



**Barloworld**

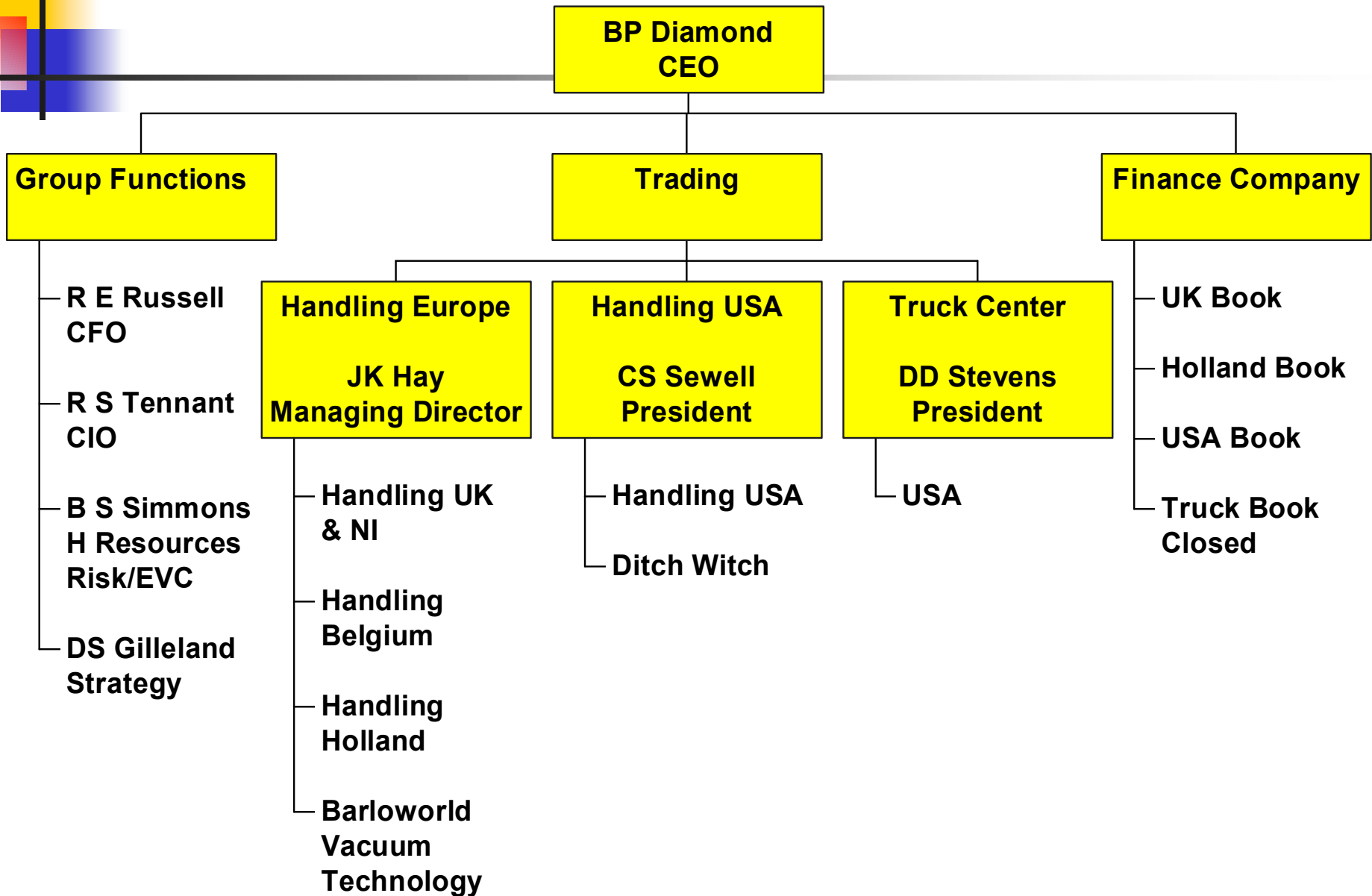
Industrial Distribution

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**Analyst Presentation**

Maidenhead, Berkshire

June 2005





# Barloworld

## Industrial Distribution

## Broad Statistics

	<u>Europe</u>		<u>USA</u>		<u>Truck Center</u>		<u>Finance Co</u>		<u>Total</u>	
	<u>£</u>	%	<u>\$</u>	%	<u>\$</u>	%	<u>£</u>	%	<u>£</u>	%
Revenue 2004	<b>178,990</b>	30.7%	<b>241,756</b>	23.2%	<b>407,608</b>	39.1%	<b>40,911</b>	7.0%	<b>582,633</b>	100.0%
Revenue 1/2 2005	<b>92,733</b>	33.2%	<b>134,542</b>	25.6%	<b>177,556</b>	33.8%	<b>20,634</b>	7.4%	<b>279,099</b>	100.0%
		<b>Op Margin</b>		<b>Op Margin</b>		<b>Op Margin</b>		<b>Op Margin</b>		<b>Op Margin</b>
		%		%		%		%		%
Operating Profit 2004	<b>6,512</b>	3.6%	<b>8,098</b>	3.3%	<b>-529</b>	-0.1%	<b>4,148</b>	10.1%	<b>14,742</b>	2.5%
Operating Profit 1/2 2005	<b>1,941</b>	2.1%	<b>5,223</b>	3.9%	<b>-1,266</b>	-0.7%	<b>1,995</b>	9.7%	<b>5,768</b>	2.1%
Capital Employed 2004	<b>27,334</b>		<b>58,906</b>		<b>61,934</b>		<b>232,082</b>		<b>324,321</b>	
Capital Employed 1/2 2005	<b>40,701</b>		<b>74,410</b>		<b>61,920</b>		<b>223,409</b>		<b>334,824</b>	
Number of Locations 2005	<b>31</b>		<b>36</b>		<b>11</b>		<b>0</b>		<b>78</b>	
Number of People 2005	<b>1,716</b>		<b>1,154</b>		<b>646</b>		<b>37</b>		<b>3,553</b>	





# Barloworld

Industrial Distribution

## Group Strategy

**PAST**

- **Actively Seek Growth Opportunities – Handling, Trucking**
- **Extend Use of Own Finance Facility**
  - \* **Own Assets**
  - \* **Customer Assets**
- **NB – View Trading and Finance as Separate Entities**

**FUTURE**

- **Finance Company**
  - \* **Run out Truck Book**
  - \* **Discontinue Customer Finance**
  - \* **Actively seek Partner for “Own Asset” Finance**
- **NB- View Trading and Finance as single entity for Internal Return Purposes**
- **Handling – Focus on Maximising Returns – Operational Efficiency and Internal Growth**
- **Trucking– Achieve Cost of Capital within 2 Years - Operational Efficiency and Internal Growth**

**ACTIVELY MANAGE CFROI UPWARDS**



**Barloworld**  
Industrial Distribution

# Europe Handling

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Keith Hay  
Managing Director

