



2021

**Annual
Rental Report
EXCERPT**

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

(Based on 2020 Operations)
AEDNET.ORG

Annual Rental Report

Companion to the 2021 AED Cost of Doing Business Report

The **Annual Rental Report - Companion to the 2021 Cost of Doing Business Report** presents a detailed analysis of rental practices from the equipment distribution industry. Based on confidential surveys completed by 119 AED distributors in early 2021, 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 “Best in Class” 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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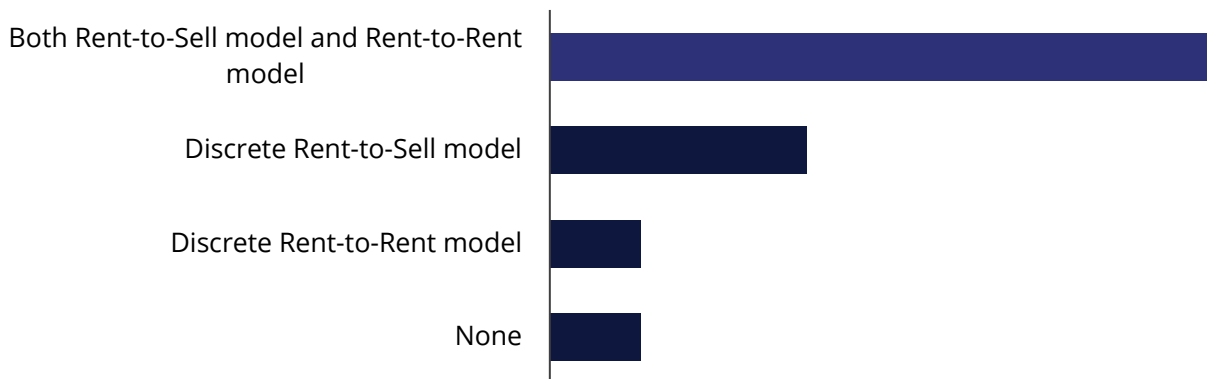
Respondents were asked to provide their product sales mix by Equipment Under 100 HP, Equipment Over 100 HP, and Specialized Business. Based on the responses to this question, participants were categorized into “line of business emphasis groupings” based on having 50% or more of sales from these specific product sales categories. Below is the distribution of respondents categorized in each of the line of business emphasis groups contained in this report.

Percentage of Respondents by Line of Business Emphasis¹



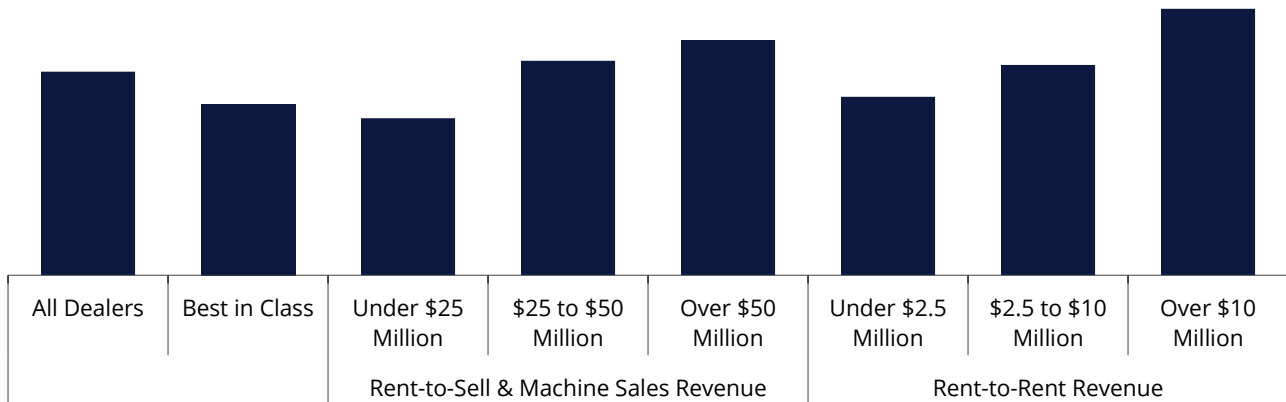
¹ The Specialized Business segment has been excluded from this report due to an insufficient sample of reporting dealers.

