

Institutional Investor Presentation  
First Quarter Ended August 31, 2006

**Electro Rent Corporation**

# Safe Harbor Statement

Except for the historical financial results contained in these materials, statements contained in these materials constitute forward-looking statements within the meaning of section 21e of the Securities Exchange Act of 1934. These forward-looking statements reflect current views of our management with respect to future events and financial performance. All plans, projections, and future estimates are forward-looking statements, which in some, but not all, cases, are identified by words such as "anticipate," "believes," "expects," "intends," "future," and other similar expressions. Please do not put undue reliance on forward-looking statements. Forward-looking statements are subject to certain risks and uncertainties, not all of which are disclosed in these materials. Although we believe our assumptions are reasonable, it is likely that at least some of these assumptions will not come true. Accordingly, our actual results will probably differ from the outcomes contained in any forward-looking statement, and those differences could be material. Factors that could cause or contribute to these differences include the ones discussed in the "risk factors" attached as exhibit 99(a) to our annual report on Form 10-k, as well as in our annual report to our shareholders (especially in the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," and in "Quantitative and Qualitative Disclosure about Interest Rates and Currency Rates") and our other filings with the Securities and Exchange Commission. Should one or more of the risks discussed, or any other risks, materialize, or should one or more of our underlying assumptions prove incorrect, our actual results may vary materially from those anticipated, estimated, expected or projected. In light of the risks and uncertainties, there can be no assurance that any forward-looking information will in fact prove to be correct. We do not undertake any obligation to update forward-looking statements.

## **THESE MATERIALS**

- **HAVE BEEN PREPARED FOR GENERAL INFORMATIONAL PURPOSES ONLY**
- **DO NOT PURPORT TO BE ALL-INCLUSIVE OR TO CONTAIN ALL THE INFORMATION THAT A PROSPECTIVE INVESTOR MAY DESIRE IN INVESTIGATING THE COMPANY**
- **DO NOT CONSTITUTE AN OFFERING OR SOLICITATION**
- **WERE PREPARED FOR A SPECIFIC PURPOSE ON A SPECIFIC DATE, AND WILL NOT BE UPDATED EVEN IF EVENTS OCCUR OR NEW FACTS ARE DISCOVERED**

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# Company Snapshot

<b>Headquarters</b>	<b>Los Angeles, CA</b>
<b>Founded</b>	<b>1965</b>
<b>Public Spin-off</b>	<b>1980</b>
<b>Employees</b>	<b>294</b>
<b>Revenue Y/E 5/31/06</b>	<b>\$114.8 M</b>
<b>Net Income Y/E 5/31/06</b>	<b>\$22.2 M</b>

# Who We Are

**Electro Rent is one of the largest North American organizations devoted to the short-term rental and leasing of general purpose electronic test equipment, personal computers and servers**

**Electro Rent serves large and small companies in various market segments, including aerospace/defense, telecommunications, electronics and semi-conductor manufacturing, electrical contractors, consulting and civil engineering**

# Our Goals

**We intend to extend our status as one of the premier North American electronic equipment rental and lease companies by:**

**Extending our reach globally, including operations in Europe and China**

**Expanding our revenues in markets we serve by**

**Offering new products,**

**Adding new customers,**

**Expanding our business with current customers, and**

**Strategic acquisitions**

# Major Events and Trends

**With the acquisition of the rental business of GE Capital in November 1997, Electro Rent became one of the premier electronic equipment rental and lease companies in North America**

**Given the prolonged technology slump that started in 1998, as our revenues declined from 1999 to 2004, we focused on our internal cost structure and operating efficiency**

**In 2005, our T&M business grew as a result of the general improvement in the wireless communications, aerospace and defense, and manufacturing industries**

**Current phase: intensifying external customer focus, driving revenue growth, maximizing shareholder value**

# Key Competitive Advantages

**Extensive rental industry knowledge and expertise**

**Comprehensive product and service offerings**

**Long-term relationships with blue chip customers**

**Global delivery model**

**Global resource pool**

**Ability to scale rapidly**

**Execution excellence**

**Experienced and stable leadership/management team**

**Substantial net worth and borrowing capacity**

# **Largest Market Segments Fiscal 2006**

**Aerospace and Defense Electronics  
Telecommunications Manufacturers & Service  
Professional Services and Consultants  
Semiconductor & Equipment Manufacturers  
Architectural, Civil Engr. & Construction  
Electronic Technology & Equipment Manufacturers**