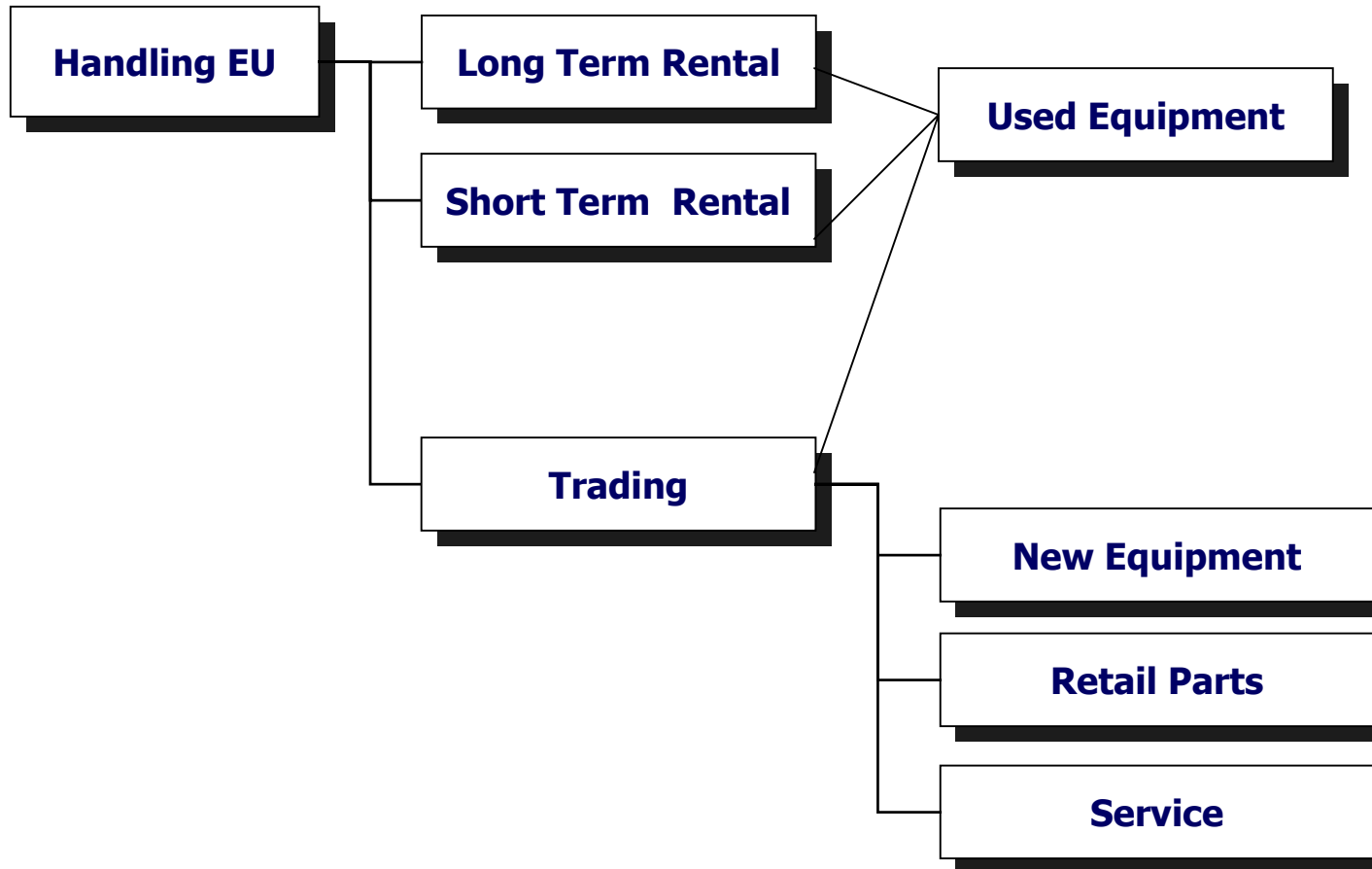
## EUROPE BUSINESS DEFINITION & OVERVIEW

### *Barloworld Handling:*

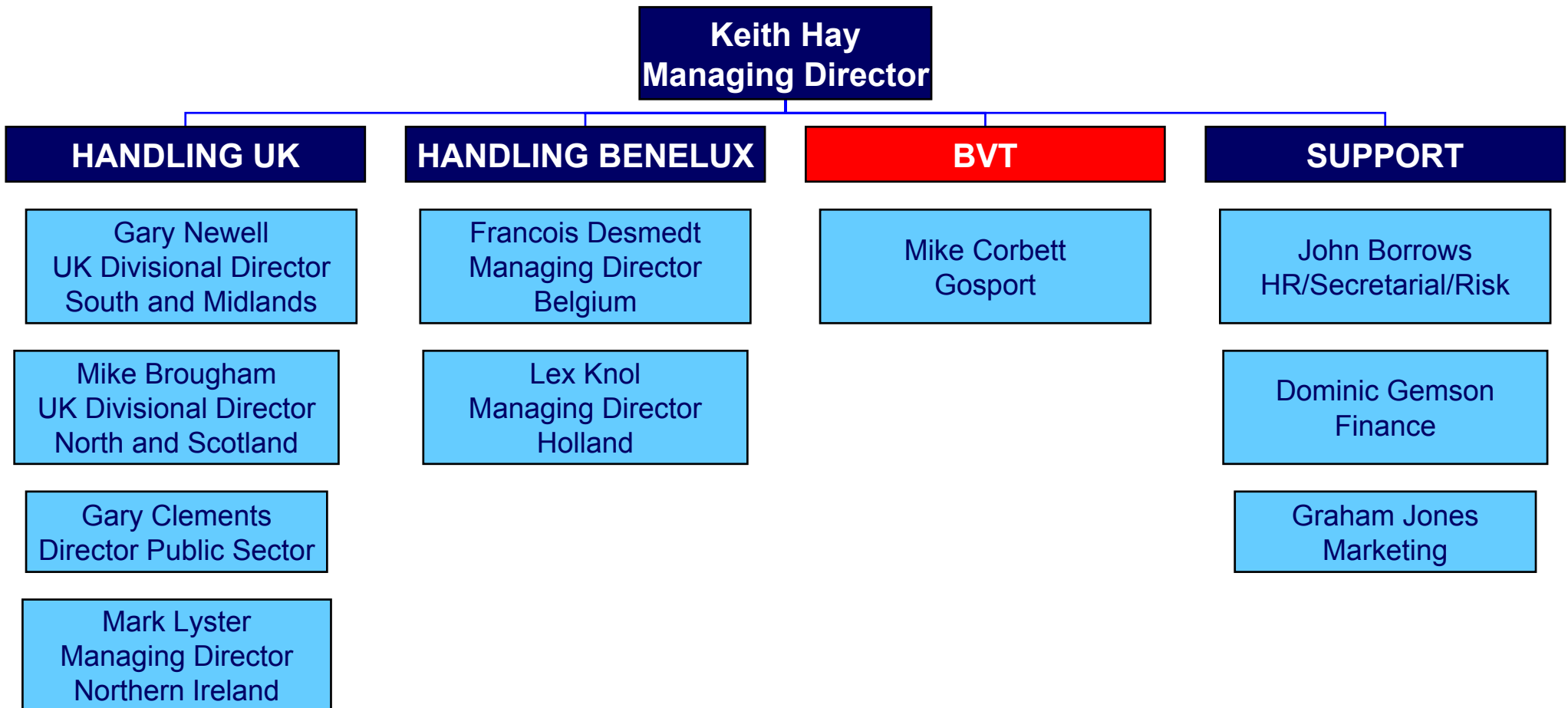
- *Sells, rents, services, manages, arranges financing and supplies related parts for*
- *New and Used Hyster Lift trucks and other Material Handling Equipment.*
- *Serving primarily Manufacturing, Distribution and Warehousing, Shipping, Government and Agricultural business*
- *Based in the United Kingdom, Belgium and Holland*

**We Partner With Our Customers to Provide Solutions That Improve  
Their Material Handling Operations**

# Europe Business Segmentation



# Europe Structure



## EUROPE REVENUE MIX

- FISCAL YTD

<b>New Equipment</b>	<b>42.0%</b>	}	<b>EQUIPMENT</b> <b>48.0%</b>
<b>Used Equipment</b>	<b>6.0%</b>		
<b>Retail Parts</b>	<b>7.0%</b>	}	<b>AFTERMARKET</b> <b>52.0%</b>
<b>LTR Service</b>	<b>20.0%</b>		
<b>Service</b>	<b>14.7%</b>		
<b>Short Term Rental</b>	<b><u>10.3%</u></b>		
	<b>100%</b>		



# Europe Market share 2004

		<b>Benelux</b>	<b>UK</b>	<b>Total</b>
Market	IC CB	3800	10800	14600
	Electric CB	4400	5300	9700
	Warehouse	12100	11600	23700
		<b>20300</b>	<b>27700</b>	<b>48000</b>
Share	IC CB	14.5%	12.0%	12.8%
	Electric CB	5.3%	7.6%	6.6%
	Warehouse	1.3%	5.8%	3.5%

**Market leader in all categories: Linde**

# Hyster 2005 introductions



## Europe 2005 % Replaced

 **I.C. CB 1.50 – 3.50**

**80%**

 **Electric CB**

**25%**

 **Warehouse**

**20%**



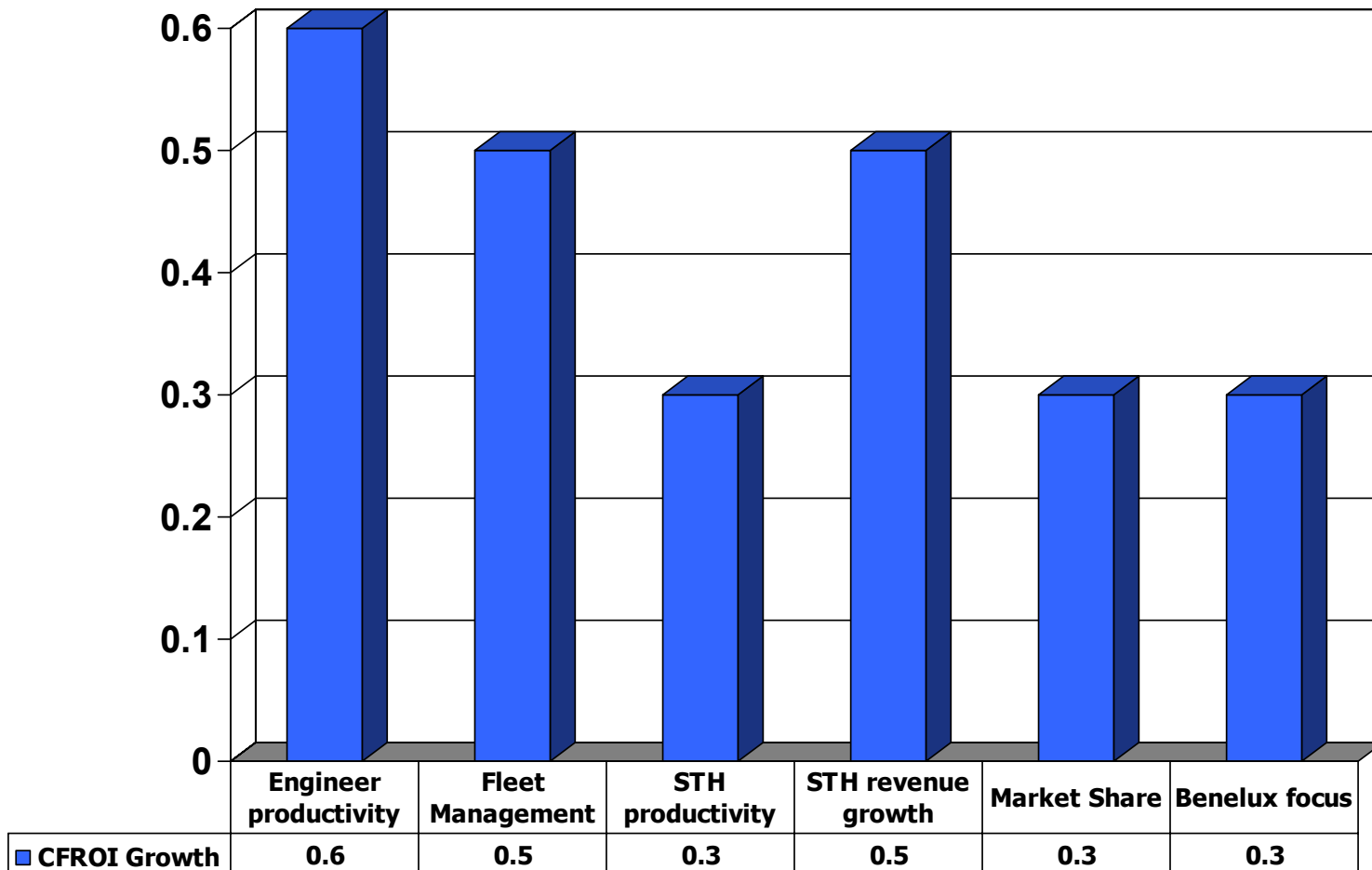
# ISSUES IN THE BUSINESS

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- **Service Productivity / Efficiency**
- **Share Growth**
- **Rental Fleet Asset Management**
- **Management Development and Succession Planning**



# Europe Key Drivers



■ CFROI Growth



**Barloworld**  
Handling

# VISION

**Good Business**

**Well managed**

**Struggling to grow revenues**

**Great Service Company**

✓ **Best in the industry**

**Company truly focussed on growth**

✓ **New Customers**

✓ **Short Term Hire**

✓ **Service**

**'Employer of Choice' in our industry**

✓ **Best Company to work for**

# Re-structure Rationale

## Customer Focus

- Key account relationships
- STH / Used growth
- Winning new business



## Back Office

- Best cost support to 'front line' service
- Co-ordinating value-adding activities



