WHO WE ARE

• A Management Consultancy that specialises in the research and analysis of international construction equipment markets.

  The largest of its kind in the world.

• Formed in 1981 as part of the Economist Intelligence Unit.


• Offices in:
  - London, England
  - Beijing, China
  - New York, USA
  - Tokyo, Japan
  - New Delhi, India

• www.offhighway.co.uk
Products Included in This Presentation

- Articulated Dump Trucks
- Asphalt Finishers
- Backhoe Loaders
- Crawler Dozers
- Crawler Excavators
- Crawler Loaders
- Mini Excavators
- Motor Graders
- Motor Scrapers
- Rigid Dump Trucks
- RTLTs – Masted
- RTLTs – Telescopic
- Skid-Steer Loaders
- Wheeled Excavators
- Wheeled Loaders
WE ARE FACING A MOST UNCERTAIN FUTURE
So Where Do We Go From Here?
### Global Overview

- **Global equipment sales:**
  - 2007: $100 billion
  - 2010: $77 billion
  - 2012*: $100 billion
  - 2009: $55 billion
  - 2011: $109 billion
  - 2016*: $121 billion

<table>
<thead>
<tr>
<th>Region</th>
<th>2007</th>
<th>2011</th>
<th>2012</th>
<th>2016</th>
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<tbody>
<tr>
<td>China</td>
<td>$11.2</td>
<td>$38.9</td>
<td>$31.1</td>
<td>$38.4</td>
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<tr>
<td>North America</td>
<td>$28.2</td>
<td>$20.3</td>
<td>$21.9</td>
<td>$27.4</td>
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<td>Europe</td>
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<td>$12.0</td>
<td>$12.0</td>
<td>$12.6</td>
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<td>India</td>
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<td>$3.1</td>
<td>$2.6</td>
<td>$5.0</td>
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<tr>
<td>Japan</td>
<td>$4.6</td>
<td>$3.2</td>
<td>$2.9</td>
<td>$3.0</td>
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<tr>
<td>Rest of World</td>
<td>$32.3</td>
<td>$31.8</td>
<td>$29.1</td>
<td>$34.1</td>
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<tr>
<td><strong>TOTAL WORLD</strong></td>
<td><strong>$98.1</strong></td>
<td><strong>$109.3</strong></td>
<td><strong>$99.6</strong></td>
<td><strong>$120.5</strong></td>
</tr>
</tbody>
</table>

*Forecast
Global Value of Construction Equipment, by Type 2012* ($ Billion)

- Crawler Excavators: 38.8
- Motor Graders: 3.4
- Skid-Steer Loaders: 2.6
- Telescopic Handlers: 3.2
- Rigid Dump Trucks: 4.5
- Mini Excavators: 6.0
- Articulated dump trucks: 2.4
- Backhoe Loaders: 5.6
- Crawler Dozers: 5.2
- Asphalt Finishers: 0.8
- Others: 0.8
- Wheeled Loaders: 24.3
- Wheeled Excavators: 2.5

*Forecast
Off-Highway Research

Key Sales Trends, by Region, 2006-2016*

(Units)

*Forecast

- China
- Europe
- North America
- India
- Japan
Global Recovery: Slow But Sure – In Places
Global Sales of Construction Equipment
2000 – 2016*
(Units)

Average 2007-2011: 867,000
Average 2012-2016*: 998,927

*Forecast
Changing Structure of Demand, 2006-2016* (% of Total)

2006
- India 3%
- Rest of World 23%
- North America 28%
- Europe 20%
- Japan 8%
- China 18%

2012*
- Rest of World 25%
- Japan 5%
- North America 14%
- China 38%
- India 5%
- Europe 13%

2016*
- Rest of World 24%
- Japan 4%
- India 8%
- North America 15%
- Europe 12%
- China 37%

*Forecast
Europe
A Long Uphill Struggle to Recovery
Europe: Development of Sales, 2000-2016*  
(Units)

Average 2007-2011: 137,162
Average 2012-2016: 119,275  

*Forecast
Europe: Structure of Sales, by Product, 2006-2016* (% of Total)

2006
- Mini Excavators: 32%
- Telescopic Handlers: 16%
- Crawler Excavators: 15%
- Wheeled Loaders: 12%
- Backhoe Loaders: 8%
- Others: 4%

2016*
- Mini Excavators: 33%
- Telescopic Handlers: 16%
- Crawler Excavators: 16%
- Wheeled Loaders: 15%
- Backhoe Loaders: 5%
- Others: 4%

2012*
- Mini Excavators: 34%
- Telescopic Handlers: 16%
- Crawler Excavators: 16%
- Wheeled Loaders: 7%
- Skid-Steer Loaders: 4%
- Others: 3%

*Forecast
Europe: Structure of Sales, by Country, 2006-2012* (% of Total)

2006

- UK: 18%
- France: 18%
- Germany: 27%
- Italy: 16%
- Spain: 11%
- Others: 20%

2012*

- UK: 21%
- France: 21%
- Germany: 27%
- Italy: 7%
- Others: 24%

*Estimate
Europe: Development of Production, 2000-2011
(Units)

Average 2002-2006: 172,804
Average 2007-2011: 153,735
North America
Positive Signs of Recovery
North America: Development of Sales, 2000-2016*
(Units)

Average 2007-2011: 126,020
Average 2012-2016: 142,995

*Forecast
North America: Structure of Sales, by Product, 2006-2012* (% of Total)

