

National Hire

National Hire Group Limited financial results for the year ended 30 June 2006

ASX Announcement
15 August 2006

NATIONAL HIRE DELIVERS SUBSTANTIAL REVENUE AND PROFIT GROWTH

National Hire Group Limited (ASX code: NHR) today reported net profit after tax of \$17.1 million on revenue of \$233.4 million for the year ended 30 June 2006. The results include a full year contribution from the Allight Holdings Pty Ltd and The Cat Rental Store® WA acquisitions, and a half year contribution from AH Plant Hire.

The successful integration of these major acquisitions has delivered the platform for considerable growth in FY2006.

A final fully franked dividend of 4 cents per share has been declared, bringing the total dividend declared for FY2006 to 7 cents per share fully franked.

Key Financial Result Comparatives

	\$million	2006	2005	% change
Revenue		233.4	116.6	100
EBITDA		72.0	31.5	129
EBITDA %		31%	27%	
Depreciation & Amortisation		(37.6)	(15.5)	(143)
EBIT		34.4	16.0	115
Interest		(9.2)	(1.9)	(384)
Profit before tax		25.2	14.1	79
Tax expense		(8.1)	(4.6)	(76)
Profit after tax and before FY2005 tax consolidation benefit		17.1	9.5	80
Tax consolidation benefit			1.6	
Reported net profit after tax		17.1	11.1	54
EPS – cents		14.3	13.8	3.6
Full year dividend – cents per share [⊗]		7.0	2.5	180

[⊗] prior year comparatives have been restated for the 5 for 1 share consolidation undertaken in November 2005.

Commentary

Group revenue of \$233.4 million for FY2006 increased 100% over the previous year. Revenue growth was driven by the major acquisitions and the expanded rental fleet. Whilst FY2006 revenue was slightly below our expectations primarily as a result of the softening of the New South Wales and Victorian residential construction markets, group revenues grew by 8% in the second half before taking account of AH Plant Hire revenues.

On a divisional basis, Rental Services revenues increased by 116% to \$174.5 million and Capital Sales revenues increased by 70% to \$58.6 million year on year. The company was able to extract higher operating margins through strong cost control and improved operating efficiencies. Group earnings before depreciation, interest and tax (EBITDA) grew strongly to \$72.0 million, a 129% increase over the previous year.

Group EBITDA margin was 31% for FY2006, up from 27% for FY2005, reflecting, scale benefits improved fleet utilisation and strong cost control.

In particular, EBITDA margins for the second half of FY2006 were 33% compared to 28% for the first half. Second half EBITDA margin for Rental Services increased to 40%, compared to 36% for the first half.

Net profit after tax of \$17.1 million is a 54% increase from the previous year's \$11.1 million. Earnings per share for FY2006 has increased to 14.3 cents from the previous year of 13.8 cents. Excluding the FY2005 tax consolidation benefit of \$1.6 million FY2006 net profit after tax increased by 80% from \$9.5 million in FY2005 and earnings per share increased by 21% from 11.8 cents to 14.3 cents.

Operating cash flow for FY2006 of \$38.9 million has increased by \$30.4 million from \$8.5 million in the previous year.

Total assets increased by \$181.6 million to \$472.9 million principally due to:

- the acquisition on 3 January 2006 of AH Plant Hire for a total consideration of \$113.0 million. Net tangible assets of \$63.5 million and goodwill of \$49.5 million were recognised as a result of this transaction;
- investment in property, plant & equipment of \$96.8 million was predominantly due to the expansion of the hire fleet and exceeded depreciation expense of \$37.5 million by \$59.3 million.

Total liabilities increased by \$170.0 million to \$240.1 million, resulting from increased borrowings due to the acquisition of AH Plant Hire and the significant capital expenditure program. Gearing (net debt/equity) has increased from 14% to 86% which is consistent with the Company's expectation.

Outlook

The future prospects of the business look positive given a stable economy. Although demand will continue to be soft in the Sydney and Melbourne residential construction sectors, growth is expected to come from the industrial and civil/infrastructure sectors and the strong mining sector.

The Company's focus on growth and cost disciplines has delivered improved margins in the past six months and should continue to do so over the next period.

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