5 March 2019

Unaudited results for the nine months and third quarter ended 31 January 2019

	Third quarter			Nine months		
	2019	2018	Growth[1]	2019	2018	Growth[1]
	£m	£m	%	£m	£m	%
Underlying results[2, 3]						
Rental revenue	1,049.1	845.5	19%	3,123.6	2,619.5	18%
EBITDA	517.4	408.8	21%	1,616.2	1,342.5	19%
Operating profit	297.2	233.3	21%	999.4	824.6	20%
Profit before taxation	254.3	205.1	17%	887.7	742.0	18%
Earnings per share	40.0p	32.2p	18%	138.9p	102.4p	34%
Statutory results						
Revenue	1,143.4	916.1	20%	3,393.8	2,815.2	19%
Profit before taxation	240.9	194.3	17%	850.9	687.4	23%
Profit after taxation[4]	180.9	548.0	-68%	642.4	868.9	-27%
Earnings per share[4]	37.9p	110.2p	-67%	133.1p	174.7p	-25%

Nine month highlights

- Revenue up 19%[1]; rental revenue up 18%[1]
- Pre-tax profit[2] of £888m (2018: £742m)
- Earnings per share[2] up 34%[1] to 138.9p (2018: 102.4p)
- Post-tax profit[4] of £642m (2018: £869m)
- £1,290m of capital invested in the business (2018: £859m)
- £491m spent on bolt-on acquisitions (2018: £315m)
- Net debt to EBITDA leverage[1] of 1.8 times (2018: 1.6 times)
- Refinanced debt facilities enhance financial strength and flexibility

1 Calculated at constant exchange rates applying current period exchange rates.
2 Underlying results are stated before exceptional items and intangible amortisation.
3 Throughout this announcement we refer to a number of alternative performance measures which are defined in the Glossary on page 32.
4 Prior year profit after tax and earnings per share figures include a one-off benefit from the US Tax Cuts and Jobs Act of 2017.

Ashtead's chief executive, Geoff Drabble, commented:

"The Group delivered a strong quarter with good performance across the Group. As a result, Group rental revenue increased 18% for the nine months and underlying pre-tax profit increased 18% to £888m, both at constant exchange rates.

We continue to experience strong end markets in North America and are executing well on our strategy of organic growth supplemented by targeted bolt-on acquisitions. We invested £1,290m in capital and a further £491m on bolt-on acquisitions in the period which has added 112 locations and resulted in rental fleet growth of 18%. This investment reflects the structural growth opportunity that we continue to see in the business as we broaden our product offering and geographic reach, and increase market share.

Reflecting this opportunity for profitable growth, we expect capital expenditure for the year to be towards the upper end of our previous guidance (c. £1.6bn). Looking forward to 2019/20, we anticipate a similar level of capital expenditure to this year as we execute on our strategic plan through to 2021.

Whilst these are significant investments we remain focused on responsible growth so, after spending £550m to date on our share buyback programme, we have maintained net debt to EBITDA leverage at 1.8 times. Therefore we remain well within our target range of 1.5 to 2.0 times reflecting the strength of our margins and free cash flow.

Our business continues to perform well in supportive end markets. Accordingly, we expect full year results to be in line with our expectations and the Board continues to look to the medium term with confidence."

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Geoff Drabble, Brendan Horgan and Michael Pratt will hold a conference call for equity analysts to discuss the results and outlook at 8am on Tuesday, 5 March 2019. The call will be webcast live via the Company's website at www.ashtead-group.com and a replay will be available via the website shortly after the call concludes. A copy of this announcement and the slide presentation used for the call are available for download on the Company's website. The usual conference call for bondholders will begin at 3pm (10am EST).

Analysts and bondholders have already been invited to participate in the analyst meeting and conference call for bondholders but any eligible person not having received dial-in details should contact the Company's PR advisers, Maitland/AMO (Audrey Da Costa) at +44 (0)20 7379 5151.

Forward looking statements

This announcement contains forward looking statements. These have been made by the directors in good faith using information available up to the date on which they approved this report. The directors can give no assurance that these expectations will prove to be correct. Due to the inherent uncertainties, including both business and economic risk factors underlying such forward looking statements, actual results may differ materially from those expressed or implied by these forward looking statements. Except as required by law or regulation, the directors undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

Nine months' trading results

	Revenue		EBITDA		Operating profit	
	2019	2018	2019	2018	2019	2018
Sunbelt US in $m	3,759.1	3,118.8	1,876.5	1,568.4	1,210.1	1,001.1
Sunbelt Canada in C$m	256.6	161.0	95.5	59.7	47.4	33.2
Sunbelt US in £m	2,883.4	2,365.7	1,439.3	1,189.8	928.2	759.4
A-Plant	360.4	354.0	132.1	128.5	54.7	56.8
Sunbelt Canada in £m	150.0	95.5	55.8	35.4	27.7	19.7
Group central costs	-	-	(11.0)	(11.2)	(11.2)	(11.3)
	3,393.8	2,815.2	1,616.2	1,342.5	999.4	824.6
Net financing costs					(111.7)	(82.6)
Profit before amortisation, exceptional items and tax					**887.7**	**742.0**
Amortisation					(36.8)	(32.9)
Exceptional items					-	(21.7)
Profit before taxation					850.9	687.4
Taxation (charge)/credit					(208.5)	181.5
Profit attributable to equity holders of the Company					642.4	868.9
Margins						
Sunbelt US			*49.9%*	*50.3%*	*32.2%*	*32.1%*
A-Plant			*36.7%*	*36.3%*	*15.2%*	*16.0%*
Sunbelt Canada			*37.2%*	*37.1%*	*18.5%*	*20.6%*
Group			*47.6%*	*47.7%*	*29.4%*	*29.3%*

Group revenue increased 21% to £3,394m in the nine months (2018: £2,815m) with strong growth in the US and Canadian markets. This revenue growth, combined with our focus on drop-through, generated underlying profit before tax of £888m (2018: £742m).

The Group's strategy remains unchanged with growth being driven by strong organic growth (same-store and greenfield) supplemented by bolt-on acquisitions. Sunbelt US, A-Plant and Sunbelt Canada delivered 19%, 5% and 72% rental only revenue growth respectively. The significant growth in Sunbelt Canada reflects the impact of acquisitions, most notably the acquisition of CRS in August 2017.

Sunbelt US's revenue growth continues to benefit from cyclical and structural trends and can be explained as follows:

		$m
2018 rental only revenue		2,349
Organic (same-store and greenfields)	+15%	358
Bolt-ons since 1 May 2017	+4%	95
2019 rental only revenue	+19%	2,802
Ancillary revenue	+16%	691
2019 rental revenue	+19%	3,493
Sales revenue	+51%	266
2019 total revenue	+21%	3,759

Sunbelt US's revenue growth demonstrates the successful execution of our long-term structural growth strategy. We continue to capitalise on the opportunity presented by our markets through a combination of organic growth (same-store growth and greenfields) and bolt-ons as we expand our geographic footprint and our specialty businesses. We added 89 new stores in the US in the nine months, the majority of which were specialty locations.