# Major Equipment Categories

## **Analyzers**

**Communications/Wireless**

**Computers**

**Counters**

**EMC Test Equipment**

**Electrical & Industrial Test**

**General Purpose**

## **Generators**

**Logic Analyzers**

**Meters**

**Oscilloscopes**

**Power Sources**

**Recorders**



# Primary Vendors

## Fiscal 2006

**Agilent**

**Tektronix**

**Dell**

**Rohde & Schwarz**

**Hewlett-Packard**

**Anritsu**

# Fiscal 2006 Operating Results

## Test and Measurement Revenue

- Rentals and Leases	\$ 71.9 M	+14%
- Sales of Equipment and Other	\$ 21.4 M	--

## Data Products Revenue

- Rentals and Leases	\$ 18.7 M	7%
- Sales of Equipment and Other	\$ 2.8 M	-53%

**Total Revenues** \$114.8 M +7%

**Operating Profit** \$ 31.7 M -1%

**Net Income** \$ 22.2 M -9%

**Diluted Earnings Per Share** \$ 0.86 -10%

**Equipment Purchase Payments** \$ 61.4 M -15%

**Cash & Marketable Securities** \$ 81.5 M +1%

**Rental Equipment, at Cost** \$262.3 M +2%

# 1<sup>st</sup> Quarter FY07 Highlights

**Real progress in our core T&M equipment rental and lease business and in our various growth initiatives helped drive a 20% increase in rental and lease revenue, but profitability did not live up to our expectations**

**We continued to invest the resources required to establish the proper foundation for our new global T&M business and our growing domestic business**

**During the summer we navigated unfamiliar rental patterns and other inevitable bumps in the road that come with gaining experience in our new operations in China and Europe**

**Distribution agreements were signed with Agilent, Hioki and RAE**

**Costs were higher and revenue lower at Rush Computer Rentals than we had anticipated for the period, as we grappled with integrating two different cultures and learning the trade show business**

