

# Coates Hire Investor Briefing



October 2007

National Hire The Cat Rental Store in  
New South Wales, ACT and Western  
Australia

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National Hire

# Transaction Highlights

- ✓ The merger of the rental operations of National Hire and Coates will create Australia's most significant equipment hire business
- ✓ In FY2007 the combined operations had annual hire revenues of \$990 million and EBIT of \$202 million
- ✓ Synergy benefits in excess of \$30 million p.a. are expected to be realised from the transaction
- ✓ National Hire and The Carlyle Group will each hold a 50% voting interest and a 47% economic interest in the merged entity (6% non-voting interest held by financial investors)



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## Transaction Highlights (cont)

- ✓ National Hire will transfer its rental business into the merged entity and Carlyle will contribute cash funding of \$339 million
- ✓ National Hire placement to Elph Pty Ltd to raise \$86 million at \$3.00 per share (conditional upon completion of the Coates acquisition and National Hire shareholder approval)
- ✓ The transaction has been unanimously recommended by the National Hire Board and the Independent Directors of Coates
- ✓ WesTrac, 67% shareholder in National Hire, intends to vote its shares in favour of the transaction





# Acquisition Overview

- National Hire and The Carlyle Group have reached an agreement to acquire all Coates shares for \$6.59 cash per share
- The offer comprises \$6.06 per Coates share in cash plus a fully franked special dividend of 53 cents
- The offer values Coates on an enterprise basis at approx \$2.2 billion<sup>1</sup>
- The independent directors of Coates unanimously recommend the proposal to Coates shareholders.
- Transaction will be effected by a Coates Scheme of Arrangement and is subject to approvals by both Coates and National Hire shareholders
- The directors of National Hire unanimously recommend that National Hire shareholders vote in favour of the transaction. Each of the directors of National Hire intends to vote their shares in favour of the transaction in respect of National Hire shares they own or control
- WesTrac, 67% shareholder of National Hire, intends to vote its shares in favour of the resolutions to be put to National Hire shareholders to approve the transaction

1. Based on the offer price of \$6.59 per Coates share and Coates' net debt as at 30 June 2007 of \$525 million (includes financing derivatives and adjusted for Coates' final dividend).



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# The Consortium

- The Consortium of National Hire and Carlyle have formed a new company, Ned Group Holdings Pty Ltd (“Ned Group”), to acquire Coates
- Ned Group will fund the transaction from new fully underwritten debt financing and equity contributions from the Consortium parties
- National Hire will transfer its rental business to Ned Group and make an additional cash contribution for its interest in Ned Group
- At completion of the transaction, National Hire and Carlyle will each hold 47% of the economic interest in Ned Group, with other financial investors holding the remaining 6% interest
- National Hire and Carlyle will contribute \$339 million in equity to Ned Group. Carlyle will make its contribution in cash. National Hire will contribute its rental business and cash



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# Coates Acquisition Proposal

- Offer price of \$6.59 per share cash represents a significant premium for Coates shareholders and an attractive multiple of earnings. The offer price represents:
  - a 37% premium to Coates' closing share price of \$4.80 on 5 April 2007<sup>1</sup>
  - a 33% premium to Coates' one month volume weighted average share price of \$4.97 at 5 April 2007
  - a multiple of 13.3x Coates' EBIT for the year ended 30 June 2007
- Offer price comprises \$6.06 in cash for each Coates share and a 53c fully franked special dividend for Coates shareholders
- To be implemented by a Coates Scheme of Arrangement
  - The independent directors of Coates have unanimously determined to recommend the offer

1. The date on which Carlyle made its initial approach to Coates



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# Key Conditions of the Scheme

1. Coates shareholder approval
  - Coates will seek court approval to convene a Scheme Meeting in early December 2007
  - Shareholder approval of the Scheme requires 75% of shares to be voted in favour and 50% of shareholders by number to vote in favour
  - Scheme documentation to be dispatched to Coates shareholders in mid-November 2007
2. National Hire shareholder approval
  - National Hire will hold a General Meeting in late November/early December 2007 (and prior to the Scheme Meeting) for its shareholders to approve the transaction and associated matters
  - WesTrac has announced that it intends to vote its 67% shareholding in National Hire in favour of the transaction resolutions
3. Court approval of the Coates Scheme of Arrangement
4. No adverse regulatory intervention
5. Continued financial accommodation from the banking syndicate
  - Financing commitments for the transaction have been obtained from seven leading domestic and international financial institutions; ABN AMRO, ANZ, Calyon, Mizuho, Sumitomo, Westpac and Goldman Sachs
  - The financial institutions' commitment to finance the transaction has been provided on a 'certain funds' basis - financing is no longer subject to due diligence and conditions to funding are limited to the completion of the transaction and customary procedural matters