Rental only revenue growth was 19% in strong end markets. This growth was driven by increased fleet on rent year-over-year with yield flat. While revenue was impacted by our involvement in the clean-up efforts following hurricanes Florence and Michael, it was much less than last year with estimated incremental rental revenue of $30-35m (2018: $75-85m). Average nine month physical utilisation was 73% (2018: 73%). Sunbelt US's total revenue, including new and used equipment, merchandise and consumable sales, increased 21% to $3,759m (2018: $3,119m).

A-Plant generated rental only revenue of £274m, up 5% on the prior year (2018: £262m). This was driven by increased fleet on rent, with yield broadly flat. The rate environment in the UK market remains competitive. A-Plant's total revenue increased 2% to £360m (2018: £354m).

In Canada, the acquisitions of CRS and Voisin's are distortive to year-over-year comparisons as they have tripled the size of the Sunbelt Canada business. Excluding acquisitions, rental only revenue increased 20% in western Canada, while in eastern Canada the CRS and Voisin's businesses grew 21%. For Sunbelt Canada overall, total revenue was C$257m (2018: C$161m) in the period.

We continue to focus on operational efficiency and improving margins. In Sunbelt US, 51% of revenue growth dropped through to EBITDA. The strength of our mature stores' incremental margin is reflected in the fact that this was achieved despite the drag effect of greenfield openings and acquisitions. This resulted in an EBITDA margin of 50% (2018: 50%) and contributed to a 21% increase in operating profit to $1,210m (2018: $1,001m) at a margin of 32% (2018: 32%).

While the UK market remains competitive, A-Plant's focus on driving improved performance within the existing business resulted in drop-through of 62%. This contributed to an EBITDA margin of 37% (2018: 36%) and an operating profit of £55m (2018: £57m) at a margin of 15% (2018: 16%).

Sunbelt Canada is in a growth phase as it invests to expand its network and develop the business. Significant growth has been achieved while delivering a 37% EBITDA margin and generating an operating profit of C$47m (2018: C$33m) at a margin of 18% (2018: 21%).

Reflecting the strong performance of the divisions, Group underlying operating profit increased 21% to £999m (2018: £825m). Net financing costs increased to £112m (2018: £83m) reflecting a higher average interest rate and higher average debt levels. As a result, Group profit before amortisation of intangibles, exceptional items and taxation was £888m (2018: £742m). After a tax charge of 24% (2018: 31%) of the underlying pre-tax profit, underlying earnings per share increased 36% to 138.9p (2018: 102.4p). The reduction in the Group's underlying tax charge from 31% to 24% reflects the reduction in the US federal rate of tax from 35% to 21% with effect from 1 January 2018, following the enactment of the Tax Cuts and Jobs Act of 2017. The underlying cash tax charge was 4% and is expected to be around 4% for the full year.

Statutory profit before tax was £851m (2018: £687m). This is after amortisation of £37m (2018: £33m) and, in the prior year, an exceptional charge of £22m. The exceptional tax credit of £9m (2018: £414m) relates to a £9m (2018: £10m) credit in relation to the amortisation of intangibles. In addition, the prior year includes a £7m tax credit in relation to exceptional net financing costs and a £397m credit as a result of the change in the US federal tax rate. As a result, basic earnings per share were 133.1p (2018: 174.7p).

Capital expenditure and acquisitions

Capital expenditure for the nine months was £1,290m gross and £1,138m net of disposal proceeds (2018: £859m gross and £762m net). This level of capital expenditure reflects the strong market and our ability to take market share. Reflecting this investment, the Group's rental fleet at 31 January 2019 at cost was £8.0bn. Our average fleet age is now 32 months (2018: 32 months).

We invested £491m (2018: £315m), including acquired debt, in 19 bolt-on acquisitions during the period as we continue to both expand our footprint and diversify our specialty markets. Since the period end, we have invested a further £104m in three bolt-on acquisitions.

For the full year, we expect gross capital expenditure towards the upper end of our previous guidance at around £1.6bn at a $1.30 sterling exchange rate. We expect a similar level of capital expenditure next year, consistent with our strategic plan. This should result in low teens growth in 2019/20.

Return on Investment

Sunbelt US's pre-tax return on investment (excluding goodwill and intangible assets) in the 12 months to 31 January 2019 was 24% (2018: 23%). In the UK, return on investment (excluding goodwill and intangible assets) was 10% (2018: 12%). This decline reflects the competitive nature of the UK market and the rate environment. In Canada, return on investment (excluding goodwill and intangible assets) was 11% (2018: 16%). We have made a significant investment in Canada and, as we develop the potential of the market, we expect returns to increase. For the Group as a whole, return on investment (including goodwill and intangible assets) was 18% (2018: 18%).

Cash flow and net debt

As expected, debt increased during the nine months as we continued to invest in the fleet and made a number of bolt-on acquisitions. In addition, weaker sterling increased reported debt by £106m. During the period, we spent £327m on share buybacks.

In July, the Group issued $600m 5.25% senior secured notes maturing in August 2026. The proceeds of the issue were used to pay related fees and expenses and repay an element of the amount outstanding under the senior credit facility. In December, the Group also increased and extended its asset-based senior bank facility, with $4.1bn committed until December 2023 at a lower cost. Other principal terms and conditions remain unchanged. This ensures our debt package remains well structured and flexible, enabling us to take advantage of prevailing end market conditions. The Group's debt facilities are now committed for an average of six years at a weighted average interest cost of less than 5%.

Net debt at 31 January 2019 was £3,725m (2018: £2,628m) while, reflecting our strong earnings growth, the ratio of net debt to EBITDA was 1.8 times (2018: 1.6 times) on a constant currency basis. The Group's target range for net debt to EBITDA is 1.5 to 2 times.

At 31 January 2019, availability under the senior secured debt facility was $1,603m, with an additional $2,359m of suppressed availability – substantially above the $410m level at which the Group's entire debt package is covenant free.

Capital allocation

The Group remains disciplined in its approach to allocation of capital with the overriding objective being to enhance shareholder value. Our capital allocation framework remains unchanged and prioritises:

- organic fleet growth;
  - same-stores;
  - greenfields;
- bolt-on acquisitions; and
- a progressive dividend with consideration to both profitability and cash generation that is sustainable through the cycle.

Additionally, we consider further returns to shareholders. In this regard, we assess continuously our medium term plans which take account of investment in the business, growth prospects, cash generation, net debt and leverage. Therefore the amount allocated to buybacks is simply driven by that which is available after organic growth, bolt-on M&A and dividends, whilst allowing us to operate within our 1.5 to 2.0 times target range for net debt to EBITDA.

In line with these priorities, we are spending currently £125m per quarter on share buybacks with the programme continuing through the 2019/20 financial year, with an anticipated spend in 2019/20 of at least £500m.

