



# *First Quarter 2003*

## **Earnings Conference Call**

April 23, 2003

# Safe Harbor Language

- ▶ Note: Certain statements and information included in this presentation are "forward-looking statements" under the Federal Private Securities Litigation Reform Act of 1995. Accordingly, we advise that these forward-looking statements be evaluated with consideration given to the many uncertainties inherent in our business that could cause actual results and events to differ materially from those in the forward-looking statements. Important factors that could cause such differences include, among others, the competitive pricing environment applicable to the Company's businesses, customer retention levels, changes in customers' business environments, changes in market conditions affecting the sale of used vehicles, adverse changes in debt ratings, changes in accounting assumptions, greater than expected expenses associated with the Company's activities and changes in general economic conditions.

- ▶ **First Quarter Results**
- ▶ Key Initiatives Update
- ▶ Asset Management Update
- ▶ Earnings Outlook
- ▶ Questions

## *Overview*

- ▶ Earnings per diluted share before accounting changes were \$0.33, up from \$0.27 in 1Q02
- ▶ Lease revenue slightly down year-over-year; demand remains weak
- ▶ Continuing year-over-year improvement in commercial rental revenue; pricing and utilization are stronger, increasing both revenue and margin
- ▶ Significant increase in fuel revenue due to higher fuel costs
- ▶ Supply Chain Solutions revenue down as anticipated, although decrease is less than was projected
- ▶ Revenue increases realized in most international operations; some benefit from favorable exchange rate changes

# 1st Quarter Results (continued)

## *Overview*

- ▶ **Fleet Management Solutions returns negatively impacted by lower lease revenue and absorption of pension expense increase, partially offset by improved rental and asset management results**
- ▶ **Supply Chain Solutions returns positively impacted by improved operational performance globally and overhead reductions**
- ▶ **Dedicated Contract Carriage returns positively impacted by lower safety and insurance expenses**
- ▶ **Asset management activities continue to contribute to improved results with 15% year-over-year reduction in non-revenue earning equipment**
- ▶ **Strong cost management in overhead areas continues to positively contribute to results**
- ▶ **Change in accounting for asset retirement obligations (SFAS 143) resulted in charge of \$0.02 per diluted share; no change in future run rate of operating expenses**

# Earnings Per Share

## First Quarter Actual Results

	2003	2002
Earnings Per Share (EPS) Before Restructuring and Cumulative Effect of Accounting Changes	\$ 0.33	\$ 0.26
Restructuring and Other Recoveries, Net	-	0.01
EPS Before Cumulative Effect of Accounting Changes	0.33	0.27
Cumulative Effect of Changes in Accounting Principles	(0.02)	(0.30)
Total EPS	\$ 0.31	\$ (0.03)
Memo: EPS Impact of Pension Expense	\$ (0.21)	\$ (0.08)
Average Shares (Millions) - Diluted	62.8	61.9
Tax Rate	36.0%	36.0%



# Business Segment

*Fully Allocated (\$ Millions)*

## First Quarter

	<u>2003</u>	<u>2002</u>	<u>% B/(W)</u>
Revenue:			
Fleet Management Solutions	\$ 811.0	\$ 765.1	6%
Supply Chain Solutions	334.2	337.1	(1)%
Dedicated Contract Carriage	129.3	125.6	3%
Eliminations	(80.1)	(77.9)	(3)%
Total Revenue	<u>\$ 1,194.4</u>	<u>\$ 1,149.9</u>	<u>4%</u>
Segment NBT:			
Fleet Management Solutions	\$ 33.2	\$ 36.6	(9)%
Supply Chain Solutions	7.3	(2.2)	NM
Dedicated Contract Carriage	6.9	5.0	38%
Eliminations	(8.6)	(8.3)	(4)%
	<u>38.8</u>	<u>31.1</u>	<u>25%</u>
Central Support Services (Unallocated Share)	(6.4)	(6.0)	(7)%
Earnings Before Restructuring and Income Taxes	<u>32.4</u>	<u>25.1</u>	<u>29%</u>
Restructuring and Other Recoveries, Net	<u>0.3</u>	<u>1.2</u>	<u>(75)%</u>
Earnings Before Income Taxes	32.7	26.3	24%
Provision for Income Taxes	(11.8)	(9.5)	(24)%
Earnings Before Cumulative Effect of Accounting Changes	<u>20.9</u>	<u>16.8</u>	<u>24%</u>
Cumulative Effect of Changes in Accounting Principles	(1.1)	(18.9)	94%
Net Earnings/(Loss)	<u>\$ 19.8</u>	<u>\$ (2.1)</u>	<u>NM</u>