# Overview of Ned Group – Operations

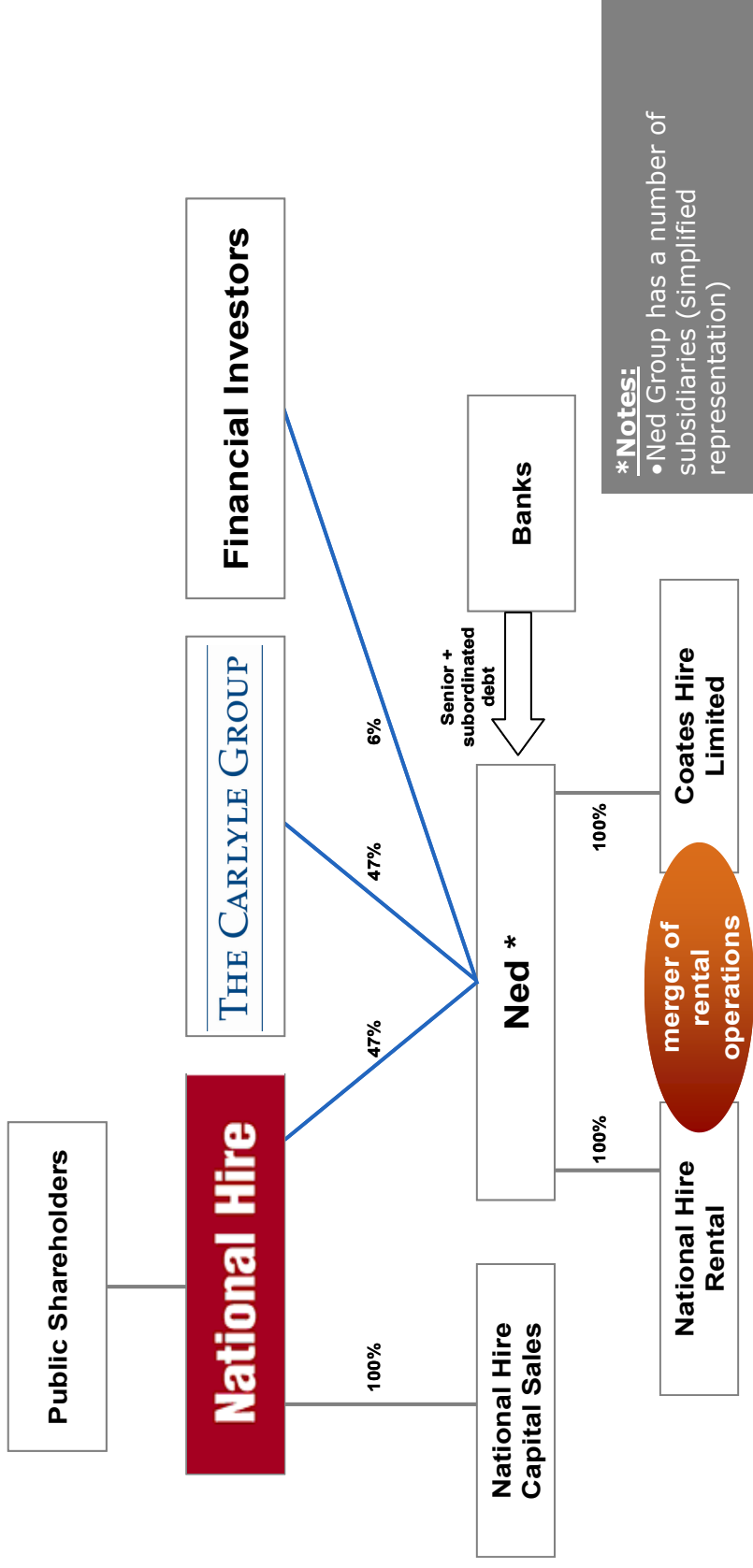
- Ned Group will operate the merged rental businesses of Coates and National Hire
- Ned Group will be the leading general equipment hire business in Australia:
  - combined FY2007 hire revenue of \$990 million<sup>1</sup> and EBIT of \$202 million<sup>1</sup>
  - representation across all Australian states and all major equipment categories
  - a combined hire fleet of \$1.7 billion (at cost)
- It is anticipated that through a combination of the National Hire and Coates rental businesses in excess of \$30 million in synergies can be realised
- Ned Group's initial management team will be a combination of National Hire's and Coates' existing management teams
  - Malcolm Jackman will be CEO of the merged group
  - Mr Tony Dage, a consultant specialising in industrial business integration, to lead the integration of the two rental businesses