Current trading and outlook

Our business continues to perform well in supportive end markets. Accordingly, we expect full year results to be in line with our expectations and the Board continues to look to the medium term with confidence.

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 JANUARY 2019

	2019			2018		
	Before amortisation	Amortisation	Total	Before exceptional items and amortisation	Exceptional items and amortisation	Total
	£m	£m	£m	£m	£m	£m
Third quarter - unaudited						
Revenue						
Rental revenue	1,049.1	-	1,049.1	845.5	-	845.5
Sale of new equipment, merchandise and consumables	46.9	-	46.9	34.3	-	34.3
Sale of used rental equipment	47.4	-	47.4	36.3	-	36.3
	1,143.4	-	1,143.4	916.1	-	916.1
Operating costs						
Staff costs	(265.8)	-	(265.8)	(220.1)	-	(220.1)
Used rental equipment sold	(42.2)	-	(42.2)	(32.9)	-	(32.9)
Other operating costs	(318.0)	-	(318.0)	(254.3)	-	(254.3)
	(626.0)	-	(626.0)	(507.3)	-	(507.3)
EBITDA*	517.4	-	517.4	408.8	-	408.8
Depreciation	(220.2)	-	(220.2)	(175.5)	-	(175.5)
Amortisation of intangibles	-	(13.4)	(13.4)	-	(10.8)	(10.8)
Operating profit	297.2	(13.4)	283.8	233.3	(10.8)	222.5
Investment income	-	-	-	-	-	-
Interest expense	(42.9)	-	(42.9)	(28.2)	-	(28.2)
Profit on ordinary activities before taxation	254.3	(13.4)	240.9	205.1	(10.8)	194.3
Taxation	(63.5)	3.5	(60.0)	(45.3)	399.0	353.7
Profit attributable to equity holders of the Company	190.8	(9.9)	180.9	159.8	388.2	548.0
Basic earnings per share	40.0p	(2.1p)	37.9p	32.2p	78.0p	110.2p
Diluted earnings per share	39.8p	(2.0p)	37.8p	32.0p	77.7p	109.7p

***** EBITDA is presented here as an alternative performance measure as it is commonly used by investors and lenders.

All revenue and profit is generated from continuing operations.

Details of principal risks and uncertainties are given in the Review of Third Quarter, Balance Sheet and Cash Flow accompanying these condensed consolidated interim financial statements.

CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTHS ENDED 31 JANUARY 2019

	2019			2018		
	Before amortisation	Amortisation	Total	Before exceptional items and amortisation	Exceptional items and amortisation	Total
	£m	£m	£m	£m	£m	£m
Nine months - unaudited						
Revenue						
Rental revenue	3,123.6	-	3,123.6	2,619.5	-	2,619.5
Sale of new equipment, merchandise and consumables	126.6	-	126.6	105.8	-	105.8
Sale of used rental equipment	143.6	-	143.6	89.9	-	89.9
	3,393.8	-	3,393.8	2,815.2	-	2,815.2
Operating costs						
Staff costs	(754.6)	-	(754.6)	(649.4)	-	(649.4)
Used rental equipment sold	(121.8)	-	(121.8)	(81.6)	-	(81.6)
Other operating costs	(901.2)	-	(901.2)	(741.7)	-	(741.7)
	(1,777.6)	-	(1,777.6)	(1,472.7)	-	(1,472.7)
EBITDA*	1,616.2	-	1,616.2	1,342.5	-	1,342.5
Depreciation	(616.8)	-	(616.8)	(517.9)	-	(517.9)
Amortisation of intangibles	-	(36.8)	(36.8)	-	(32.9)	(32.9)
Operating profit	999.4	(36.8)	962.6	824.6	(32.9)	791.7
Investment income	0.1	-	0.1	-	-	-
Interest expense	(111.8)	-	(111.8)	(82.6)	(21.7)	(104.3)
Profit on ordinary activities before taxation	887.7	(36.8)	850.9	742.0	(54.6)	687.4
Taxation	(217.4)	8.9	(208.5)	(232.9)	414.4	181.5
Profit attributable to equity holders of the Company	670.3	(27.9)	642.4	509.1	359.8	868.9
Basic earnings per share	138.9p	(5.8p)	133.1p	102.4p	72.3p	174.7p
Diluted earnings per share	138.3p	(5.8p)	132.5p	101.9p	72.0p	173.9p

***** EBITDA is presented here as an alternative performance measure as it is commonly used by investors and lenders.

All revenue and profit is generated from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited			
	Three months to 31 January		Nine months to 31 January	
	2019	2018	2019	2018
	£m	£m	£m	£m
Profit attributable to equity holders of the Company for the period	180.9	548.0	642.4	868.9
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	(71.8)	(136.3)	88.3	(176.6)
Total comprehensive income for the period	109.1	411.7	730.7	692.3

CONSOLIDATED BALANCE SHEET AT 31 JANUARY 2019

	Unaudited 31 January 2019	Unaudited 31 January 2018	Audited 30 April 2018
	£m	£m	£m
Current assets			
Inventories	68.9	49.5	55.2
Trade and other receivables	872.8	628.1	669.4
Current tax asset	24.4	39.3	23.9
Cash and cash equivalents	16.7	8.7	19.1
	982.8	725.6	767.6
Non-current assets			
Property, plant and equipment			
- rental equipment	5,316.2	4,170.5	4,430.5
- other assets	543.9	418.8	451.5
	5,860.1	4,589.3	4,882.0
Goodwill	1,101.0	841.8	882.6
Other intangible assets	253.0	201.7	206.3
Net defined benefit pension plan asset	4.3	-	4.5
	7,218.4	5,632.8	5,975.4
Total assets	8,201.2	6,358.4	6,743.0
Current liabilities			
Trade and other payables	557.4	437.6	617.5
Current tax liability	14.4	9.2	13.1
Short-term borrowings	2.8	2.6	2.7
Provisions	35.7	19.4	25.8
	610.3	468.8	659.1
Non-current liabilities			
Long-term borrowings	3,738.7	2,634.6	2,728.4
Provisions	45.6	28.6	34.6
Deferred tax liabilities	1,019.9	729.2	794.0
Net defined benefit pension plan liability	-	4.1	-
	4,804.2	3,396.5	3,557.0
Total liabilities	5,414.5	3,865.3	4,216.1
Equity			
Share capital	49.9	49.9	49.9
Share premium account	3.6	3.6	3.6
Capital redemption reserve	6.3	6.3	6.3
Own shares held by the Company	(491.6)	(51.0)	(161.0)
Own shares held by the ESOT	(24.6)	(20.0)	(20.0)
Cumulative foreign exchange translation differences	214.1	64.4	125.8
Retained reserves	3,029.0	2,439.9	2,522.3
Equity attributable to equity holders of the Company	2,786.7	2,493.1	2,526.9
Total liabilities and equity	8,201.2	6,358.4	6,743.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 JANUARY 2019