## Service Excellence

- Consistent service delivery
- Local focus
- Field based leadership



**Underpinned by robust processes and flexible ways of working**



# Project Progress

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- *Back office re-structure to 6 Regions*
- *350 out of 600 engineers fully operational*
- *National Response Centre established and operational*
- *National Parts centre with in-van service operational*

# Re-structure Rationale

## Customer Focus

- Key account relationships
- STH / Used growth
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# Growth

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- ***Win new high value customers***
  - **Target accounts / PEMA / Product / National**
  - **Grow maintained population – 70% LTR**
  
- ***Grow 'secondary' market***
  - **Rationalise then build Short Term Hire fleet by 50% (4,500 trucks)**
  - **2.5% of truck population - min. hurdle**
  - **Increase STH utilisation to 70% and extend customer population**
  - **Double used equipment retail sales**



# Employee Value (EVC)

---

- **Clear understanding of goals**
- **Structured Performance Improvement (P.I.T.) meetings**
- **Good communication**
- **Performance management**
- **Value measures**



**Barloworld**  
Industrial Distribution

# USA Handling

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Stan Sewell  
President



# **Barloworld** Handling

## **US BUSINESS DEFINITION & OVERVIEW**

### ***Barloworld Handling:***

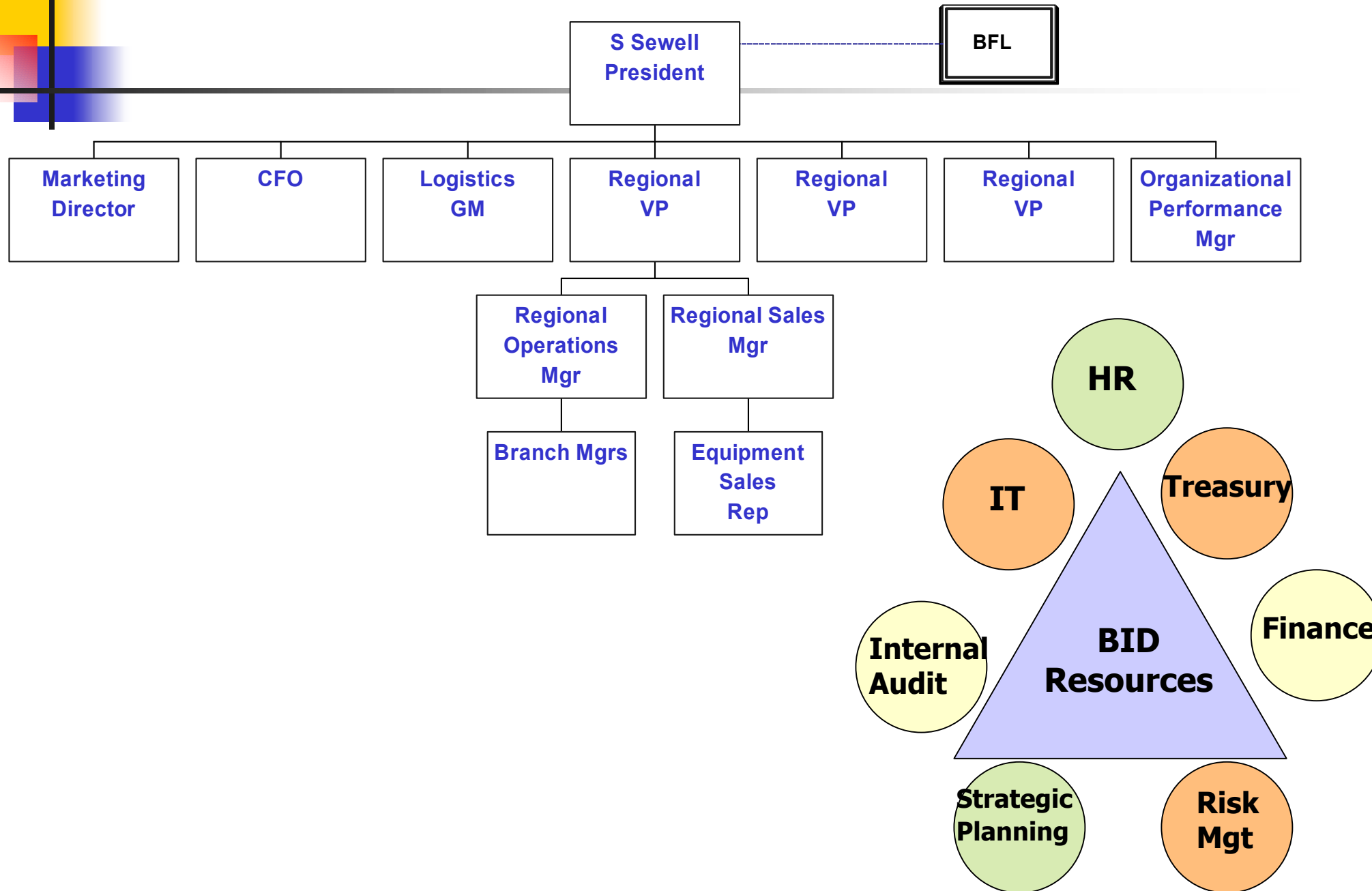
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# Barloworld Handling

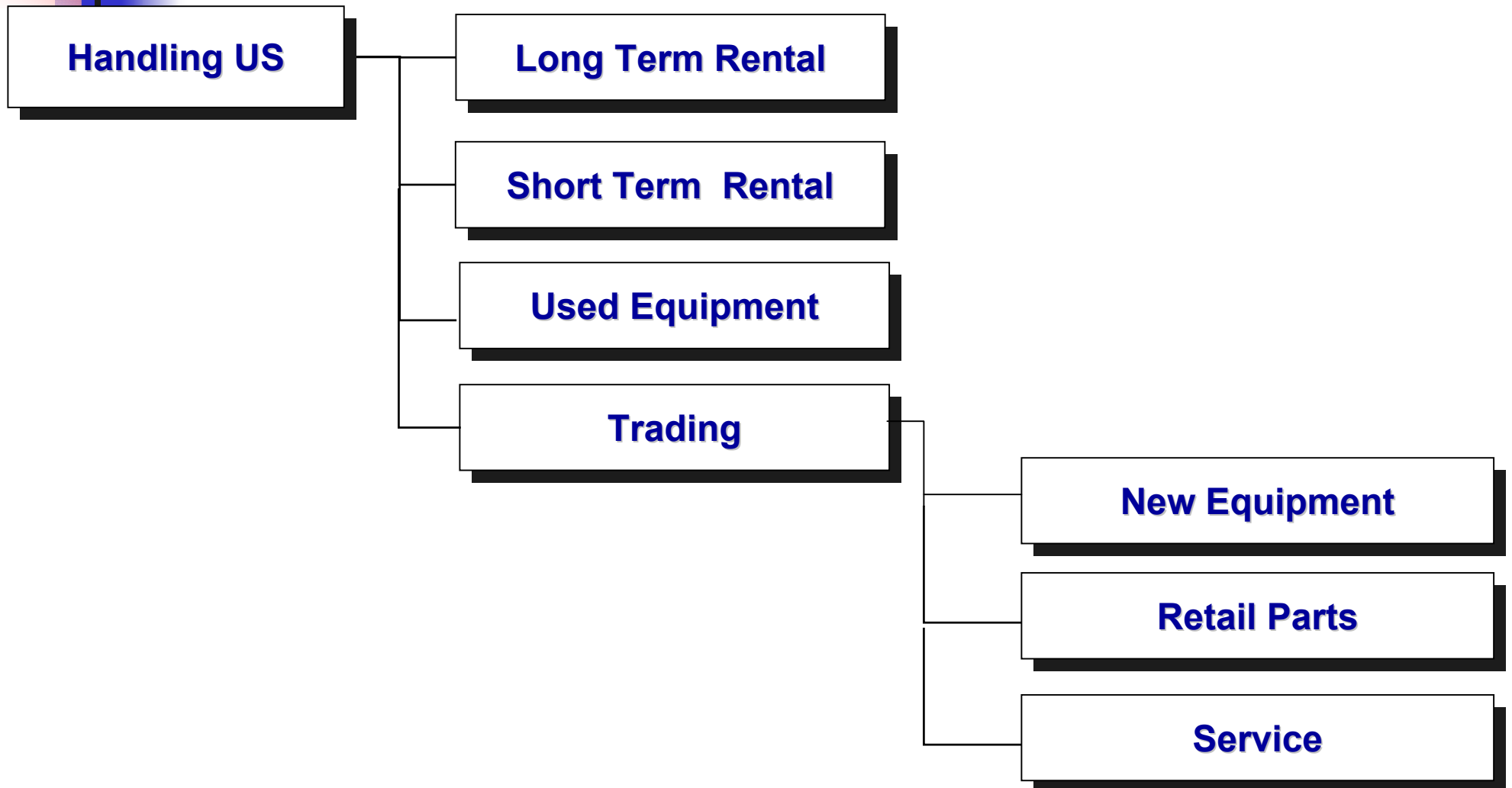
## US HANDLING STRUCTURE





# Barloworld Handling

## US BUSINESS SEGMENTATION

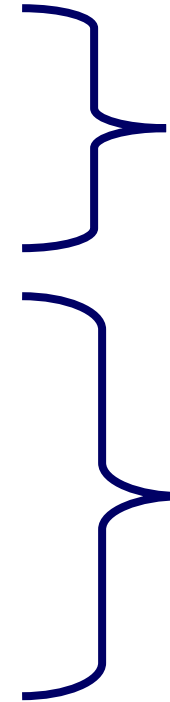




# Barloworld Handling

## REVENUE MIX – FISCAL YTD

<b>New Equipment</b>	<b>43.4%</b>
<b>Used Equipment</b>	<b>6.0%</b>
<b>Retail Parts</b>	<b>14.7%</b>
<b>LTR Service</b>	<b>6.4%</b>
<b>Service</b>	<b>21.0%</b>
<b>Short Term Rental</b>	<b><u>8.5%</u></b>
	<b>100%</b>



