed to be representative of the companies responding to the survey. All reasonable efforts were taken by Industry Insights, Inc. to assure data comparability within the limitations of accounting reporting procedures. However, the data used in this report are not necessarily based on audited financial statements and the statistical validity of any given number varies depending upon sample sizes and the amount of consistency among responses for that particular ratio. Industry Insights and AED, therefore, make no representations or warranties with respect to the results of this study and shall not be liable to clients or anyone else for any information inaccuracies, or errors or omissions in contents, regardless of the cause of such inaccuracy, error or omission. In no event shall Industry Insights and/or AED be liable for any consequential damages.