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares held by the Company £m	Own shares held through the ESOT £m	Cumulative foreign exchange translation differences £m	Retained reserves £m	Total £m
Unaudited								
At 1 May 2017	-	-	-	-	-	-	868.9	868.9
Profit for the period								
Other comprehensive income:	-	-	-	-	-	(176.6)	-	(176.6)
Foreign currency translation differences	-	-	-	-	-	(176.6)	868.9	692.3
Total comprehensive income for the period	-	-	-	-	-	-	(113.2)	(113.2)
Dividends paid	-	-	-	-	(10.2)	-	-	(10.2)
Own shares purchased by the ESOT	-	-	-	(51.0)	-	-	-	(51.0)
Share-based payments	-	-	-	-	6.9	-	(1.7)	5.2
Tax on share-based payments	-	-	-	-	-	-	(0.1)	(0.1)
At 31 January 2018	49.9	3.6	6.3	(51.0)	(20.0)	64.4	2,439.9	2,493.1
Profit for the period	-	-	-	-	-	-	99.9	99.9
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	61.4	-	61.4
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	8.7	8.7
Tax on defined benefit pension plan	-	-	-	-	-	-	(1.5)	(1.5)
Total comprehensive income for the period	-	-	-	-	-	61.4	107.1	168.5
Dividends paid	-	-	-	-	-	-	(27.3)	(27.3)
Own shares purchased by the Company	-	-	-	(110.0)	-	-	-	(110.0)
Share-based payments	-	-	-	-	-	-	1.8	1.8
Tax on share-based payments	-	-	-	-	-	-	0.8	0.8
At 30 April 2018	49.9	3.6	6.3	(161.0)	(20.0)	125.8	2,522.3	2,526.9
Profit for the period	-	-	-	-	-	-	642.4	642.4
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	88.3	-	88.3
Total comprehensive income for the period	-	-	-	-	-	88.3	642.4	730.7
Dividends paid	-	-	-	-	-	-	(133.3)	(133.3)
Own shares purchased by the ESOT	-	-	-	-	(14.2)	-	-	(14.2)
Own shares purchased by the Company	-	-	-	(330.6)	-	-	-	(330.6)
Share-based payments	-	-	-	-	9.6	-	(4.0)	5.6
Tax on share-based payments	-	-	-	-	-	-	1.6	1.6
At 31 January 2019	49.9	3.6	6.3	(491.6)	(24.6)	214.1	3,029.0	2,786.7

CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED 31 JANUARY 2019

	Unaudited	
	2019	2018
	£m	£m
Cash flows from operating activities		
Cash generated from operations before exceptional items and changes in rental equipment	1,500.3	1,280.4
Payments for rental property, plant and equipment	(1,315.1)	(940.2)
Proceeds from disposal of rental property, plant and equipment	128.1	111.8
Cash generated from operations	313.3	452.0
Financing costs paid (net)	(80.8)	(68.0)
Exceptional financing costs paid	-	(25.2)
Tax paid (net)	(34.0)	(86.4)
Net cash generated from operating activities	198.5	272.4
Cash flows from investing activities		
Acquisition of businesses	(460.8)	(282.1)
Payments for non-rental property, plant and equipment	(134.3)	(96.8)
Proceeds from disposal of non-rental property, plant and equipment	7.8	6.4
Payments for purchase of intangible assets	-	(2.6)
Net cash used in investing activities	(587.3)	(375.1)
Cash flows from financing activities		
Drawdown of loans	1,585.9	1,477.3
Redemption of loans	(724.5)	(1,200.9)
Capital element of finance lease payments	(0.3)	(1.1)
Dividends paid	(133.3)	(113.2)
Purchase of own shares by the ESOT	(14.2)	(10.2)
Purchase of own shares by the Company	(327.4)	(46.5)
Net cash generated from financing activities	386.2	105.4
Increase in cash and cash equivalents	(2.6)	2.7
Opening cash and cash equivalents	19.1	6.3
Effect of exchange rate difference	0.2	(0.3)
Closing cash and cash equivalents	16.7	8.7

Reconciliation of net cash flows to net debt

Increase in cash and cash equivalents in the period	2.6	(2.7)
Increase in debt through cash flow	861.1	275.3
Change in net debt from cash flows	863.7	272.6
Debt acquired	28.4	40.7
Exchange differences	105.9	(212.9)
Non-cash movements:		
- deferred costs of debt raising	14.1	(1.4)
- capital element of new finance leases	0.7	1.8
Increase in net debt in the period	1,012.8	100.8
Net debt at 1 May	2,712.0	2,527.7
Net debt at 31 January	3,724.8	2,628.5

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

Ashtead Group plc ('the Company') is a company incorporated and domiciled in England and Wales and listed on the London Stock Exchange. The condensed consolidated interim financial statements as at, and for the nine months ended, 31 January 2019 comprise the Company and its subsidiaries ('the Group').

The condensed consolidated interim financial statements for the nine months ended 31 January 2019 were approved by the directors on 4 March 2019.

The condensed consolidated interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 April 2018 were approved by the directors on 18 June 2018 and have been mailed to shareholders and filed with the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include a reference to any matter by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

2. Basis of preparation

The condensed consolidated interim financial statements for the nine months ended 31 January 2019 have been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and relevant International Financial Reporting Standards ('IFRS') as adopted by the European Union (including IAS 34, Interim Financial Reporting). The condensed consolidated interim financial statements should be read in conjunction with the Group's Annual Report and Accounts for the year ended 30 April 2018.

The following new standards are mandatory for the first time for the financial year beginning 1 May 2018:

- IFRS 9, 'Financial instruments' ('IFRS 9'), relates to the classification, measurement and recognition of financial assets and liabilities, impairment of financial assets and hedge accounting.

  There have been no changes to the measurement of the Group's financial assets or liabilities as a result of our adoption of IFRS 9, and no changes to the Group's level of provisioning as a result of our adoption of IFRS 9. The Group has no arrangements to which it applies hedge accounting.

- IFRS 15, 'Revenue from Contracts with Customers' ('IFRS 15'), provides a five-step model of accounting for revenue recognition which includes identifying the contract, identifying performance obligations, determining the transaction price, allocating the transaction price to different performance obligations and the timing of recognition of revenue in connection with different performance obligations.

  The Group's adoption of IFRS 15 has had no impact as our accounting policies were already in line with IFRS 15.

The Directors have adopted various alternative performance measures to provide additional useful information on the underlying trends, performance and position of the Group. The alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures, but are defined within these condensed consolidated interim financial statements and summarised in the Glossary on page 32.

2. Basis of preparation (continued)

The condensed consolidated interim financial statements have been prepared on the going concern basis. The Group's internal budgets and forecasts of future performance, available financing facilities and facility headroom (see note 11), provide a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the condensed consolidated interim financial statements.