1. Based on Coates' and National Hire's financial performance to 30 June 2007. Assumes the businesses were merged on 1 July 2006 and exclude any costs or synergy benefits from combining the operations. The figures are for illustrative purposes only.





# Overview of Ned Group – Structure



## \*Notes:

- Ned Group has a number of subsidiaries (simplified representation)
- National Hire and Carlyle will each have 50% of the voting interest in Ned Group



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# Overview of Ned Group – Investment & Governance

- **Investment**
- National Hire and Carlyle have a standstill period of 3 years during which time neither party is permitted to sell or transfer its interest to a 3<sup>rd</sup> party
- After 3 years exit provisions exist for a party wishing to exit its investment. Under these provisions National Hire and Carlyle will have a first right to acquire the others interest and minority financial investors' interest in Ned Group
- **Governance**
- From commencement the Board of Ned Group will consist of 8 directors (4 appointed by National Hire and 4 appointed by Carlyle)
- Rights of veto for National Hire and Carlyle on key decisions affecting Ned Group



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# National Hire Post Transaction – Operations

- The transaction is expected to be significantly value accretive to National Hire shareholders
  - National Hire’s rental business is being transferred into Ned Group at an equivalent of \$3.00 per National hire share, after adjusting for the value of the capital sales business and National Hire’s final dividend
- Following completion of the transaction National Hire will hold a 47% economic interest in Australia’s largest general equipment hire business
- National Hire’s capital sales business (Allight, Perkins and FG Wilson) will continue to be operated by National Hire and will not transfer to Ned Group
  - 2007 EBIT: \$6.4 million
  - 5 year Supply Agreement with Ned Group will underpin volume and margins in the capital sales business going forward
- Additionally, National Hire and Ned Group will share various administrative services



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# National Hire Post Transaction – Capital Structure

- National Hire's equity contribution to Ned Group of \$339 million will be funded by transfer of its rental services business to Ned Group for \$282 million and \$57 million in cash
- National Hire's entire debt will also be transferred to Ned Group and refinanced
- New National Hire senior debt facility post transaction completion
  - \$25 million in committed senior facilities from ANZ
- Proposed equity placement
  - National has entered into a share subscription agreement with Elph Pty Ltd (a company owned by Mr Dale Elphinstone) to raise up to \$86 million
  - Up to 28.7m shares at \$3.00 per share (19.3% of National Hire shares on a fully diluted basis)
  - The subscription agreement is conditional on:
    - implementation of the Coates scheme of arrangement
    - National Hire shareholders approving the share subscription (ASX listing rule 7.1)
    - Elph's interest (including any interest of Elph's associates) not exceeding 19.9% of National Hire
- The funding will be used to meet National Hire's cash contribution to Ned Group and to provide National Hire with capital for future growth



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# Investment Partnership with Carlyle

- Carlyle is an international private equity group with significant global rental industry experience
  - Leading global private equity firm with US\$76 billion under management
  - Carlyle invests in buyouts, venture & growth capital, real estate and leveraged finance in Asia, Europe and North America, focusing on aerospace & defense, automotive & transportation, consumer & retail, energy & power, healthcare, industrial, technology & business services and telecommunications & media
  - Since 1987, the firm has invested US\$32 billion of equity in 686 transactions for a total purchase price of US\$158 billion
  - Carlyle has experience in the equipment rental industry through its 18% interest in Hertz Corporation. Hertz is the largest worldwide general use car rental company and the third largest equipment rental business in North America
- National Hire's investment partnership with Carlyle will introduce additional depth of expertise and governance to the merged operations



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# Indicative Transaction Timetable

Event	Date*
Announcement of Proposal to Acquire Coates	Tuesday, 2 October 2007
Dispatch of National Hire notice of meeting	late October/Early November 2007
National Hire General Meeting	late November/Early December 2007
Coates Scheme Meeting	Mid-December 2007
Completion of Coates Acquisition	Early-January 2008

\* Dates are indicative only and subject to change.



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