

## ASX Announcement

28 August 2008

### National Hire Group Limited Financial Results for the Year Ended 30 June 2008

National Hire Group Limited (**National Hire**) (ASX code: NHR) today announced net profit after tax (NPAT) for continuing operations of \$4.7m for the year ended 30 June 2008, up from \$1.9m in FY07. Continuing operations include the equipment sales and support business operated by National Hire's wholly owned subsidiary Allight Pty Ltd. National Hire also benefits from its equity interest in Coates Group Holdings Pty Limited (**Coates Group**).

Reported NPAT for FY08, including discontinued operations, was \$42.5m (FY07 \$19.3m). FY08 includes a consolidated after tax profit of \$25.9m on the transfer of National Hire's Rental Services business to Coates Group as part of the acquisition of Coates Hire Limited (**Coates Hire**) (see below) and a NPAT contribution from the Rental Services business of \$11.9m for the period from 1 July 2007 to its transfer on 9 January 2008.

The Directors have declared a fully franked final dividend of 2.0 cents per share. The final dividend is payable in respect of shareholdings registered as at 5:00pm on 26 September 2008, with payment to be made on 10 October 2008.

National Hire Managing Director, Mr Andrew Aitken, said "The improved FY08 result for the equipment sales and support business and the successful completion of the Coates transaction have placed National Hire in a strong position for future growth".

### Coates Hire Transaction

On 9 January 2008, National Hire, in conjunction with The Carlyle Group (**Carlyle**), completed the acquisition of all the outstanding shares in Coates Hire (announced on 2 October 2007). The offer was \$6.59 cash per Coates Hire share, comprising \$6.06 cash and a special dividend of \$0.53 cents per share, valuing the total equity of Coates Hire at \$1.7 billion.

National Hire and Carlyle established Coates Group (formally Ned Group Holdings Pty Limited) to acquire Coates Hire via a scheme of arrangement. National Hire transferred its Rental Services business (including all rental related assets and liabilities) and \$70m cash to Coates Group for a value of \$348m in return for a 47% economic interest in Coates Group. Carlyle also has a 47% equal economic interest in Coates Group, with the balance being held by financial investors. National Hire and Carlyle each hold a 50% voting interest in Coates Group.

National Hire's investment in Coates Group is accounted for as an associate using the equity method of accounting.

This was a landmark transaction for National Hire and the resultant structure means National Hire has exchanged full ownership of the #2 equipment hire company in Australia for a 47% investment in the #1 equipment hire company in Australia.

## Share Placement

As part of the Coates Group transaction, National Hire made a share placement of 28,657,143 new National Hire shares at \$3.00 each to Elph Pty Ltd on 31 December 2008, a company associated with Mr Dale Elphinstone, the principal of William Adams Pty Limited, Caterpillar's Victoria and Tasmania dealer. The placement raised approximately \$86.0m cash. Mr Elphinstone joined the Board of National Hire on 30 January 2008.

Proceeds of the issue were used to fund National Hire's cash contribution (\$70m) for its interest in Coates Group, with the balance to be used by National Hire for its own working capital purposes going forward. At year end, National Hire had net cash on its balance sheet of \$18.5m.

## Summary Results

12 months ended 30 June (\$million)	2008	2007	Change
<b>Revenue from continuing operations</b>	<b>84.1</b>	<b>69.3</b>	<b>21%</b>
<b>EBITDA</b>	<b>6.1</b>	<b>3.5</b>	<b>76%</b>
Depreciation & amortisation	(0.7)	(0.6)	23%
<b>EBIT</b>	<b>5.4</b>	<b>2.9</b>	<b>86%</b>
Finance costs	-	(0.4)	-
Share of profit of equity accounted investees	1.2	-	-
<b>Profit before tax</b>	<b>6.6</b>	<b>2.5</b>	<b>158%</b>
Tax expense	(1.9)	(0.6)	
<b>Net profit after tax from continuing operations</b>	<b>4.7</b>	<b>1.9</b>	<b>143%</b>
Profit from discontinued operations	37.8	17.4	118%
<b>Reported net profit after tax</b>	<b>42.5</b>	<b>19.3</b>	<b>120%</b>
EPS from continuing operations (cents)	3.50	1.61	117%
DPS relating to year's earnings fully franked (cents)	6.0	8.0	(25%)

## Operational Commentary

### Equipment Sales and Support – Allight business

The principal activities of the business relate to the manufacture, assembly, sales and support of lighting, power generation and dewatering equipment, as well as the distribution and support of Perkins engines and F G Wilson power generation sets. The business operates under the Allight, FG Wilson, HJ Godwin and Perkins brand names. It was not included in the Coates transaction and continues to be operated by Allight Pty Ltd, a wholly owned subsidiary of National Hire.

The sales revenue from the equipment sales and support division increased by 21% to \$84.1m in FY08. This was driven by continued strong sales growth for lighting towers from the mining sector in Australia and offshore. During the year, Allight produced its 6,000<sup>th</sup> Australian lighting tower, which was acquired by Rio Tinto, and commenced sales of a new lighting tower product assembled at a WesTrac facility in Tianjin, China. Allight will retain its manufacturing operations in Australia, with the production from China expected to primarily supply export markets.

National Hire has executed a 5 year preferred supplier agreement with Coates Group which is expected to underpin volume and margins in the equipment sales and support business going

forward. Coates Group is also a distributor of Allight lighting towers and Allight – Godwin dewatering pumps in Indonesia.

National Hire has no debt on its balance sheet and net cash of \$18.5m at year end which is available to fund both organic and acquisitive growth opportunities.

National Hire has commenced the relocation of its head office from Sydney to Perth where the equipment sales and support business head office is located.

## **Coates Group**

The integration of Coates Hire and National Hire's Rental Services businesses is progressing well and the estimated minimum of \$30m in pre-tax synergies are still expected to be realised.

As previously highlighted, National Hire accounts for its interest in Coates Group on an equity accounted basis, i.e. share of profits. National Hire's FY08 share of profit was \$1.2m for the period of ownership from 9 January to 30 June 2008, with FY09 to include a 12 month contribution from Coates Group. The investment is carried in National Hire's balance sheet at \$309.9m.

### **Summary of Coates Group Audited Results**

<b>For the period from 9 January to 30 June 2008</b>	<b>\$million</b>
Revenue	543.0
EBIT (*)	116.4
Profit before tax	4.0
Profit after tax	2.5

\* EBIT includes significant items representing non-recurring costs related to the completion of the Coates transaction to the value of \$25.7m.

## **Board and Management Changes**

During the year, and as a consequence of the Coates transaction, National Hire had a number of management and Board changes.

Andrew Aitken, previously a non-executive director, was appointed Managing Director of National Hire in May 2008 following the resignation of Stephen Donnelley who took up a new executive role with Coates Group. Ray Romano resigned as Executive Chairman in June 2008 and is now interim CEO at Coates Group.

National Hire's Chairman, Mr John Langoulant, said "I want to record the Board's thanks to Ray Romano and National Hire's founder Stephen Donnelley for their energy, drive and commitment in building the National Hire businesses. They have left the company well placed to take advantage of further growth opportunities."

With a solid platform for growth, National Hire is committed to pursuing further opportunities that will assist in expanding the equipment sales and support business. This will be done by leveraging off the Coates relationship, building export markets and extracting improvements in distribution networks and production.

### **Contact**

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