The exchange rates used in respect of the US dollar ($) and Canadian dollar (C$) are:

	US dollar		Canadian dollar	
	2019	2018	2019	2018
Average for the three months ended 31 January	1.28	1.35	1.71	1.71
Average for the nine months ended 31 January	1.30	1.32	1.71	1.69
At 30 April	1.38	1.29	1.77	1.77
At 31 January	1.32	1.42	1.73	1.74

3. Segmental analysis

Three months to 31 January 2019

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
- Rental revenue	907.5	96.9	44.7	-	1,049.1
- Sale of new equipment, merchandise and consumables	35.2	7.1	4.6	-	46.9
- Sale of used rental equipment	38.5	5.9	3.0	-	47.4
	981.2	109.9	52.3	-	1,143.4
Operating profit before amortisation	283.7	10.5	6.5	(3.5)	297.2
Amortisation					(13.4)
Net financing costs					(42.9)
Profit before taxation					240.9
Taxation					(60.0)
Profit attributable to equity shareholders					180.9

Three months to 31 January 2018

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
- Rental revenue	717.0	93.9	34.6	-	845.5
- Sale of new equipment, merchandise and consumables	21.9	7.3	5.1	-	34.3
- Sale of used rental equipment	27.2	7.7	1.4	-	36.3
	766.1	108.9	41.1	-	916.1
Operating profit before amortisation	220.0	10.0	7.2	(3.9)	233.3
Amortisation					(10.8)
Net financing costs					(28.2)
Profit before taxation					194.3
Taxation					353.7
Profit attributable to equity shareholders					548.0

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Segmental analysis (continued)

Nine months to 31 January 2019

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
- Rental revenue	2,679.1	318.2	126.3	-	3,123.6
- Sale of new equipment, merchandise and consumables	86.5	24.4	15.7	-	126.6
- Sale of used rental equipment	117.8	17.8	8.0	-	143.6
	2,883.4	360.4	150.0	-	3,393.8
Operating profit before amortisation	928.2	54.7	27.7	(11.2)	999.4
Amortisation					(36.8)
Net financing costs					(111.7)
Profit before taxation					850.9
Taxation					(208.5)
Profit attributable to equity shareholders					642.4

Nine months to 31 January 2018

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
- Rental revenue	2,231.7	308.6	79.2	-	2,619.5
- Sale of new equipment, merchandise and consumables	69.3	24.7	11.8	-	105.8
- Sale of used rental equipment	64.7	20.7	4.5	-	89.9
	2,365.7	354.0	95.5	-	2,815.2
Operating profit before amortisation	759.4	56.8	19.7	(11.3)	824.6
Amortisation					(32.9)
Net financing costs					(82.6)
Exceptional items					(21.7)
Profit before taxation					687.4
Taxation					181.5
Profit attributable to equity shareholders					868.9

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
At 31 January 2019					
Segment assets	6,811.7	865.0	483.0	0.4	8,160.1
Cash					16.7
Taxation assets					24.4
Total assets					8,201.2
At 30 April 2018					
Segment assets	5,507.6	847.3	344.6	0.5	6,700.0
Cash					19.1
Taxation assets					23.9
Total assets					6,743.0

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. Operating costs and other income

	2019			2018		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Three months to 31 January						
Staff costs:						
Salaries	243.0	-	243.0	200.8	-	200.8
Social security costs	18.4	-	18.4	15.6	-	15.6
Other pension costs	4.4	-	4.4	3.7	-	3.7
	265.8	-	265.8	220.1	-	220.1
Used rental equipment sold	42.2	-	42.2	32.9	-	32.9
Other operating costs:						
Vehicle costs	67.4	-	67.4	52.5	-	52.5
Spares, consumables & external repairs	57.3	-	57.3	46.9	-	46.9
Facility costs	33.3	-	33.3	27.4	-	27.4
Other external charges	160.0	-	160.0	127.5	-	127.5
	318.0	-	318.0	254.3	-	254.3
Depreciation and amortisation:						
Depreciation	220.2	-	220.2	175.5	-	175.5
Amortisation of intangibles	-	13.4	13.4	-	10.8	10.8
	220.2	13.4	233.6	175.5	10.8	186.3
	846.2	13.4	859.6	682.8	10.8	693.6

	2019			2018		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Nine months to 31 January						
Staff costs:						
Salaries	691.0	-	691.0	593.9	-	593.9
Social security costs	51.2	-	51.2	44.6	-	44.6
Other pension costs	12.4	-	12.4	10.9	-	10.9
	754.6	-	754.6	649.4	-	649.4
Used rental equipment sold	121.8	-	121.8	81.6	-	81.6
Other operating costs:						
Vehicle costs	203.7	-	203.7	161.5	-	161.5
Spares, consumables & external repairs	165.8	-	165.8	139.3	-	139.3
Facility costs	92.9	-	92.9	79.8	-	79.8
Other external charges	438.8	-	438.8	361.1	-	361.1
	901.2	-	901.2	741.7	-	741.7
Depreciation and amortisation:						
Depreciation	616.8	-	616.8	517.9	-	517.9
Amortisation of intangibles	-	36.8	36.8	-	32.9	32.9
	616.8	36.8	653.6	517.9	32.9	550.8
	2,394.4	36.8	2,431.2	1,990.6	32.9	2,023.5

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. Amortisation and exceptional items

Amortisation relates to the periodic write-off of intangible assets. Exceptional items are items of income or expense which the Directors believe should be disclosed separately by virtue of their significant size or nature to enable a better understanding of the Group's financial performance. Underlying profit and earnings per share are stated before amortisation of intangibles and exceptional items.

	Three months to 31 January		Nine months to 31 January	
	2019	2018	2019	2018
	£m	£m	£m	£m
Amortisation of intangibles	13.4	10.8	36.8	32.9
Write-off of deferred financing costs	-	-	-	8.1
Release of premium	-	-	-	(11.6)
Early redemption fee	-	-	-	23.7
Call period interest	-	-	-	1.5
Taxation:				
- tax on exceptional items and amortisation	(3.5)	(1.5)	(8.9)	(16.9)
- reduction in US deferred tax liability due to change in US federal tax rate	-	(397.5)	-	(397.5)
	9.9	(388.2)	27.9	(359.8)

The costs associated with the redemption of the $900m 6.5% senior secured notes in the prior year were classified as exceptional items. The write-off of deferred financing costs consists of the unamortised balance of the costs relating to the notes, whilst the release of premium related to the unamortised element of the premium which arose at the time of issuance of the $400m add-on to the initial $500m 6.5% senior secured notes. In addition, an early redemption fee of £24m ($31m) was paid to redeem the notes prior to their scheduled maturity. The call period interest represents the interest charge on the $900m notes for the period from the issue of the new $1.2bn notes to the date the $900m notes were redeemed. Of these items, total cash costs were £25m, whilst £3.5m (net income) were non-cash items and credited to the income statement.