**EQUIPMENT**  
**49.4%**

**AFTERMARKET**  
**50.6%**



# Barloworld Handling

## Market Size

### Counter Balance

Electric Class I

Cushion Class IV

Pneumatic Class V

### Whse

Narrow Aisle Class II

Walk Behind Class III

	2004 Actual	2005 7 Mos	2005 Annualized
	5,349	3,787	6,492
	7,859	5,275	9,042
	7,002	5,293	9,073
	<b>20,210</b>	<b>14,355</b>	<b>24,607</b>
	3,468	2,498	4,282
	7,467	5,381	9,225
	<b>10,935</b>	<b>7,879</b>	<b>13,507</b>
	<b>31,145</b>	<b>22,234</b>	<b>38,114</b>

## Penetration Percentage

### Counterbalance

Electric Class I

Cushion Class IV

Pneumatic Class V

*Subtotal*

### Whse

Narrow Aisle Class II

Walk Behind Class III

*Subtotal*

	2004 Actual	2005 7 Mos
	13.5%	18.8%
	15.1%	12.9%
	15.0%	14.5%
	<b>14.6%</b>	<b>15.1%</b>
	6.5%	4.0%
	6.4%	7.2%
	<b>6.5%</b>	<b>6.2%</b>



# **FORTIS™** LINE OF LIFT TRUCKS

## **S40-70FT**

- Advanced Dependability**
- Low Cost of Operation**
- Superior Ergonomics**
- Enhanced Productivity**
- Extraordinary Support**





# **Barloworld** Handling

## **ISSUES IN THE BUSINESS**

- **Medical and Workers Compensation Cost Containment**
- **Strategic Customer and Market Segmentation for Sales Growth**
- **Rollout of new Hyster Product to Market**
- **Management Development and Succession Planning**
- **Offshore Threats to US Manufacturing Groups**
- **Growth of Warehouse Sector**



# Barloworld Handling

## KEY DRIVERS

### Balance Sheet

- + Working capital
- + Asset turns

### Operational

- + Price/margin
- + Market share
- + Service productivity
- + Short term rental dollar utilization-repair expense-days rented

### People

- + Voluntary turnover rates
- + Technician employment and training

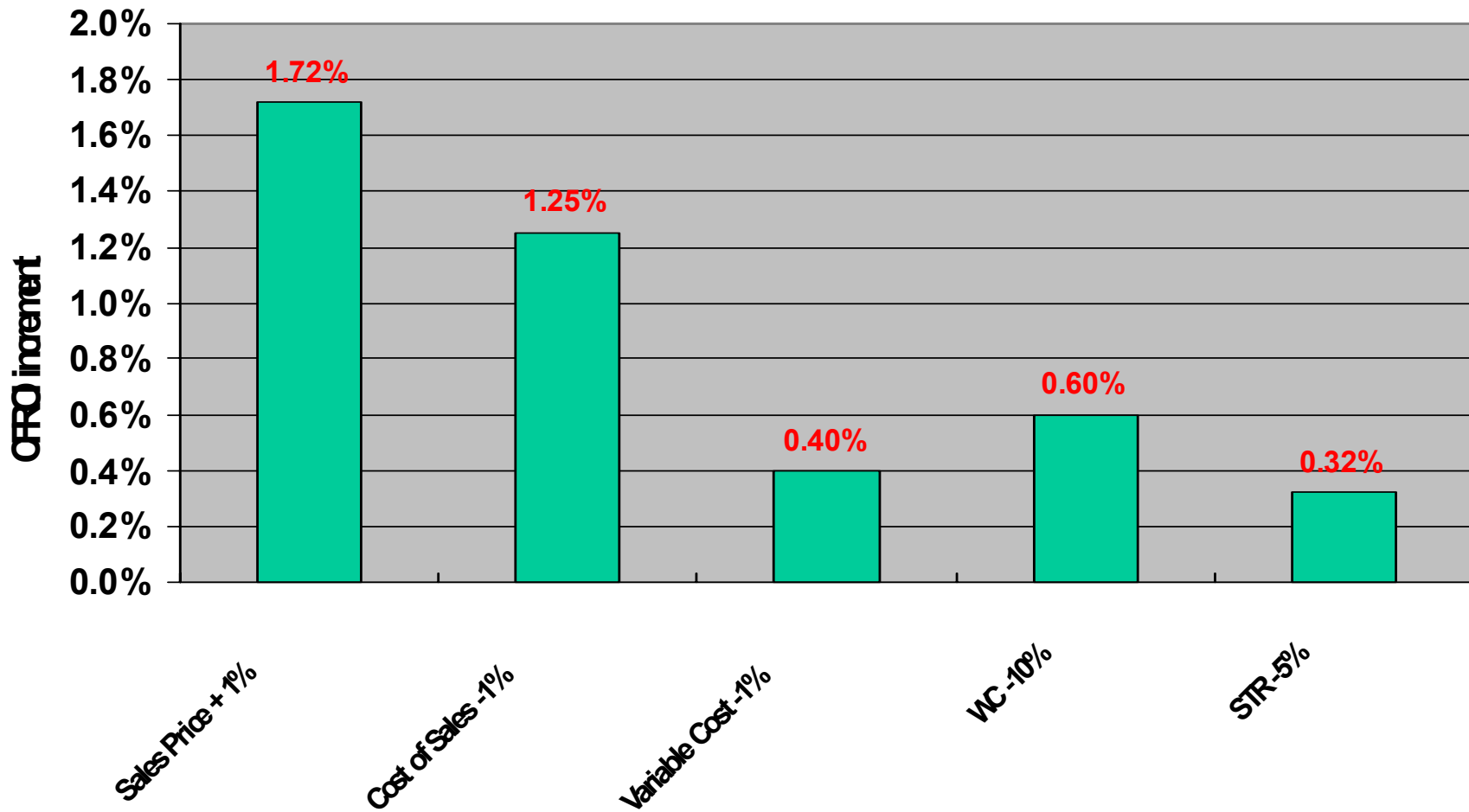
### Customers

- + Service first time fix
- + Parts fill rate



# Barloworld Handling

## KEY DRIVERS





# **Barloworld** Handling

## **FUTURE FOCUS**

- **CFROI analysis on the short term rental fleet, centralized management of assets.**

- **GSA/Government/Military business**

<u>03</u>	<u>04</u>	<u>05</u>
\$1.4m	\$4.8m	\$10.0m

- **Used equipment opportunity – 32% revenue growth YTD**

- **Logistics Support Center**

- \* **Procurement/supplier rebates at \$1.0m**
- \* **Further parts inventory rationalization**
- \* **New equipment inventory management**
- \* **Customer support center**

- **Account teams expanding our maintenance contract business with new customers:**

**CSX – Hyundai Motors – Mercedes-Benz – Beaulieu Carpet**



# Barloworld Handling

## EMPLOYEE VALUE CREATION

*Encouraging, Developing, and Sharing the Collective Ideas of Employees to Improve Our Organizational Performance.*

- Appointment of Organizational Performance Manager and support team
- PIT (Performance Improvement Team) meetings
- Executive, senior and branch management training underway





**Barloworld**  
Truck Center

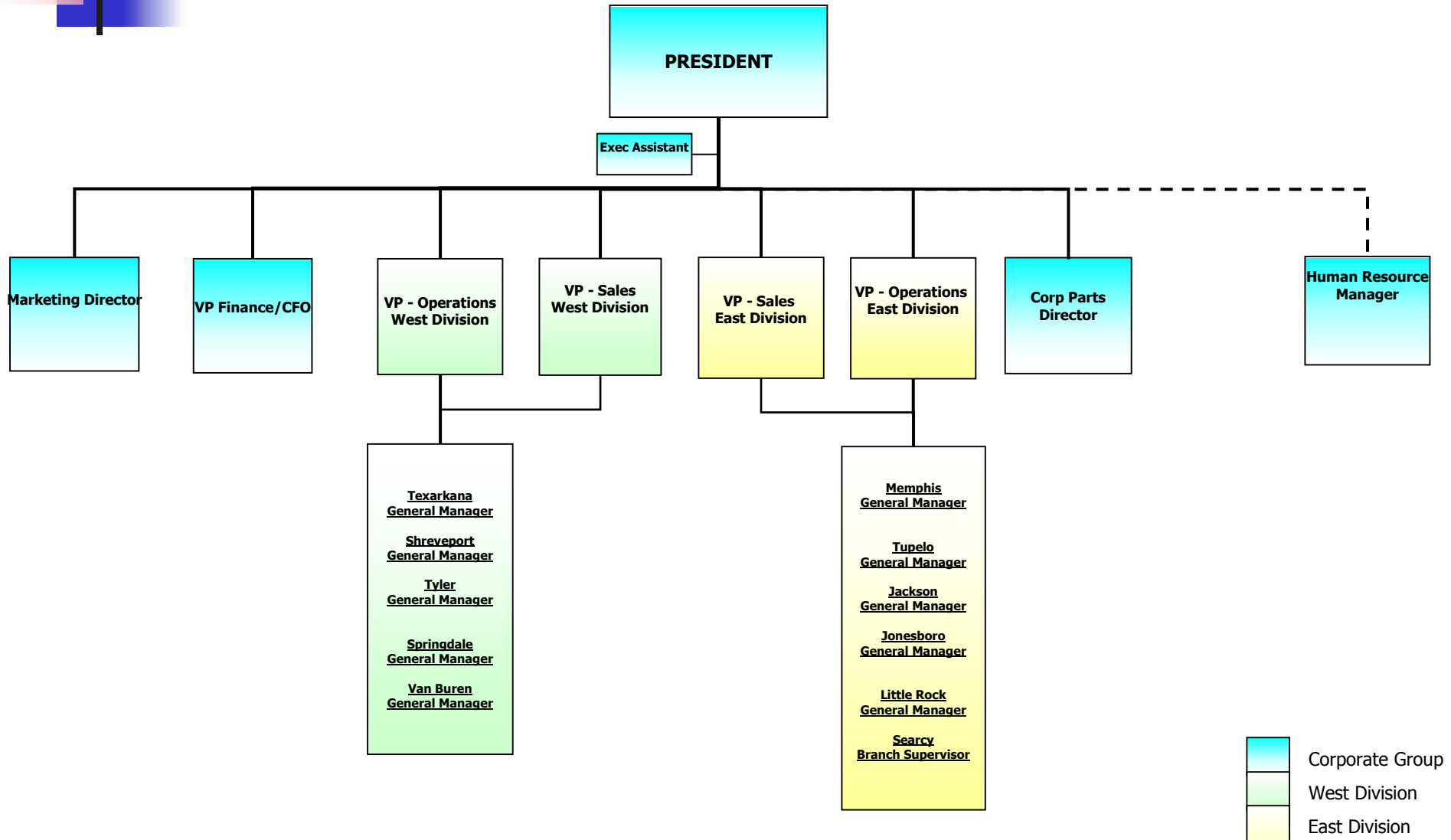
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**BARLOWORLD TRUCK CENTER**