Percent of Respondents that have Established the Following Business Models



Dealer Rental Strategy

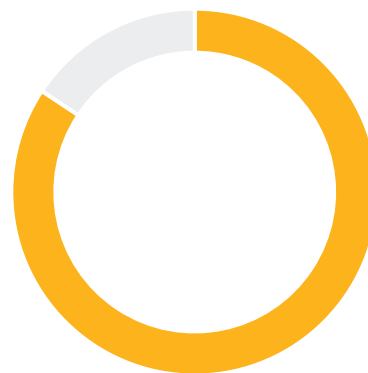
Percent of Dealerships with an Intentional Rental Strategy²



Is Rental Strategy Integral to Overall Dealer Strategy?



Is the Rental Strategy Growth Oriented?

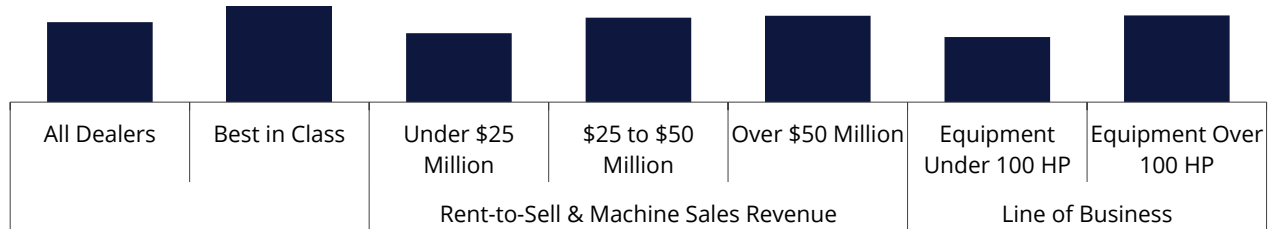


²For the purpose of the report, strategy refers to an intentional plan that allocates capital to a rental fleet.

Dealer Rental Business Models

Rent-to-Sell Business Model³

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

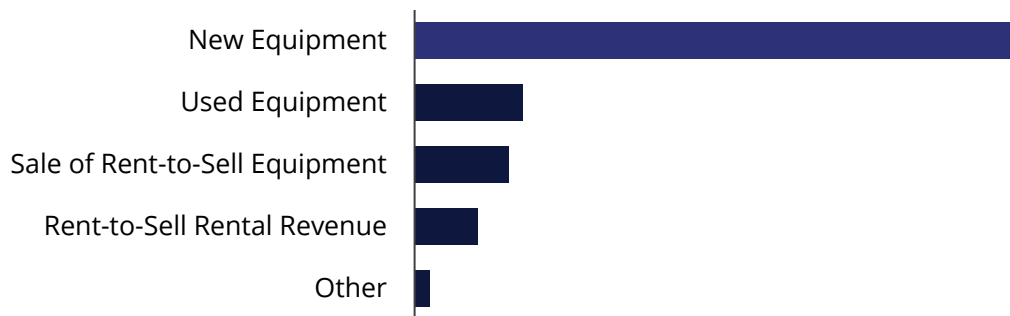


*Includes companies indicating a hybrid of Rent-to-Rent and Rent-to-Sell business models.

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



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



³ business model refers to an intentional design feature in a Dealer's organizational structure to support rentals.

Summary Income Statement (% of Rent-to-Sell & Machine Sales Revenue)

	All Dealers	Best in Class	Rent-to-Sell & Machine Sales			Line of Business	
			Under \$25 Million	\$25 - \$50 Million	\$51 - \$100 Million	100 HP or Less	Over 100 HP
Summary Income Statement (Includes only those respondents with Rent-to-Sell & Machine Sales Revenue)							
Net Revenue							
New Equipment							
Used Equipment							
RtS Rental Revenue							
Sale of Rent-to-Sell Equip.							
Freight							
Miscellaneous							
Total Revenue							
Cost of Sales							
New Equipment							
Used Equipment							
Cost of Rental Equip. Sold							
Repairs and Maintenance							
RtS Machine Depreciation							
Freight							
Unreimbursed Warranty							
Miscellaneous							
Total Cost of Sales							
Margin Analysis							
RtS & Mach. Sales Gross Margin							