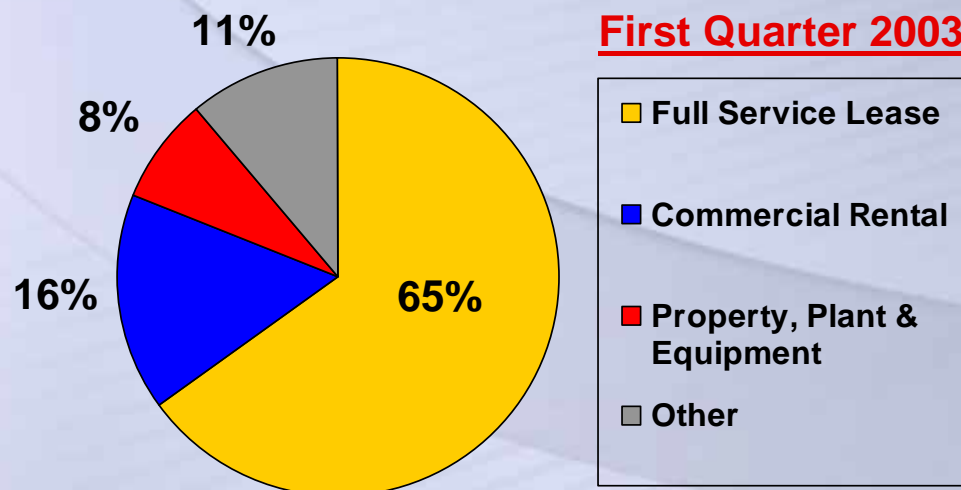


# Capital Expenditures

*(\$ Millions)*

## First Quarter

	2003	2002	2003 % O/(U) 2002
Full Service Lease	\$ 96	\$ 89	8%
Commercial Rental	23	5	360%
Property, Plant & Equipment	12	11	9%
Other	17	20	(15)%
Total	<u>\$ 148</u>	<u>\$ 125</u>	18%
Memo: Full Year Plan	<u>\$ 890</u>		





# Free Cash Flow

*(\$ Millions)*

## First Quarter

	2003	2002
Net Earnings <sup>(1)</sup>	\$ 20	\$ (2)
Cumulative Effect of Accounting Changes	1	19
Depreciation, Net of Gains	137	131
Amortization and Other Non-Cash Charges (Net)	\$ (2)	1
Capital Expenditures	(148)	(125)
Proceeds from Sales of Assets	39	38
Changes in Working Capital and Deferred Taxes <sup>(2)</sup>	15	21
Collections of Direct Finance Leases	16	15
Free Cash Flow <sup>(3)</sup>	<u>\$ 78</u>	<u>\$ 98</u>

### Notes:

(1) Includes non-cash restructuring and other recoveries, net and cumulative effect of changes in accounting principles

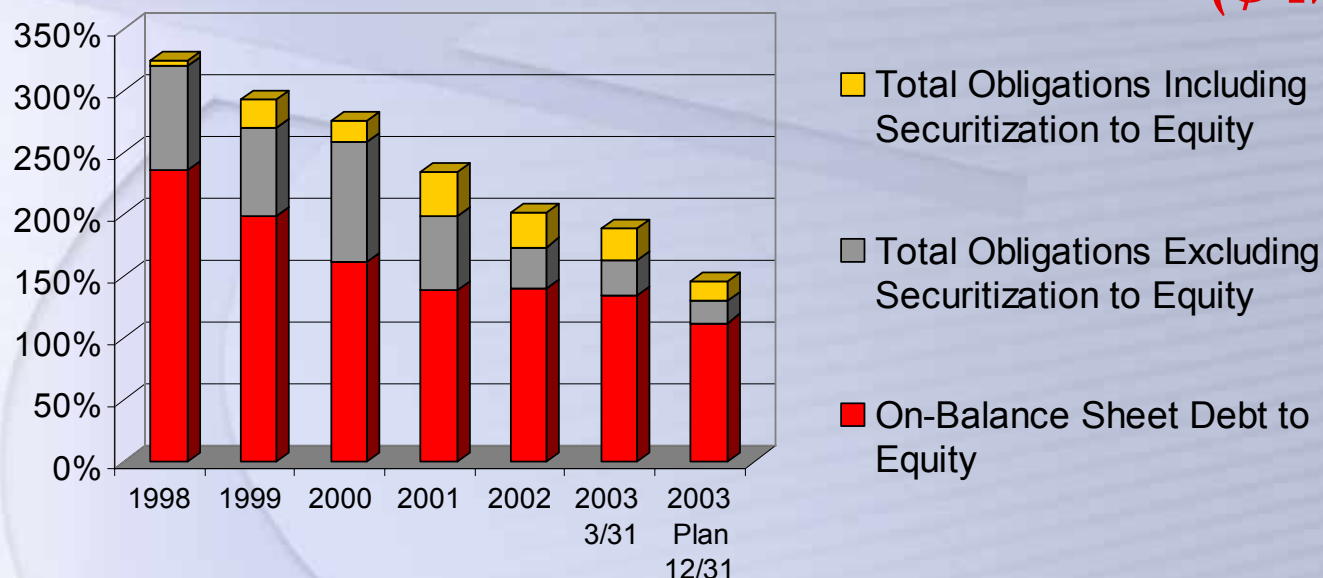
(2) Changes in working capital exclude sale of receivables