**Dan Stevens**

**President**

# Structure





# Barloworld

## Truck Center

## BTC HISTORY

- ◆ Acquired Barton Truck Center – October 1, 2000
- ◆ Loss of Major Accounts
- ◆ Loss of Initial Management
- ◆ Installation of “Handling Management”
- ◆ Severe Economic Downturn & 9/11
  - Class 8 Sales 
- ◆ Freightliner USA pre-9/11 Strategy
  - Buy Market Share
  - How – High Guaranteed Residuals
  - Used – Saturated Market
- ◆ Refinance Into Market – Poor Risk



# **Barloworld**

## Truck Center

## BTC HISTORY

- ◆ **Quick Fire Growth – Acquire Northwest Arkansas, Texarkana**
- ◆ **Install SAP – “Handling System”**
  - o **Controls Lost**
  - o **Staff Under Trained**
  - o **Impact –**
    - **Parts Inventory**
    - **Service Hours**
  - o **Additional Staff**



**Barloworld**  
Truck Center

BTC HISTORY

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**That's Background**

**Looking Forward**



**Barloworld**  
Truck Center

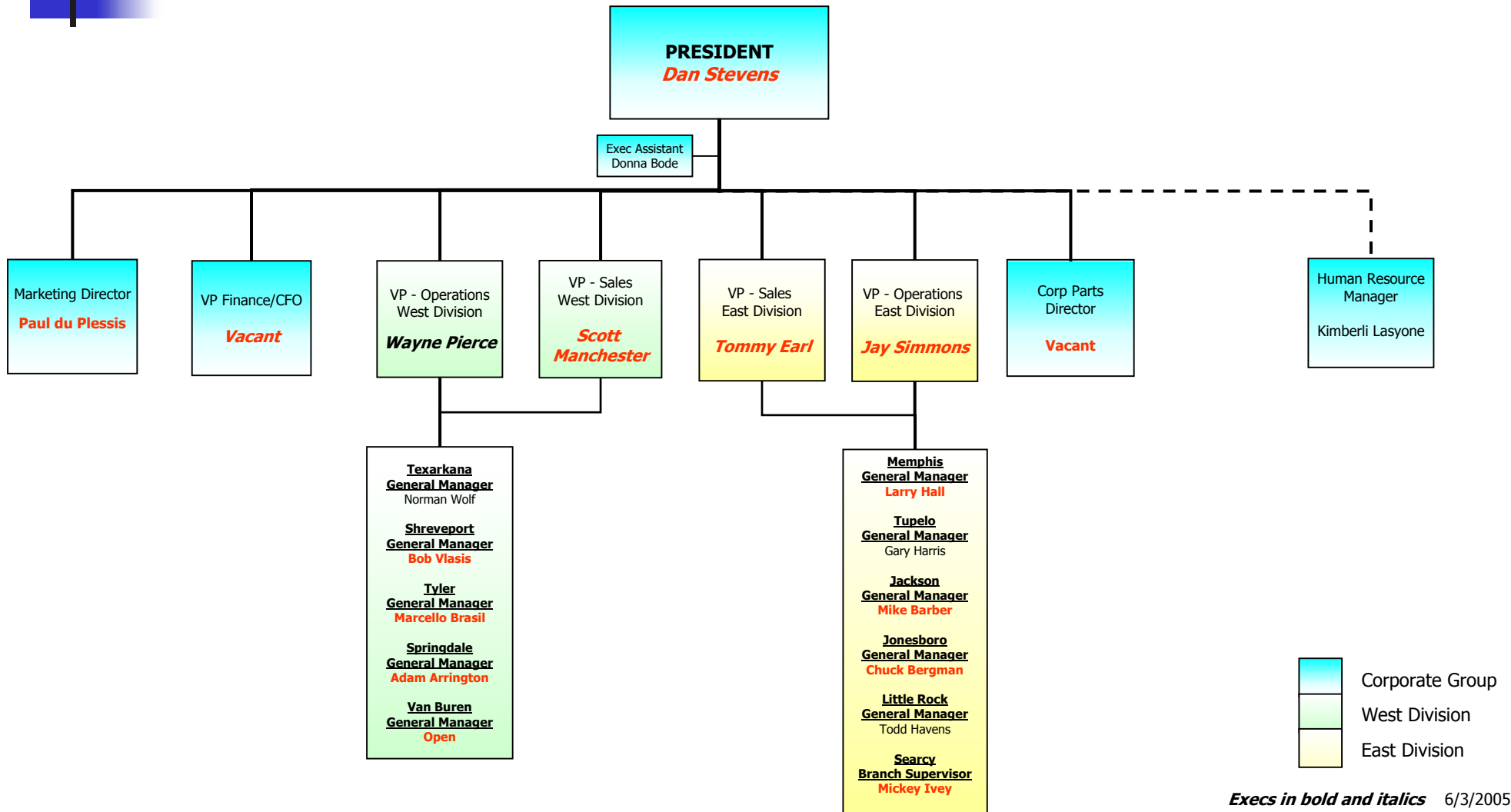
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**What are the Issues?**