In addition, the US Tax Cuts and Jobs Act of 2017 was enacted in December 2017 and, amongst other things, reduced the US federal tax rate from 35% to 21%. The exceptional tax credit of £397m ($537m) in the prior year arose from the resultant remeasurement of the Group's US deferred tax liabilities at the new rate of 21% rather than the historical rate of 35%.

The items detailed in the table above are presented in the income statement as follows:

	Three months to 31 January		Nine months to 31 January	
	2019	2018	2019	2018
	£m	£m	£m	£m
Amortisation of intangibles	13.4	10.8	36.8	32.9
Charged in arriving at operating profit	13.4	10.8	36.8	32.9
Net financing costs	-	-	-	21.7
Charged in arriving at profit before tax	13.4	10.8	36.8	54.6
Taxation	(3.5)	(399.0)	(8.9)	(414.4)
	9.9	(388.2)	27.9	(359.8)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. Net financing costs

	Three months to 31 January		Nine months to 31 January	
	2019	2018	2019	2018
	£m	£m	£m	£m
Investment income:				
Net interest on the net defined benefit pension plan asset	-	-	(0.1)	-
Interest expense:				
Bank interest payable	19.7	11.7	49.6	33.2
Interest payable on second priority senior secured notes	21.5	15.3	57.9	46.4
Interest payable on finance leases	0.1	0.1	0.3	0.3
Non-cash unwind of discount on provisions	0.3	0.4	0.7	0.6
Amortisation of deferred debt raising costs	1.3	0.7	3.3	2.1
Total interest expense	42.9	28.2	111.8	82.6
Net financing costs before exceptional items	42.9	28.2	111.7	82.6
Exceptional items	-	-	-	21.7
Net financing costs	42.9	28.2	111.7	104.3

7. Taxation

The tax charge for the period has been computed using a tax rate of 25% in the US (2018: 34%), 19% in the UK (2018: 19%) and 27% in Canada (2018: 27%). The blended rate for the Group as a whole is 24% (2018: 31%).

The tax charge of £217m (2018: £233m) on the underlying profit before taxation of £888m (2018: £742m) can be explained as follows:

	Nine months to 31 January	
	2019	2018
	£m	£m
Current tax		
- current tax on income for the period	37.7	61.7
- adjustments to prior year	(1.2)	0.1
	36.5	61.8
Deferred tax		
- origination and reversal of temporary differences	180.3	170.1
- adjustments to prior year	0.6	1.0
	180.9	171.1
Tax on underlying activities	217.4	232.9
Comprising:		
- UK	14.2	13.6
- US	198.3	214.8
- Canada	4.9	4.5
	217.4	232.9

7. Taxation (continued)

In addition, the exceptional tax credit of £9m (2018: £414m) relates to a tax credit of £9m (2018: £17m) on amortisation and exceptional items of £37m (2018: £55m) and consists of a current tax credit of £nil (2018: £7m) relating to the US, and a deferred tax credit of £1m (2018: £2m) relating to the UK, £6m (2018: £7m) relating to the US and £2m (2018: £1m) relating to Canada. In addition, the 2018 credit of £414m included a US deferred tax credit of £397m as a result of the reduction in the US federal tax rate and associated remeasurement of deferred tax liabilities.

8. Earnings per share

Basic and diluted earnings per share for the three and nine months ended 31 January 2019 have been calculated based on the profit for the relevant period and the weighted average number of ordinary shares in issue during that period (excluding shares held by the Company and the ESOT over which dividends have been waived). Diluted earnings per share is computed using the result for the relevant period and the diluted number of shares (ignoring any potential issue of ordinary shares which would be anti-dilutive). These are calculated as follows:

	Three months to 31 January		Nine months to 31 January	
	2019	2018	2019	2018
Profit for the financial period (£m)	180.9	548.0	642.4	868.9
Weighted average number of shares (m) - basic	477.2	497.0	482.7	497.3
- diluted	479.1	500.2	484.7	499.6
Basic earnings per share	37.9p	110.2p	133.1p	174.7p
Diluted earnings per share	37.8p	109.7p	132.5p	173.9p

Underlying earnings per share (defined in any period as the earnings before amortisation of intangibles and exceptional items for that period divided by the weighted average number of shares in issue in that period) may be reconciled to the basic earnings per share as follows:

	Three months to 31 January		Nine months to 31 January	
	2019	2018	2019	2018
Basic earnings per share	37.9p	110.2p	133.1p	174.7p
Amortisation of intangibles	2.8p	2.2p	7.6p	6.6p
Exceptional items	-	-	-	4.4p
Tax on exceptional items and amortisation	(0.7p)	(0.3p)	(1.8p)	(3.4p)
Exceptional tax credit (US tax reforms)	-	(79.9p)	-	(79.9p)
Underlying earnings per share	40.0p	32.2p	138.9p	102.4p

9. Dividends

During the period, a final dividend in respect of the year ended 30 April 2018 of 27.5p (2017: 22.75p) per share was paid to shareholders costing £133m (2017: £113m). The interim dividend in respect of the year ending 30 April 2019 of 6.5p (2018: 5.5p) per share announced on 11 December 2018 was paid on 6 February 2019 and cost £31m.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. Property, plant and equipment

	2019		2018	
	Rental equipment	Total	Rental equipment	Total
Net book value	£m	£m	£m	£m
At 1 May	4,430.5	4,882.0	4,092.8	4,504.6
Exchange difference	180.4	198.2	(296.5)	(323.3)
Reclassifications	(1.6)	-	(1.2)	-
Additions	1,155.0	1,289.6	765.6	859.3
Acquisitions	216.4	233.7	142.6	148.2
Disposals	(119.0)	(126.6)	(75.6)	(81.6)
Depreciation	(545.5)	(616.8)	(457.2)	(517.9)
At 31 January	5,316.2	5,860.1	4,170.5	4,589.3

11. Borrowings

	31 January 2019	30 April 2018
	£m	£m
Current		
Finance lease obligations	2.8	2.7
Non-current		
First priority senior secured bank debt	2,009.8	1,508.5
Finance lease obligations	3.0	2.6
5.625% second priority senior secured notes, due 2024	375.8	358.4
4.125% second priority senior secured notes, due 2025	450.5	429.5
5.250% second priority senior secured notes, due 2026	449.4	-
4.375% second priority senior secured notes, due 2027	450.2	429.4
	3,738.7	2,728.4

The senior secured bank debt and the senior secured notes are secured by way of, respectively, first and second priority fixed and floating charges over substantially all the Group's property, plant and equipment, inventory and trade receivables.

In July, the Group issued $600m 5.25% senior secured notes maturing in August 2026. The proceeds of the issue were used to pay related fees and expenses and repay an element of the amount outstanding under the senior credit facility.

In December, the Group amended its asset-based senior credit facility so that under the terms of our asset-based senior credit facility, $4.1bn is committed until December 2023 at a lower cost. The other principal terms and conditions remain unchanged.