(3) Presentation includes non-GAAP financial measure as defined by SEC rules. Please refer to the appendix for a reconciliation to the most directly comparable GAAP measure.

**Preliminary**

# Debt to Equity Ratio

*(\$ Millions)*



	1Q 2003	4Q 2002	1Q 2002
On-Balance Sheet Debt	\$ 1,507.2	\$ 1,551.5	\$ 1,500.7
Percent To Equity	134%	140%	120%
Total Obligations Excluding Securitization	\$ 1,844.9	\$ 1,921.9	\$ 2,227.7
Percent To Equity	164%	173%	178%
Total Obligations Including Securitization	\$ 2,128.7	\$ 2,232.9	\$ 2,639.1
Percent To Equity	189%	201%	211%

Note: 4Q2002 and beyond includes a pension related equity charge of \$227.6 million

***Continued and focused emphasis to strengthen the balance sheet***

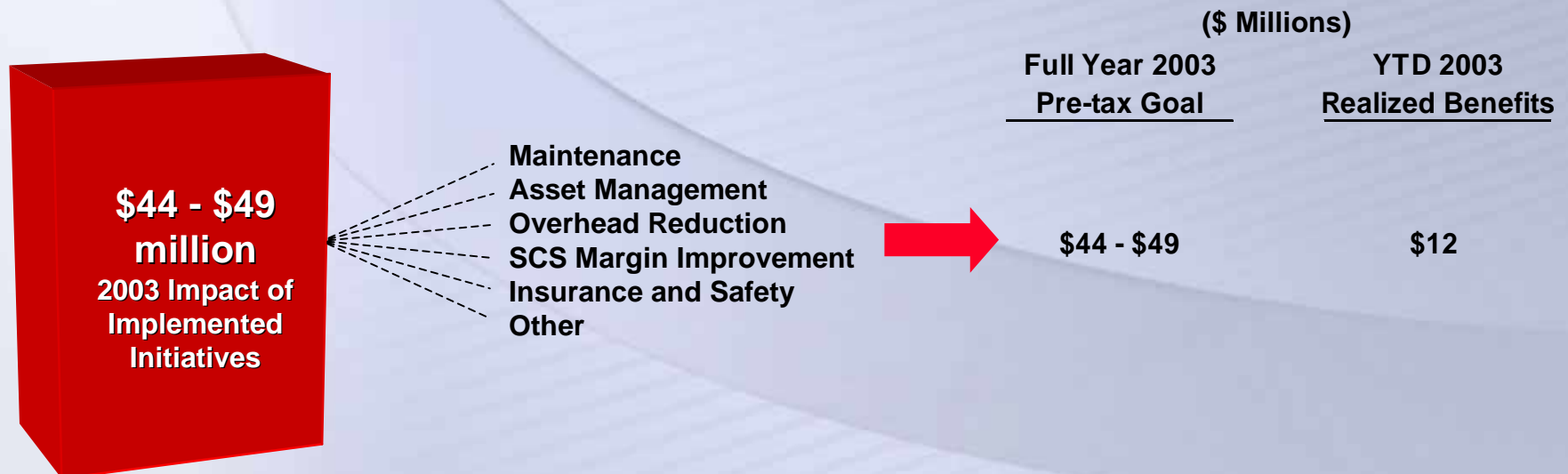
- ▶ First Quarter Results
- ▶ **Key Initiatives Update**
- ▶ Asset Management Update
- ▶ Earnings Outlook
- ▶ Questions