# Barloworld Truck Center

## Organizational Overview



*Execs in bold and italics* 6/3/2005

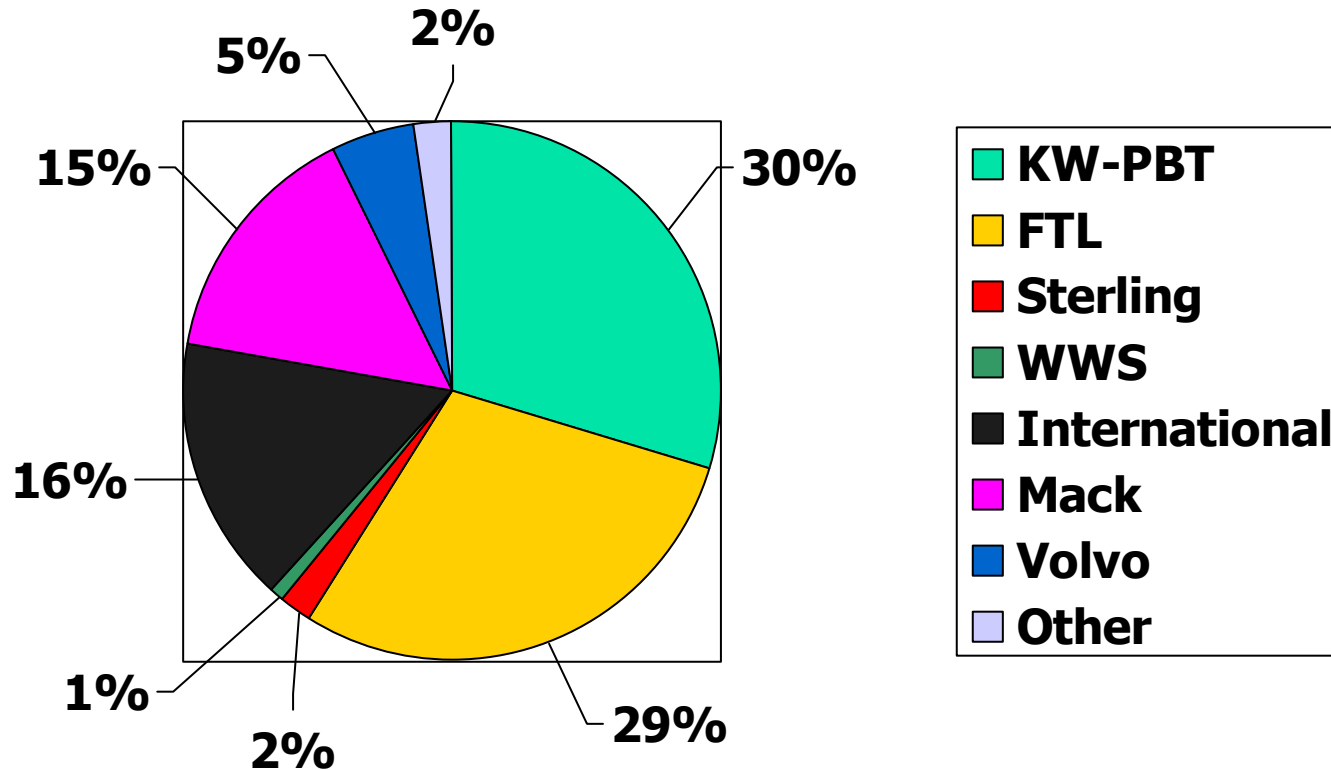
Changes since June 2004 in red



# Barloworld Truck Center

## Vehicle Sales

### Class 8 Market Share – BTC - 2004

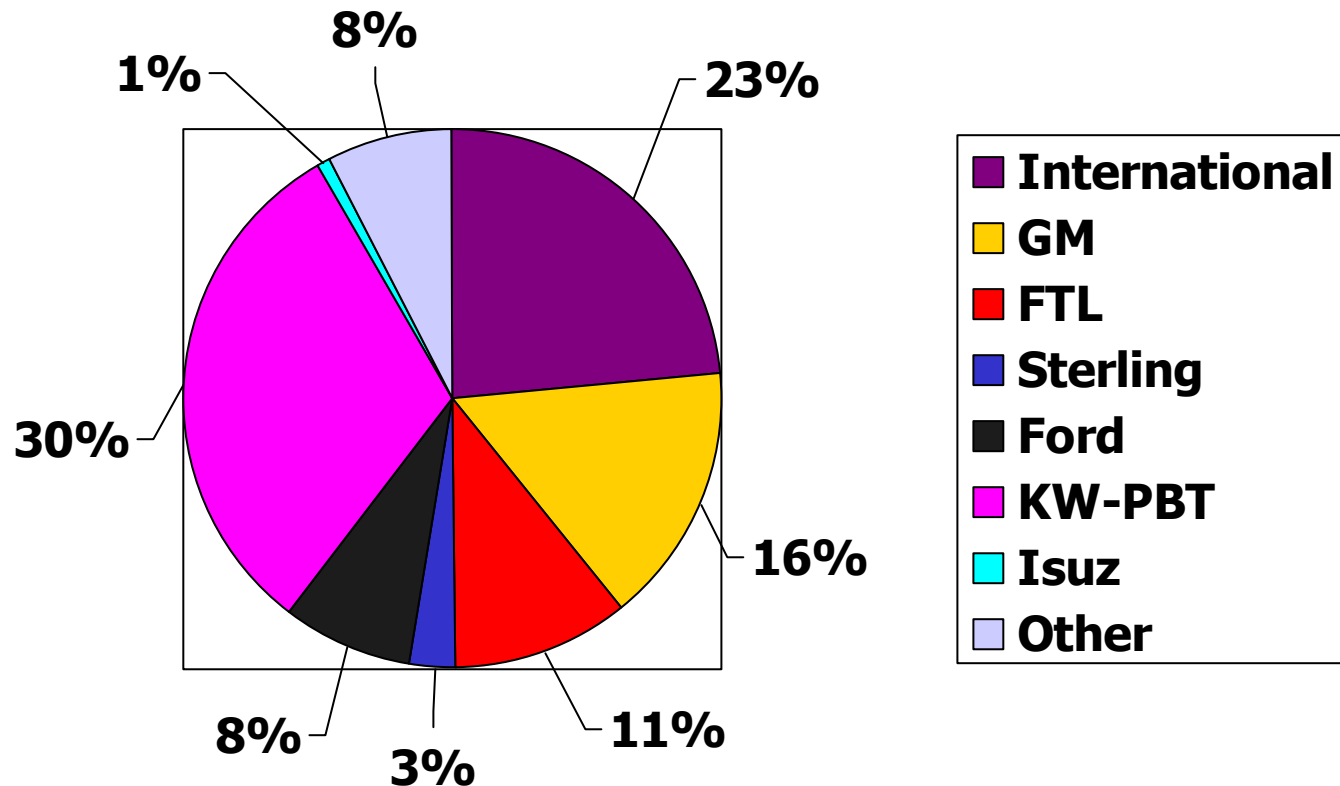




# Barloworld Truck Center

## Vehicle Sales

### Class 5-6-7 Market Share – BTC 2004





# **Barloworld**

## Truck Center

## **Vehicles Sales**

### **Class 8**

- **High Dollars/Short Trade Cycles**
- **Expensive Trade-Ins**
- **High Unit Concentration in Few Fleets**
- **Sales Volume Highly Sensitive to Economic Swings**
- **Manufacturer Direct Sales Threat**
- **Over-the-Road Sleeper Trucks**
- **Transient Service**

### **Class 5-6-7**

- **Longer Ownership Cycle**
- **Trade-Ins Normally Less Expensive**
- **Local Service – Vendor of Choice**
- **High Percentage of Local Fleets**
- **Fewer Units Sold Annually**
- **Rely Heavily on Dealer Expertise**
- **Out-of-Stock Sales Common**
- **Vocational Type Trucks**



# **Barloworld** Truck Center

## Vehicle Sales Focus – Large Accounts to Small Fleets

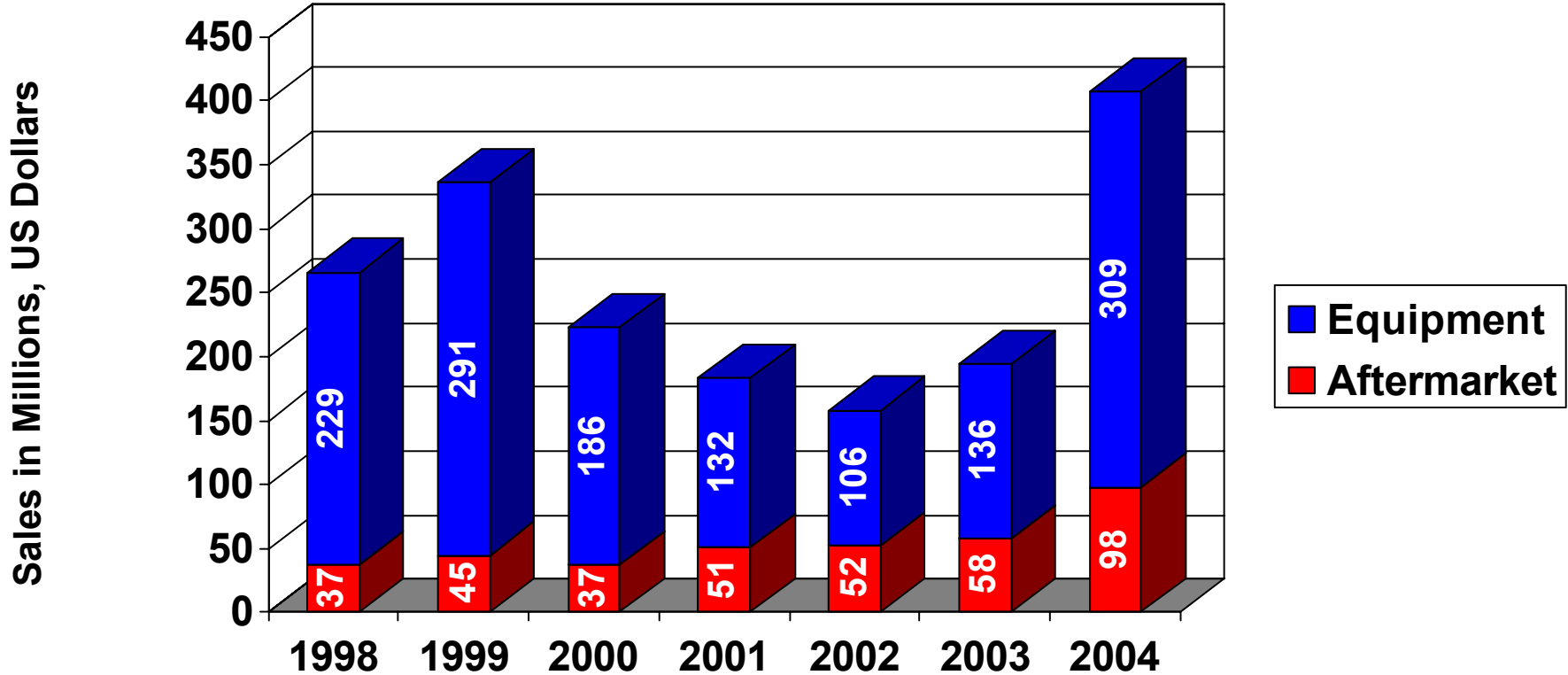
	<u>USD Per Account</u>
<b>P A M Transport</b>	<b>\$30,458,492</b>
<b>Ledwell &amp; Son</b>	<b>\$17,040,870</b>
<b>Paschall Truck Line</b>	<b>\$13,512,341</b>
<b>Continental Express</b>	<b>\$10,556,112</b>
<b>Autozone</b>	<b>\$10,412,609</b>
<b>Action Cartage</b>	<b>\$7,719,999</b>
<b>Ozark Motor Lines</b>	<b>\$6,220,843</b>
<b>ARI (Finance Lease)</b>	<b>\$5,577,373</b>
<b>TriSal Leasing Pat Salmon</b>	<b>\$2,197,615</b>
<b>Barloworld Handling</b>	<b>\$2,097,827</b>
<b>Tyson's</b>	<b>\$2,073,525</b>
<b>CEF 2002, LLC</b>	<b>\$1,993,515</b>
<b>Empire Express</b>	<b>\$1,932,370</b>
<b>MC Express</b>	<b>\$1,847,110</b>
<b>White River Distributors</b>	<b>\$1,555,620</b>
<b>Total Of 15 Largest Accounts</b>	<b>\$115,196,221</b>



# Barloworld Truck Center

## Revenue Historically Driven by Vehicle Sales

### BTC Annual Revenue





**Barloworld**  
Truck Center

## Absorption

**Absorption is a measure of the ability of the parts, service, and body shop gross profits to pay the expenses of the branch less the expenses directly related to the sale of trucks.**



# Barloworld

## Truck Center

## Absorption Target

BTC		Freightliner Averages	
Actual YTD	Target	Large	Small

<b>Total</b>	<b>71%</b>	<b>100%</b>	<b>94%</b>	<b>118%</b>
<b>Parts</b>	<b>40%</b>	<b>50%</b>	<b>52%</b>	<b>56%</b>
<b>Service</b>	<b>25%</b>	<b>40%</b>	<b>38%</b>	<b>59%</b>
<b>Body Shop</b>	<b>6%</b>	<b>10%</b>	<b>12%</b>	<b>10%</b>



**Barloworld**  
Truck Center

## How to Increase Absorption

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- **Reduce Expenses**
- **Increase Productivity and Efficiency**
- **Aggressive Service Technician Recruiting**
- **Emphasis on Direct Parts Sales**
- **On Location Customer Service**
- **Addition of Vocational Truck Sales Specialists**