**2006**
- Skid-Steer Loaders 26%
- Backhoe Loaders 11%
- Crawler Loaders 14%
- Others 8%
- Telescopic Handlers 10%
- Mini Excavators 13%
- Wheeled Loaders 10%

**2012***
- Skid-Steer Loaders 26%
- Backhoe Loaders 12%
- Crawler Loaders 6%
- Others 8%
- Telescopic Handlers 7%
- Wheeled Loaders 13%
- Mini Excavators 14%
- Crawler Excavators 14%

*Estimate
North America: Development of Production, 2000-2011 (Units)

Average 2002-2006: 192,159
Average 2007-2011: 111,420
India
Growth Will Be Erratic, But Assured – In Spite of The Government!
India: Development of Sales, 2000-2016*
(Units)

Average 2007-2011: 43,748
Average 2012-2016*: 65,232

*Forecast
India: Structure of Sales, by Product, 2006-2016 (% of Total)

2006
- Mobile Cranes: 18%
- Crawler Excavators: 18%
- Backhoe Loaders: 43%
- Wheeled Loaders: 6%
- Compaction Equipment: 7%
- Others: 7%

2012*
- Mobile Cranes: 12%
- Crawler Excavators: 23%
- Backhoe Loaders: 38%
- Wheeled Loaders: 3%
- Compaction Equipment: 5%
- Others: 5%

2016*
- Mobile Cranes: 12%
- Crawler Excavators: 23%
- Backhoe Loaders: 38%
- Wheeled Loaders: 5%
- Compaction Equipment: 5%
- Others: 5%

*Forecast
India: Development of Production, 2000-2011 (Units)

Average 2002-2006: 12,923

Average 2007-2011: 36,089
China
Rapid Decline, but Recovery Over the Long Run
China: Development of Sales, 2001-2016*
(Units)

Annual Average 2007-2011: 309,294

Annual Average 2012-2016*: 376,637

*Forecast
China: Sales Trends, by Product Type, 2011-2012*

(Units)

- **Motor Graders**
  - 2011: 2,337
  - 2012*: 1,400
- **Crawler Dozers**
  - 2011: 9,646
  - 2012*: 4,900
- **Compaction Equipment**
  - 2011: 17,890
  - 2012*: 9,000
- **Mobile Cranes**
  - 2011: 34,810
  - 2012*: 20,000
- **Mini Excavators**
  - 2011: 38,600
  - 2012*: 33,000
- **Crawler Excavators**
  - 2011: 158,000
  - 2012*: 110,000
- **Wheeled Loaders**
  - 2011: 219,980
  - 2012*: 185,000

*Forecast
China: Development of Production, 2000-2011
(Units)

Annual Average 2002-2006: 144,768

Annual Average 2007-2011: 336,779
China: Structure of Sales, by Product, 2006-2016* (% of Total)

2006
- Wheeled Loaders: 62%
- Crawler Excavators: 17%
- Mini Excavators: 6%
- Mobile Cranes: 7%
- Crawler Dozers: 2%
- Compaction Equipment: 4%
- Others: 2%

2012*
- Wheeled Loaders: 48%
- Crawler Excavators: 31%
- Mini Excavators: 10%
- Mobile Cranes: 7%
- Crawler Dozers: 2%
- Compaction Equipment: 4%
- Others: 3%

2016*
- Wheeled Loaders: 41%
- Crawler Excavators: 35%
- Mini Excavators: 12%
- Mobile Cranes: 7%
- Crawler Dozers: 2%
- Compaction Equipment: 3%
- Others: 2%

*Forecast
Global Sales of Crawler Excavators, 2006-2016*

(Units)

- Global sales, 2012*: 250,000 units
- China sales, 2012*: 110,000 units
- China sales, 2016*: 150,000 units
- Global Sales 2016*: 333,000 units
- China production capacity, 2012*: 460,000 units
- China production capacity, 2016*: 540,000 units

*Forecast
Key Challenges Facing The Chinese Construction Equipment Industry

- Domestic Market
- Overseas
Domestic Market

- Demand built up very rapidly 2005-2010
  - Encouraged massive investment, creating dangerous ‘bubble’

- All manufacturers had unrealistically high expectations for the future
  - Capacity is now 50% too great

- Government cooling down GDP growth rate
  - Reduction in construction expenditure
  - Sharp downturn in demand for equipment, down 30% this year
  - Contractors’ income falling
  - Cannot pay financing on machines

- All OEMs have used easy financing schemes as marketing tool – very dangerous

- Many OEMs now face huge liabilities, and new machines are being repossessed

- Very large young machine populations limiting new equipment sales
- Problems in disposing used equipment
- No recovery until mid – 2013 at earliest
Overseas

- ‘Brand China’ seen to be a problem
  - Poor machine quality
  - Poor customer support

- More of a perception than reality.

- Problem of brand differentiation in ‘Gong’ approach.

- Standards and emissions in developed countries.

- Focus on developing countries
  - Customer expectations are lower
  - Less brand loyalty
  - Lower margins

- Crucial problems of creating distribution network

- Urgent need for:
  - Global brand recognition
  - International management
  - First world distribution customer support

- Probably only achievable short term through acquisition
The Future of Our Industry

China

Rest of the World
PLEASE VISIT US AT

Booth H2 G21

5-8 February 2013, Mumbai
THANK YOU!

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