# 2003 Key Initiatives

*Status Update*

## ► Focus on cost management and process improvement initiatives continues

- 2003 new initiatives added an incremental \$12 million in pre-tax earnings



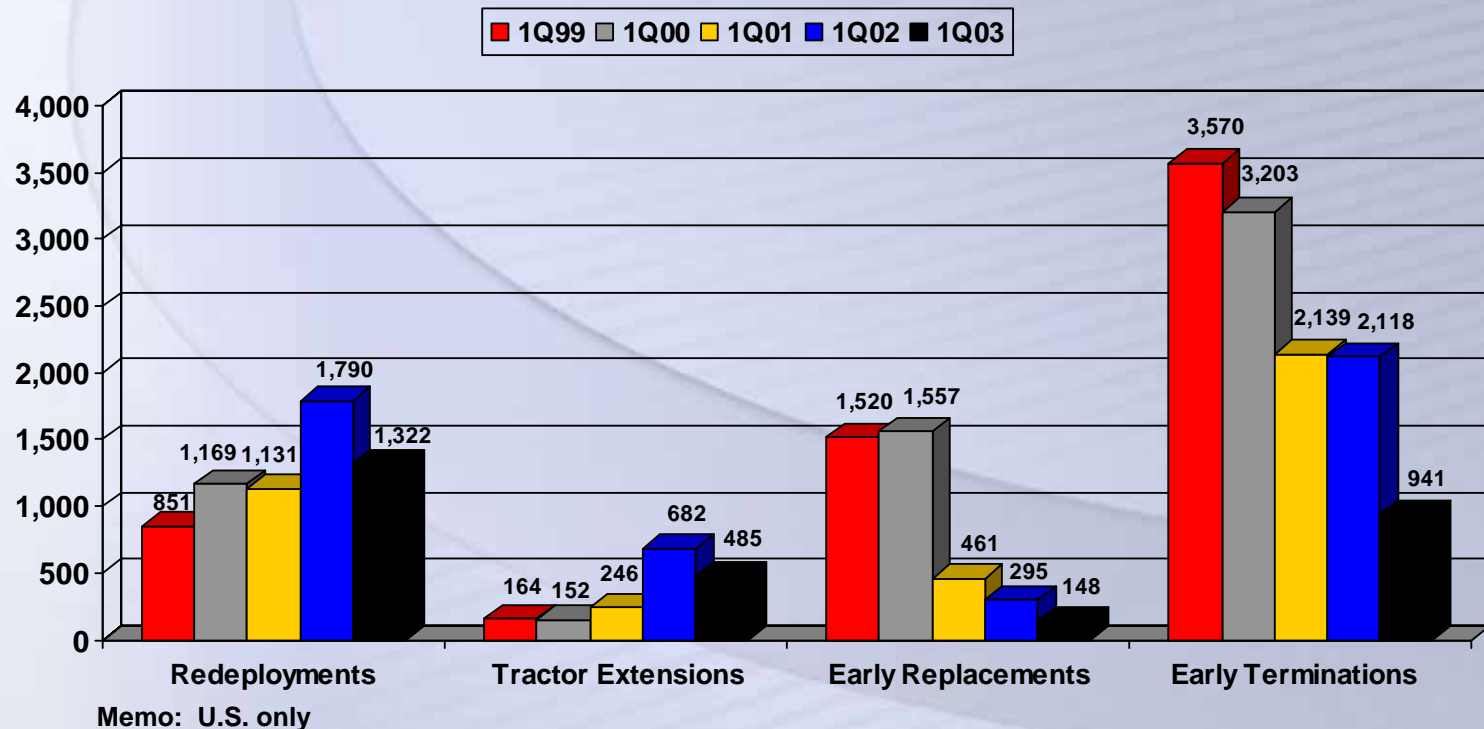
- ▶ First Quarter Results
- ▶ Key Initiatives Update
- ▶ **Asset Management Update**
- ▶ Earnings Outlook
- ▶ Questions

# Asset Management Update

- ▶ **Total number of non-revenue earning equipment of 8,832 is down over 1,500 units or 15% vs. prior year period**
  - Not yet earning (NYE) vehicles are 1,009
  - No longer earning (NLE) vehicles are 7,823
    - 3,805 of these units are held for sale at the used truck centers
- ▶ **Used tractor sales proceeds have shown modest signs of improvement**
  - The overall number of vehicles sold was flat compared to 4Q02 at 3,216

# Asset Management Update

- ▶ **Focused efforts in the area of asset management continues to positively impact earnings and strengthen free cash flow**
  - Redeployments and tractor term extensions have declined as anticipated, but are higher than plan levels