# **Barloworld** Truck Center

## Initiatives

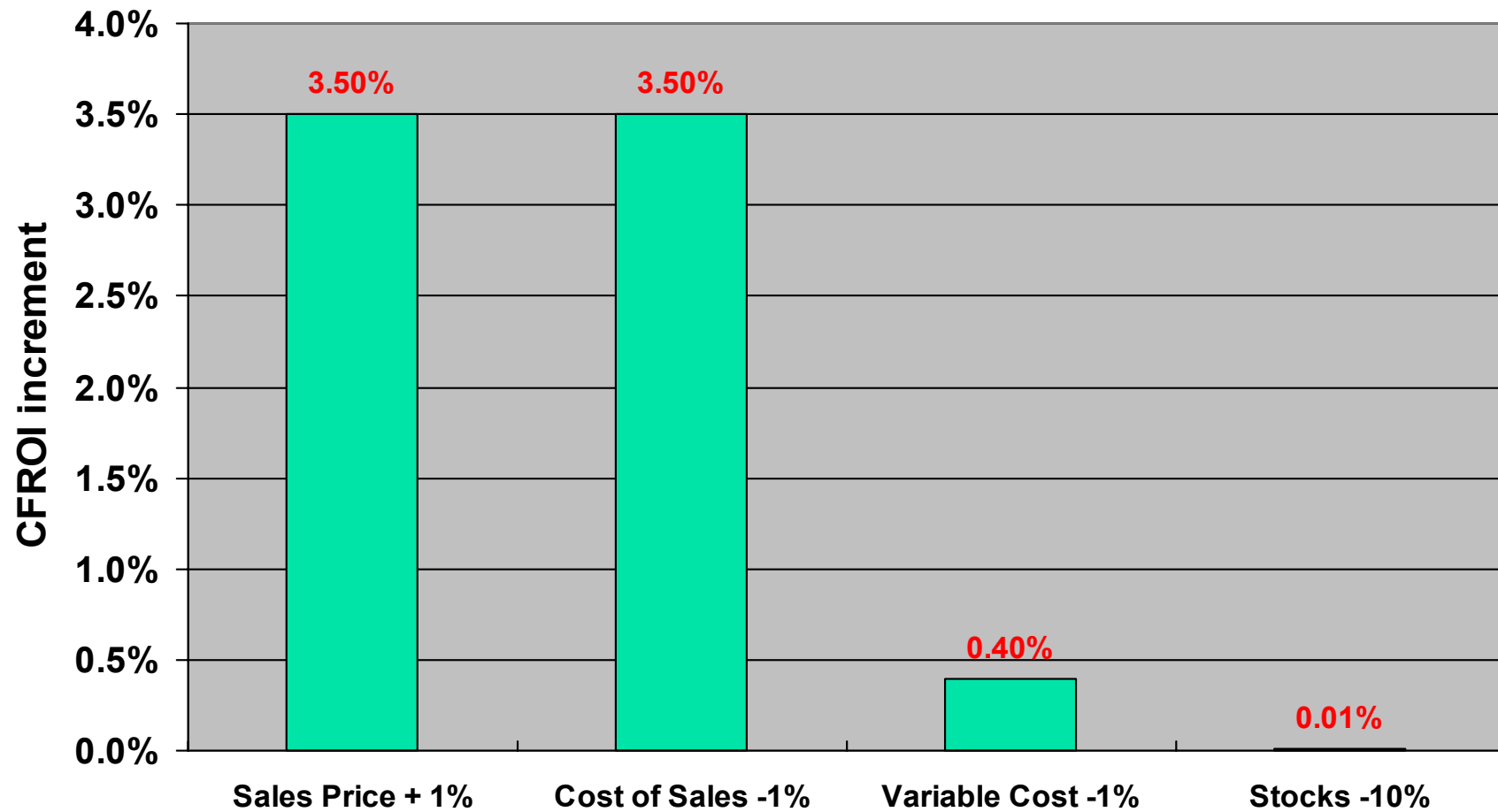
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- ◆ **Management Information Systems**
  - Rewrite Areas of System to Trucking Specs
  - Simplify for Users
- ◆ **Reformat Accounts**
  - Management Information
  - Industry Benchmarks
- ◆ **Discipline and Focus**



# Barloworld Truck Center

## CFROI Focus





# **Barloworld** Truck Center

## Why Should It Work?

- **Industry Successful – Freightliner’s Previous Performance**
- **Freightliner Industry Leader –**
  - **36.3% Class 8 2004 USA**
- **Economy – USA Depends on Road Transport**
  - **Total US Freight**
    - **65.2% Hauled on Class 8 Trucks 2004**
    - **63.8% Hauled on Class 8 Trucks 1994**
- **2007 – Not Same Impact**

**Problem has been us, not the business**



**Barloworld**  
Truck Center

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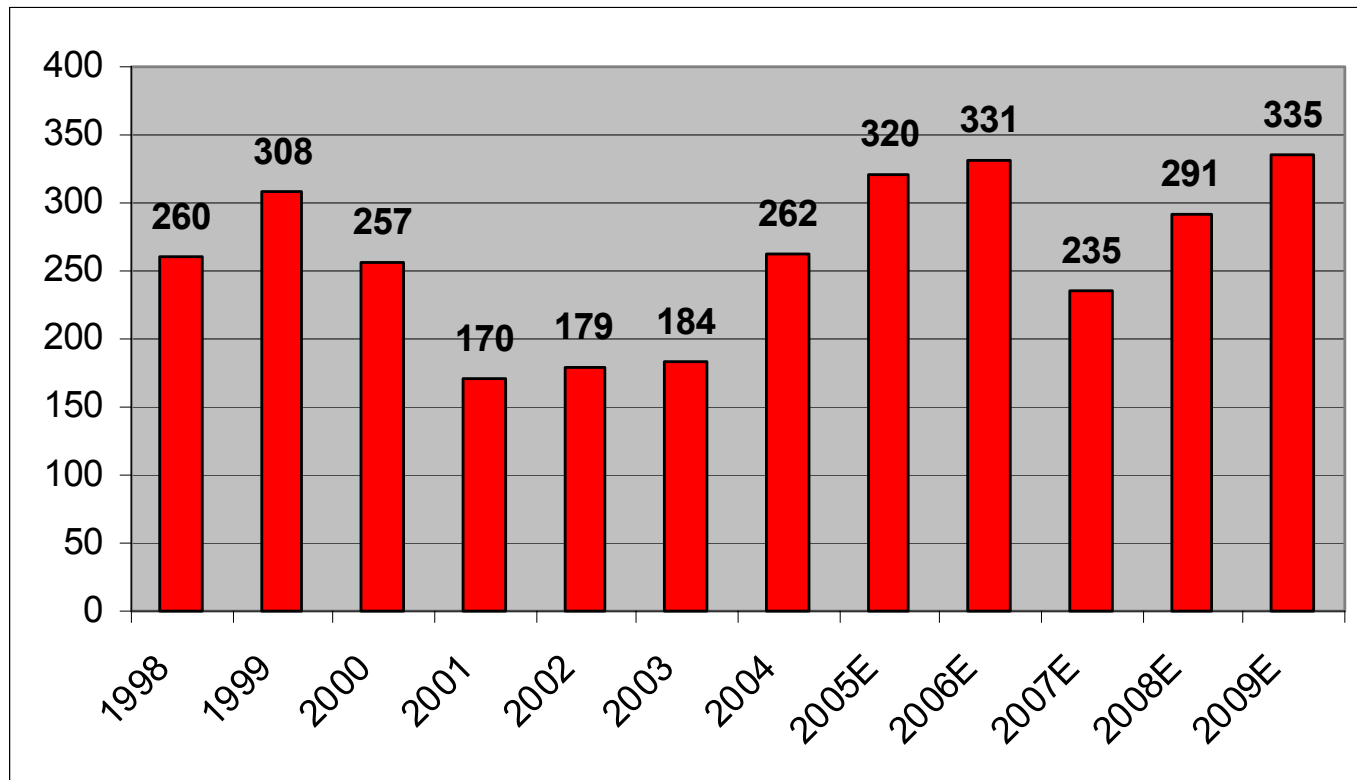
**End of Presentation**



# Barloworld Truck Center

## North America Class 8

Retail Sales in Thousands



Source: FTR Associates & Ward's Automotive





**Barloworld**  
Finance

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# Barloworld Finance Limited Presentation to Analysts

Grahame Cilliers  
13 June 2005



- ◆ Business Definition
- ◆ Evolution of business
- ◆ Fundamental issue
- ◆ Organagrams of the business
- ◆ Funding
- ◆ High Level Risk Assessment
- ◆ Business Drivers



**Barloworld**  
Finance

## Business definition

### Barloworld Finance Limited:

- ◆ Is an internal support service entity
- ◆ It sources and provides sustainable funding for the financing of owned long term rental assets
- ◆ Where the business controls the maintenance of the asset
- ◆ It also brokers sustainable funding for direct customer asset financing

These services are provided to Handling customer based in the UK, Europe and the USA



## Evolution of business

- ◆ UK:
  - ◆ Originally financing was with institutional partners
  - ◆ Problem with partners (Lloyds) in 2001 resulted in
  - ◆ The formation of own funding business
- The finance business was encouraged to grow
  - Business model taken to the US handling operation
  - Thereafter taken to Freightliner in the US
- Funding of Freightliner new business withdrawn in March 2004.
- Freightliner book currently being run out.
- Focus now on own asset financing
- Where we have control of maintenance of asset