Note: Some items may not total due to rounding

	All Dealers	Best in Class	Rent-to-Sell & Machine Sales Revenue		
			Under \$25 Million	\$25 to \$50 Million	Over \$50 Million
SUMMARY FINANCIAL RESULTS (FIFO BASIS)					
Net Revenue Analysis					
Sales					
Typical Net Revenue Volume					
Revenue Growth					
Revenue Mix (as a % of Total Net Revenue)					
Total RTS & Machine Sales Revenue					
Total Parts Revenue					
Total Service Revenue					
Total Rent-to-Rent 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					

	All Dealers	Best in Class	Rent-to-Sell & Machine Sales Revenue		
			Under \$25 Million	\$25 to \$50 Million	Over \$50 Million
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					
Balance Sheet (% of total assets)					
Typical Total Assets (\$)					
Assets					
Cash & Marketable Securities					
Accounts Receivable					
Inventory and Fleet					
New Equipment					
Used Equipment					
Rent-to-Rent Equipment--Original Cost					
Rent-to-Rent Equipment—Acc. Depreciation					
Net Rent-to-Rent Equipment					
Rent-to-Sell Equipment--Original Cost					
Rent-to-Sell Equipment—Acc. Depreciation					
Net Rent-to-Sell Equipment					
Parts, Supplies and Other					
Service Work in Process					
Ending LIFO Reserve					
Total Inventory and Fleet					
All Other Assets (net of depreciation)					
Total Assets					

	All Dealers	Best in Class	Rent-to-Rent Revenue		
			Under \$2.5 Million	\$2.5 to \$10 Million	Over \$10 Million
Rent-to-Sell & Machine Sales Employee Productivity					
RTS & Machine Sales per RTS & Machine Sales Employee					
RTS & Machine Sales Salaries (% of RTS & Machine Sales)					
RTS & Machine Sales Salaries (% of RTS & Machine Sales Gross Profit)					
Rental Fleet Metrics					
Fleet Size - OEC					
Net Book Value of Fleet					
Financial Utilization					
Rental Cost of Goods Sold					
Rent-to-Rent Fleet Turnover (months)					
Rent-to-Sell Fleet Turnover (months)					
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 Strategy					
Which of the following are established business models within your organization?					
Both Rent-to-Sell model and Rent-to-Rent model					
Discrete Rent-to-Sell model					
Discrete 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					

	All Dealers	Best in Class	Rent-to-Rent Revenue		
			Under \$2.5 Million	\$2.5 to \$10 Million	Over \$10 Million
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					
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					

	Line of Business		Region		
	100 HP or Less	Over 100 HP	Short Season	Moderate Season	Long Season
SUMMARY FINANCIAL RESULTS (FIFO BASIS)					
Net Revenue Analysis					
Sales					
Typical Net Revenue Volume					
Revenue Growth					
Revenue Mix (as a % of Total Net Revenue)					
Total RTS & Machine Sales Revenue					
Total Parts Revenue					
Total Service Revenue					
Total Rent-to-Rent 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		
	100 HP or Less	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					
Balance Sheet (% of total assets)					
Typical Total Assets (\$)					
Assets					
Cash & Marketable Securities					
Accounts Receivable					
Inventory and Fleet					
New Equipment					
Used Equipment					
Rent-to-Rent Equipment--Original Cost					
Rent-to-Rent Equipment--Accumulated Depreciation					
Net Rent-to-Rent Equipment					
Rent-to-Sell Equipment--Original Cost					
Rent-to-Sell Equipment--Accumulated Depreciation					
Net Rent-to-Sell Equipment					
Parts, Supplies and Other					
Service Work in Process					
Ending LIFO Reserve					
Total Inventory and Fleet					
All Other Assets (net of depreciation)					
Total Assets					

SURVEY METHODOLOGY

In early 2021 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.