# 1<sup>st</sup> Quarter Fiscal 2007

## Operating Results

### Test and Measurement Revenue

- Rentals and Leases	\$ 19.1 M	+12%
- Sales of Equipment and Other	\$ 3.9 M	-17%

### Data Products Revenue

- Rentals and Leases	\$ 6.3 M	+56%
- Sales of Equipment and Other	\$ .7 M	--

**Total Revenues** \$ 30.0 M +13%

**Operating Profit** \$ 6.9 M -7%

**Net Income** \$ 4.8 M -5%

**Diluted Earnings Per Share** \$ 0.18 -5%

**Equipment Purchase Payments** \$ 18.8 M -8%

**Cash & Marketable Securities** \$ 81.6 M + 2%

**Rental Equipment, at Cost** \$274.2 M + 7%

# 1<sup>st</sup> Quarter Performance

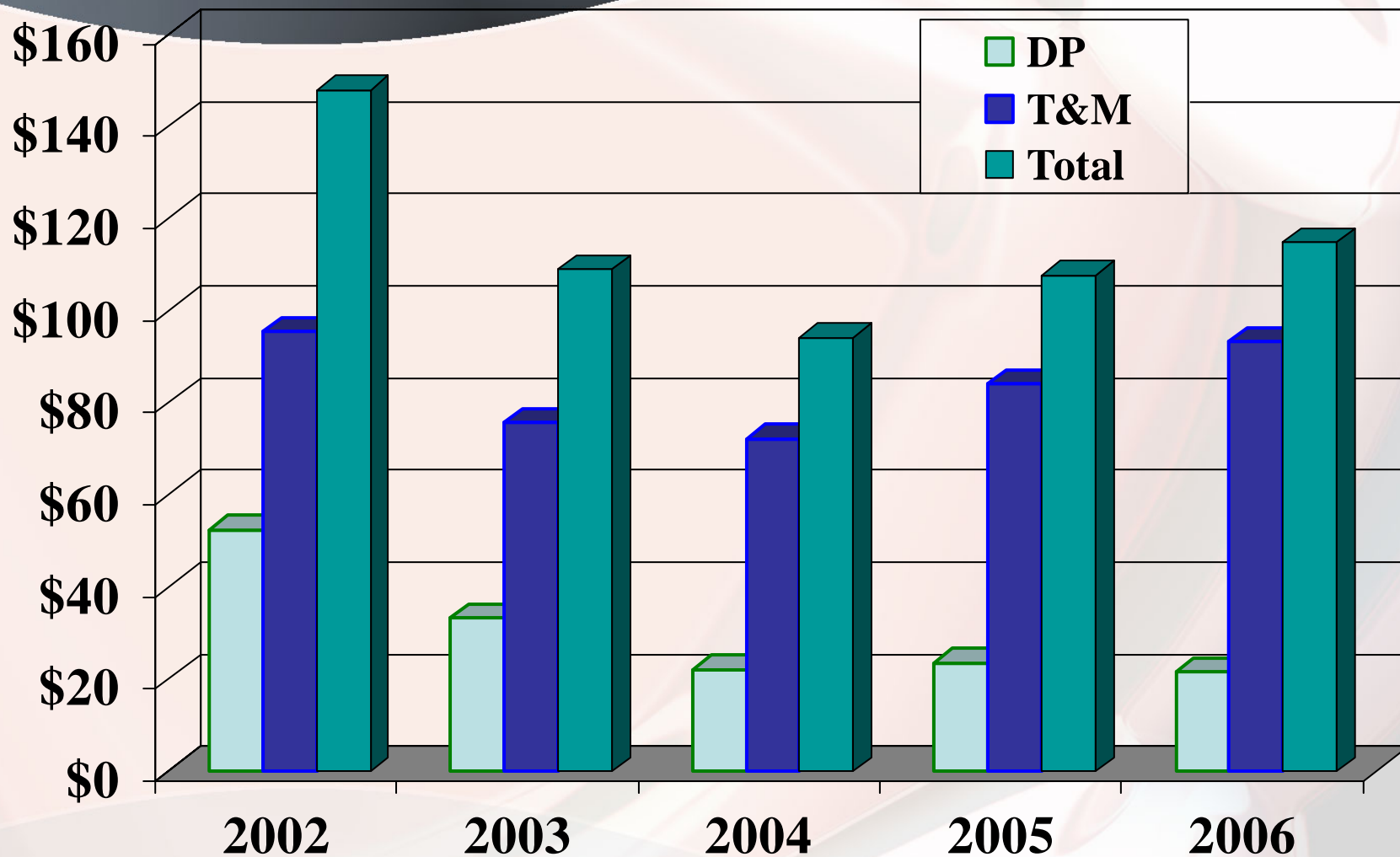
<b>Gross Margin on Sales</b>	<b>53%</b>
<b>SG&amp;A/Total Revenue</b>	<b>35%</b>
<b>EBITDA Margin</b>	<b>56%</b>
<b>EBIT Margin</b>	<b>23%</b>
<b>Net Margin</b>	<b>16%</b>
<b>Net Income/Average Equity</b>	<b>9%</b>
<b>Equipment Utilization</b>	
<b>T&amp;M</b>	<b>64%</b>
<b>DP</b>	<b>57%</b>

# Strong Balance Sheet & Cash Flow

<b>Cash &amp; Marketable Securities</b>	<b>\$ 81.6 M</b>
<b>Rental Equipment</b>	<b>\$147.0 M</b>
<b>Debt</b>	<b>---</b>
<b>Shareholders' Equity</b>	<b>\$226.9 M</b>
<b>Cash Provided by Operating</b>	
<b>Activities &amp; Equipment Sales</b>	<b>\$ 18.9 M</b>
<b>Equipment Purchase Payments</b>	<b>\$ 18.7 M</b>