The $500m 5.625% senior secured notes mature in October 2024, the $600m 4.125% senior secured notes mature in August 2025, the $600m 5.25% senior secured notes mature in August 2026 and the $600m 4.375% senior secured notes mature in August 2027. Our debt facilities therefore remain committed for the long term, with an average maturity of six years. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is less than 5%. The terms of the senior secured notes are such that financial performance covenants are only measured at the time new debt is raised.

11. Borrowings (continued)

There is one financial performance covenant under the first priority senior credit facility. That is the fixed charge ratio (comprising LTM EBITDA before exceptional items less LTM net capital expenditure paid in cash over the sum of scheduled debt repayments plus cash interest, cash tax payments and dividends paid in the last twelve months) which, must be equal to, or greater than, 1.0. This covenant does not apply when availability exceeds $410m. The covenant ratio is calculated each quarter. At 31 January 2019, the fixed charge ratio exceeded the covenant requirement.

At 31 January 2019, availability under the senior secured bank facility was $1,603m ($1,115m at 30 April 2018), with an additional $2,359m of suppressed availability, meaning that the covenant did not apply at 31 January 2019 and is unlikely to apply in forthcoming quarters.

Fair value of financial instruments

At 31 January 2019, the Group had no derivative financial instruments.

With the exception of the Group's second priority senior secured notes detailed in the table below, the carrying value of non-derivative financial assets and liabilities is considered to equate materially to their fair value.

	At 31 January 2019		At 30 April 2018	
	Book value £m	Fair value £m	Book value £m	Fair value £m
- 5.625% senior secured notes	380.2	390.6	363.0	374.7
- 4.125% senior secured notes	456.2	435.7	435.5	413.8
- 5.250% senior secured notes	456.2	461.3	-	-
- 4.375% senior secured notes	456.2	432.3	435.5	407.2
	1,748.8	1,719.9	1,234.0	1,195.7
Deferred costs of raising finance	(22.9)	-	(16.7)	-
	1,725.9	1,719.9	1,217.3	1,195.7

The fair value of the second priority senior secured notes has been calculated using quoted market prices at 31 January 2019.

12. Share capital

Ordinary shares of 10p each:

	31 January 2019 Number	30 April 2018 Number	31 January 2019 £m	30 April 2018 £m
Issued and fully paid	499,225,712	499,225,712	49.9	49.9

During the period, the Company purchased 15.9m ordinary shares at a total cost of £331m under the share buyback programme announced in December 2017, which are held in treasury. At 31 January 2019, 23.7m (April 2018: 7.9m) shares were held by the Company and a further 1.6m (April 2018: 1.7m) shares were held by the Company's Employee Share Ownership Trust.

13. Notes to the cash flow statement

a) Cash flow from operating activities

	Nine months to 31 January 2019 £m	2018 £m
Operating profit before exceptional items and amortisation	999.4	824.6
Depreciation	616.8	517.9
EBITDA before exceptional items	1,616.2	1,342.5
Profit on disposal of rental equipment	(21.8)	(8.3)
Profit on disposal of other property, plant and equipment	(0.8)	(0.9)
Increase in inventories	(7.0)	(1.2)
Increase in trade and other receivables	(116.1)	(79.0)
Increase in trade and other payables	24.1	21.9
Exchange differences	0.1	0.2
Other non-cash movements	5.6	5.2
Cash generated from operations before exceptional items and changes in rental equipment	1,500.3	1,280.4

b) Analysis of net debt

Net debt consists of total borrowings less cash and cash equivalents. Borrowings exclude accrued interest. Foreign currency denominated balances are translated to pounds sterling at rates of exchange ruling at the balance sheet date.

			Non-cash movements			
	1 May 2018 £m	Cash flow £m	Exchange movement £m	Debt acquired £m	Other movements £m	31 January 2019 £m
Short-term borrowings	2.7	(8.2)	-	7.9	0.4	2.8
Long-term borrowings	2,728.4	869.3	106.1	20.5	14.4	3,738.7
Total liabilities from financing activities	2,731.1	861.1	106.1	28.4	14.8	3,741.5
Cash and cash equivalents	(19.1)	2.6	(0.2)	-	-	(16.7)
Net debt	2,712.0	863.7	105.9	28.4	14.8	3,724.8

			Non-cash movements			
	1 May 2017 £m	Cash flow £m	Exchange movement £m	Debt acquired £m	Other movements £m	31 January 2018 £m
Short-term borrowings	2.6	(41.8)	-	40.7	1.1	2.6
Long-term borrowings	2,531.4	317.1	(213.2)	-	(0.7)	2,634.6
Total liabilities from financing activities	2,534.0	275.3	(213.2)	40.7	0.4	2,637.2
Cash and cash equivalents	(6.3)	(2.7)	0.3	-	-	(8.7)
Net debt	2,527.7	272.6	(212.9)	40.7	0.4	2,628.5

13. Notes to the cash flow statement (continued)

b) Analysis of net debt (continued)

Details of the Group's cash and debt are given in note 11 and the Review of Third Quarter, Balance Sheet and Cash Flow accompanying these condensed consolidated interim financial statements.

c) Acquisitions

	Nine months to 31 January	
	2019	2018
	£m	£m
Cash consideration paid:		
- acquisitions in the period	458.9	274.3
- contingent consideration	1.9	7.8
	460.8	282.1

During the period, 19 businesses were acquired with cash paid of £459m (2018: £274m), after taking account of net cash acquired of £2m. Further details are provided in note 14.

Contingent consideration of £2m (2018: £8m) was paid relating to prior year acquisitions.

14. Acquisitions

During the period, the following acquisitions were completed:

i) On 1 June 2018, Sunbelt Canada acquired the entire share capital of Voisin's Equipment Rental Ltd. and Universal Rental Services Limited (together 'Voisin's') for an aggregate cash consideration of £18m (C$32m) with contingent consideration of up to £1m (C$2.5m), payable over the next year, depending on revenue meeting or exceeding certain thresholds. Including acquired debt, the total cash consideration was £44m (C$76m). Voisin's is a general equipment rental business in Ontario, Canada.

ii) On 29 June 2018, A-Plant acquired the entire share capital of Astra Site Services Limited ('Astra') for a cash consideration of £6m. Including acquired debt, the total cash consideration was £7m. Astra is a hydraulic attachment rental business.

iii) On 3 July 2018, Sunbelt Canada acquired the entire share capital of Richlock Rentals Ltd. ('Richlock') for a cash consideration of £7m (C$13m). Richlock is a general equipment rental business in British Columbia, Canada.

iv) On 17 July 2018, Sunbelt US acquired the business and assets of Wistar Equipment, Inc. ('Wistar') for a cash consideration of £18m ($23m). Wistar is an industrial power rental business in New Jersey.

v) On 20 July 2018, Sunbelt US acquired the entire share capital of Blagrave No 2 Limited, the parent company of Mabey, Inc. ('Mabey') for a cash consideration of £70m ($93m). Mabey is a ground protection and trench shoring business on the east coast of the US.

vi) On 8 August 2018, Sunbelt US acquired the business and assets of Berry Holdings, LLC, trading as Taylor Rental Center ('Taylor'), for a cash consideration of £1m ($1m). Taylor is a general equipment rental business in Ohio.