**Barloworld**  
Finance

## Fundamental Issue

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- ◆ **Prior four years -**

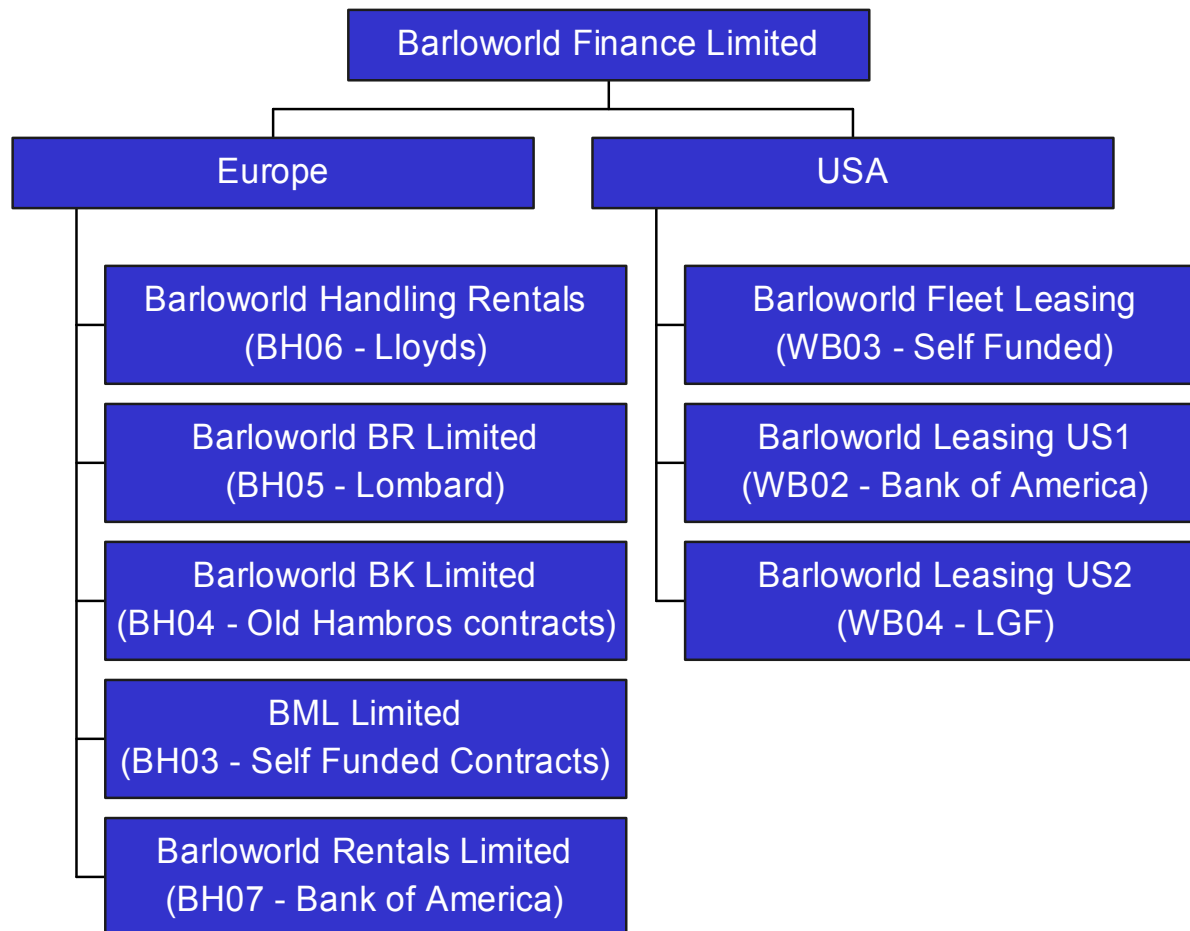
- ◆ Finance business a profit center

- **Future strategy -**

- Integral support centre for the handling businesses which will:
  - **Finance own assets only**
  - Seek external funding without disruption
  - Manage a seamless interface to the Handling customers
  - Measure returns in conjunction with the Handling operations



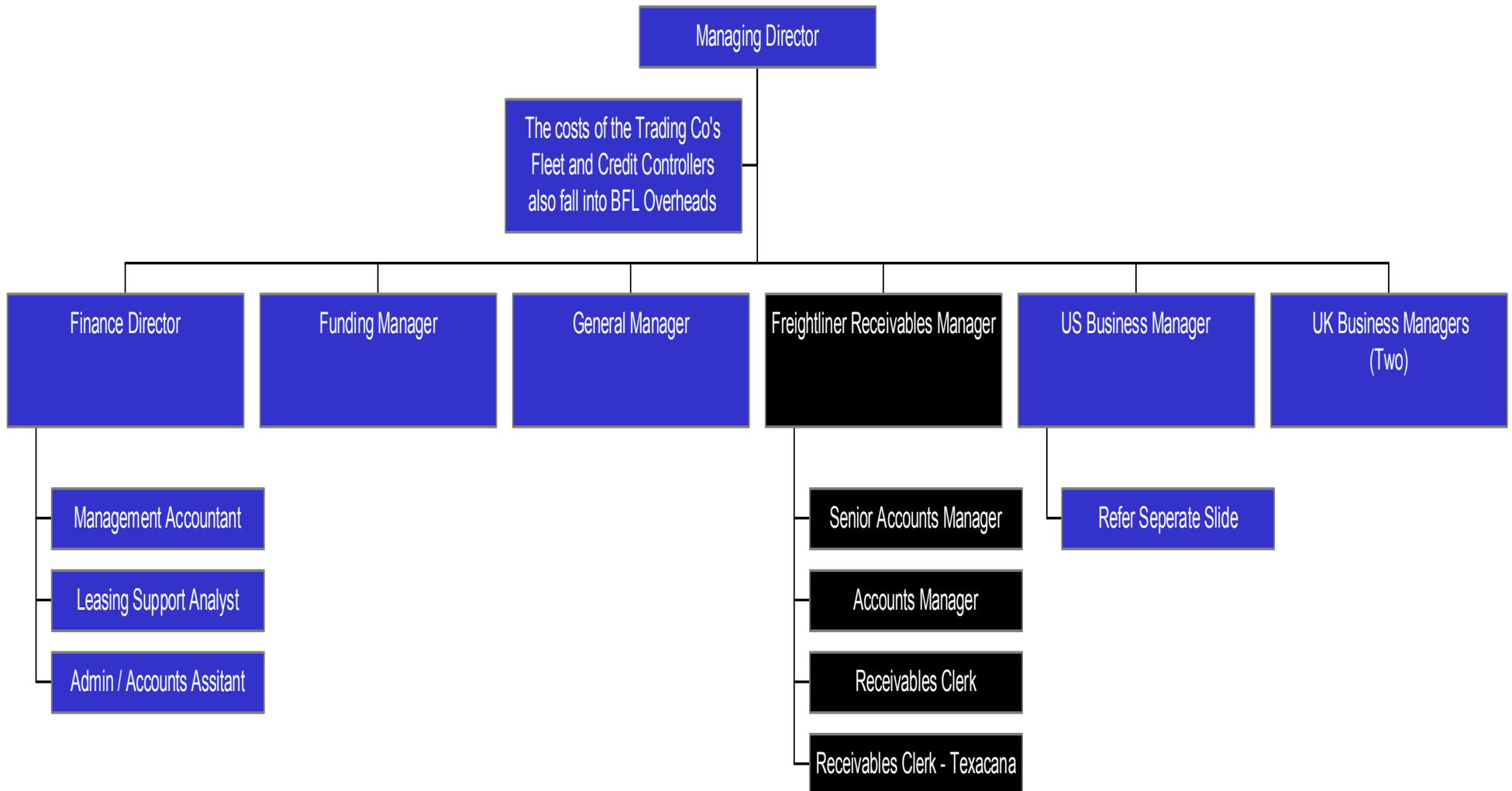
## Barloworld Finance Structure





# Barloworld Finance

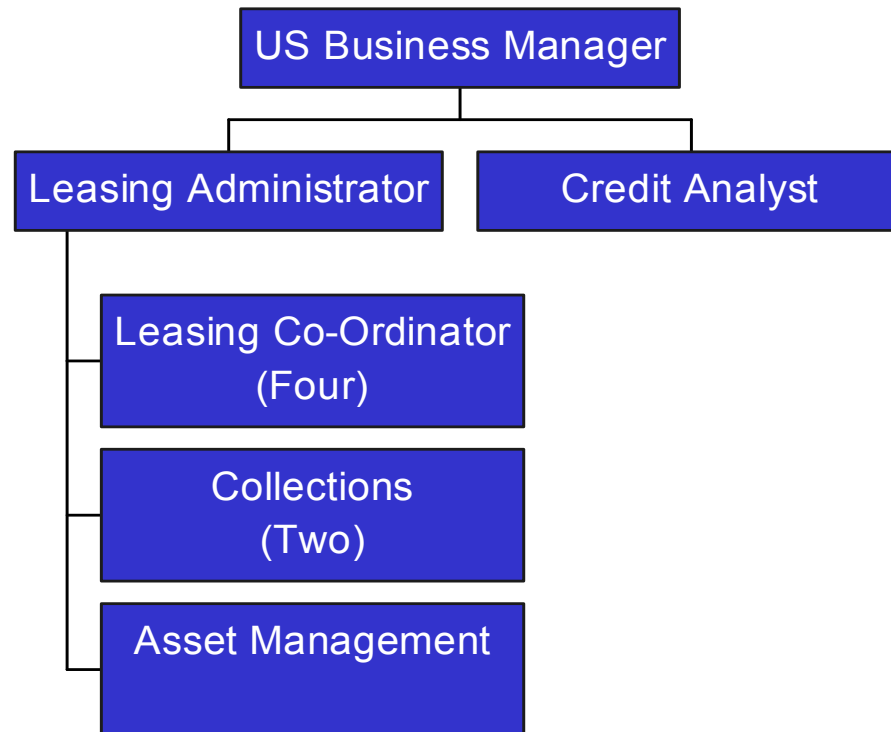
## BFL Staffing Structure





**Barloworld**  
Finance

## USA Staffing Structure





## Principal Funders

Bank Of America	Floating Rate / Securitised	ALL	43%
Lloyds	Fixed Rate / Asset based	UK	29%
Lombard	Fixed Rate / Asset based	UK	10%
LGF	Fixed Rate / Asset based	US	5%
Barloworld plc	Part of RBS syndicated Group facility	ALL	13%
Hyster Capital / GE	Take on any US Hyster business we don't want	US	N/A



## Book debt

<b><u>Debt analysis</u></b>	Total	Future contract	Residual values	Total
£(000's)	Billed and due	Revenue		
UK	2,593	120,260	45,710	172,957
USA	1,127	39,551	18,349	59,354
Freightliner	1,590	9,133	0	11,617
total	5,310	168,945	64,059	243,928



## High Level Risk Assessment

Risk	Factor	Prob	Sev	Cont	Comment
Residual Risk	38%	4	4	3	Maintain and control asset wherever possible
Customer Bankruptcy / Poor Credit Control	38%	4	4	3	Robust Credit Control Procedures
Availability of Funding	36%	3	5	3	Maintain close relationships / spread funding / monitor covenants
Interest rate Increase	32%	5	4	2	Hedge 90% of floating rate debt
Succession Planning, continuity and knowledge transfer	19%	3	4	2	Open communication and inclusion with proper succession planning
IT	14%	3	3	2	Disaster recover and business continuity planning



## Business Drivers

	<u>2005</u>	<u>2004</u>
<b>PODD's</b>		
<b>UK</b>	68%	69%
<b>£ value</b>	£ 21.0m	£23.6m
<b>USA</b>	45%	50%
<b>\$ value</b>	\$29.5m	\$30.0m
<b>Gearing</b>	1:7.4	1:7.9
<b>Floating rate funds</b>	66%	64%
<b>Portion uncovered</b>	4%	5%
<b>Fleet size</b>	21,198	20,797



**Barloworld**  
Finance

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Thank you - Questions