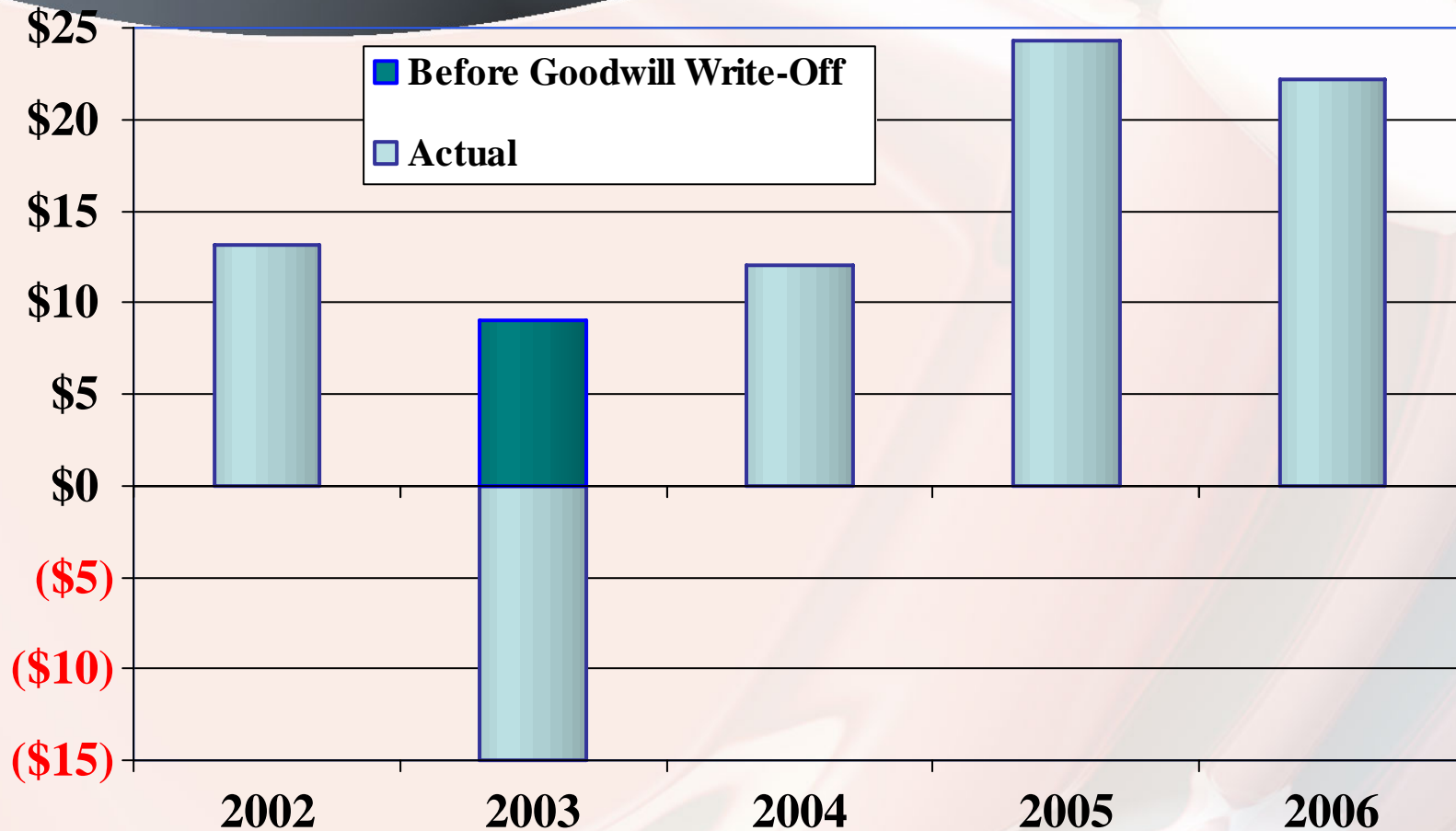
# Revenues (2002 - 2006)

(in millions)



# Net Income (2002 - 2006)

(in millions)



# Cash Flows and Equipment Purchases

(2002 – 2006) (in millions)