- ▶ First Quarter Results
- ▶ Key Initiatives Update
- ▶ Asset Management Update
- ▶ **Earnings Outlook**
- ▶ Questions

# Earnings Outlook

*(\$ Earnings Per Share)*

- ▶ Full year 2003 forecasted earnings remain unchanged at \$1.95 - \$2.00 per share.
- ▶ Current projection for EPS is as follows:

	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>2nd Half</u>	<u>Full Year</u>
2003 Actual/Proj. EPS	0.33	0.50 – 0.51	1.12 – 1.16	1.95 – 2.00

- ▶ First Quarter Results
- ▶ Key Initiatives Update
- ▶ Asset Management Update
- ▶ Earnings Outlook
- ▶ **Questions**

**Business Segment Detail**

**Non-Revenue Earning Equipment Summary**

**Free Cash Flow Reconciliation**



# Fleet Management Solutions (FMS)

*(\$ Millions)*

## First Quarter

	<u>2003</u>	<u>2002</u>	<u>% B/(W)</u>
Full Service Lease and Program Maintenance (RPM)	\$ 443.3	\$ 447.5	(1)%
Commercial Rental	106.7	99.0	8%
Other	85.0	83.9	1%
Dry Revenue	635.0	630.4	1%
Fuel Revenue	176.0	134.7	31%
Total Revenue	<u>\$ 811.0</u>	<u>\$ 765.1</u>	<u>6%</u>
Segment NBT	<u>\$ 33.2</u>	<u>\$ 36.6</u>	<u>(9)%</u>
Segment NBT as % of Dry Revenue	<u>5.2%</u>	<u>5.8%</u>	
Memo: Pension Expense	<u>\$ 17.5</u>	<u>\$ 5.6</u>	<u>(213)%</u>



# Supply Chain Solutions (SCS)

*(\$ Millions)*

## First Quarter

	<u>2003</u>	<u>2002</u>	<u>% B/(W)</u>
U.S. Operating Revenue			
Automotive, Aerospace & Industrial (AAI)	\$ 105.0	\$ 109.2	(4)%
Electronics, High Tech, Telecom & Consumer Industries (EHTC)	63.0	73.9	(15)%
Other	3.3	3.5	(6)%
Total U.S. Operating Revenue	171.3	\$ 186.6	(8)%
International Operating Revenue	59.0	59.3	(1)%
Total Operating Revenue	230.3	\$ 245.9	(6)%
Freight Under Management	103.9	91.2	14%
Gross Revenue	<u>\$ 334.2</u>	<u>\$ 337.1</u>	<u>(1)%</u>
Segment NBT	<u>\$ 7.3</u>	<u>\$ (2.2)</u>	<u>NM</u>
Segment NBT as % of Operating Revenue	<u>3.2%</u>	<u>(0.9)%</u>	



# Dedicated Contract Carriage (DCC)

*(\$ Millions)*

## First Quarter

	<u>2003</u>	<u>2002</u>	<u>% B/(W)</u>
Operating Revenue	\$ 128.4	\$ 124.6	3%
Freight Under Management	0.9	1.0	(10)%
Gross Revenue	<u>\$ 129.3</u>	<u>\$ 125.6</u>	<u>3%</u>
Segment NBT	<u>\$ 6.9</u>	<u>\$ 5.0</u>	<u>38%</u>
Segment NBT as % of Operating Revenue	<u>5.4%</u>	<u>4.0%</u>	





# Central Support Services (CSS)

*(\$ Millions)*

## First Quarter

	<u>2003</u>	<u>2002</u>	<u>% B/(W)</u>
Allocated CSS Costs	\$ 47.5	\$ 50.7	6%
Unallocated CSS Costs	6.4	6.0	(7)%
Total CSS Costs	<u>\$ 53.9</u>	<u>\$ 56.7</u>	<u>5%</u>



# Free Cash Flow Reconciliation

*(\$ Millions)*

## First Quarter

	<u>2003</u>	<u>2002</u>
Cash Provided by Operating Activities	\$ 171	\$ 225
Changes in Balance of Trade Receivables Sold	-	(55)
Collections of Direct Finance Leases	16	15
Proceeds from Sales of Assets	39	38
Capital Expenditures	<u>(148)</u>	<u>(125)</u>
Free Cash Flow	<u>\$ 78</u>	<u>\$ 98</u>

Preliminary



# Non-Revenue Earning Equipment

*Status*

■ No Longer Earning - "NLE"

◆ Not Yet Earning - "NLE"