14. Acquisitions (continued)

vii) On 13 August 2018, Sunbelt US acquired the business and assets of Interstate Aerials, LLC ('Interstate') for a cash consideration of £161m ($206m). Interstate is a general equipment rental business in Philadelphia and northern New Jersey.

viii) On 5 September 2018, Sunbelt US acquired the business and assets of Equipment 4 Rent ('E4R') for a cash consideration of £13m ($17m), with contingent consideration of up to £0.4m ($0.5m), payable over the next year, depending on revenue meeting or exceeding certain thresholds. E4R is a general equipment rental business in Massachusetts.

ix) On 25 September 2018, Sunbelt US acquired the business and assets of Gauer Service & Supply Company ('Gauer') for a cash consideration of £1m ($1m). Gauer is a general equipment rental business in Ohio.

x) On 28 September 2018, Sunbelt US acquired the business and assets of Midwest High Reach, Inc. ('MHR') for a cash consideration of £34m ($45m). MHR is a general equipment rental business in Illinois.

xi) On 1 October 2018, Sunbelt Canada acquired the business and assets of 2231147 Ontario Inc., trading as Innovative Industrial Solutions ('Innovative'), for a cash consideration of £2m (C$4m). Innovative is a flooring solutions rental business in Ontario, Canada.

xii) On 17 October 2018, Sunbelt Canada acquired the business and assets of Patcher Energy Management Ltd. ('Patcher') for a cash consideration of £4m (C$7m). Patcher is a temporary power rental business in Alberta, Canada.

xiii) On 1 November 2018, A-Plant acquired the entire share capital of Precision Geomatics Limited ('Precision') for a cash consideration of £4m. Precision is a survey equipment hire business.

xiv) On 1 November 2018, Sunbelt US acquired the business and assets of Apex Pump & Equipment LLC ('Apex') for a cash consideration of £79m ($103m) with contingent consideration of up to £12m ($15m), payable over the next three years, depending on EBITDA meeting or exceeding certain thresholds. Apex is a pump business in Texas.

xv) On 1 November 2018, Sunbelt Canada acquired the business and assets of Full Impact Enterprises Ltd., trading as GWG Rentals ('GWG Rentals') for a cash consideration of £4m (C$6m). GWG Rentals is a general equipment rental business in British Columbia, Canada.

xvi) On 8 November 2018, Sunbelt US acquired the business and assets of Underground Safety Equipment, LLC ('USE') for a cash consideration of £25m ($33m) with contingent consideration of up to £5m ($6m), payable over the next two years, depending on EBITDA meeting or exceeding certain thresholds. USE is a trench shoring business operating in Colorado, Utah, Tennessee and Texas.

xvii) On 30 November 2018, A-Plant acquired the entire share capital of Hoist It Limited ('Hoist It') for a cash consideration of £4m. Including acquired debt, the total cash consideration was £5m. Hoist It is a specialist provider of lifting solutions.

xviii) On 11 January 2019, Sunbelt US acquired the business and assets of Hull Brothers Rental, Inc. ('Hull Brothers') for a cash consideration of £10m ($12m). Hull Brothers is a general equipment rental business in Michigan.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. Acquisitions (continued)

xix) On 28 January 2019, Sunbelt US acquired the business and assets of Koslowski Rentals, Inc., trading as A Rental Center ('A Rental') for a cash consideration of £1m ($1m). A Rental is a general equipment rental business in California.

The following table sets out the fair value of the identifiable assets and liabilities acquired by the Group. The fair values have been determined provisionally at the balance sheet date.

	Fair value to Group £m
Net assets acquired	
Trade and other receivables	39.5
Inventory	4.8
Property, plant and equipment	
- rental equipment	215.3
- other assets	17.3
Creditors	(10.6)
Debt	(28.4)
Current tax	(0.3)
Deferred tax	(19.3)
Intangible assets (non-compete agreements, brand names and customer relationships)	77.3
	295.6
Consideration:	
- cash paid and due to be paid (net of cash acquired)	462.6
- contingent consideration payable in cash	17.2
	479.8
Goodwill	184.2

The goodwill arising can be attributed to the key management personnel and workforce of the acquired businesses and to the synergies and other benefits the Group expects to derive from the acquisitions. The synergies and other benefits include elimination of duplicate costs, improving utilisation of the acquired rental fleet, using the Group's financial strength to invest in the acquired business and drive improved returns through a semi-fixed cost base and the application of the Group's proprietary software to optimise revenue opportunities. £139m of the goodwill is expected to be deductible for income tax purposes.

The fair value of trade receivables at acquisition was £40m. The gross contractual amount for trade receivables due was £42m, net of a £2m provision for debts which may not be collected.

Due to the operational integration of acquired businesses with Sunbelt US, Sunbelt Canada and A-Plant post acquisition, in particular due to the merger of some stores, the movement of rental equipment between stores and investment in the rental fleet, it is not practical to report the revenue and profit of the acquired businesses post acquisition.

The revenue and operating profit of these acquisitions from 1 May 2018 to their date of acquisition was not material.

15. Contingent liabilities

The Group is subject to periodic legal claims in the ordinary course of its business, none of which is expected to have a material impact on the Group's financial position.

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption in the UK controlled foreign company ('CFC') legislation. In common with other UK-based international companies, the Group may be affected by the outcome of this investigation and is therefore monitoring developments. If the preliminary findings of the European Commission's investigations into the UK legislation are upheld, we have estimated the Group's maximum potential liability to be £34m as at 31 January 2019. Based on the current status of the investigation, we have concluded that no provision is required in relation to this amount.

16. Events after the balance sheet date

Since the balance sheet date, the Group has completed three acquisitions as follows:

i) On 8 February 2019, Sunbelt US acquired the business and assets of Temp Air, Inc. ('Temp Air') for a cash consideration of £92m ($119m). Temp Air is a climate control business operating across 13 markets within the US.

ii) On 8 February 2019, Sunbelt US acquired the business and assets of Baystate Equipment & Rental Sales Co., Inc. ('Baystate') for a cash consideration of £9m ($11m). Baystate is a general equipment business in Massachusetts.

iii) On 15 February 2019, Sunbelt US acquired the business and assets of Bat's Inc., trading as Harper Car and Truck Rental of Hawaii ('Harper') for a cash consideration of £3m ($4m). Harper will operate as a general equipment business in Hawaii.

The initial accounting for these acquisitions is incomplete. Had these acquisitions taken place on 1 May 2018, their contribution to revenue and operating profit would not have been material.

REVIEW OF THIRD QUARTER, BALANCE SHEET AND CASH FLOW

Third quarter

	Revenue		EBITDA		Operating profit	
	2019	2018	2019	2018	2019	2018
Sunbelt US in $m	1,258.9	1,034.3	598.4	491.8	363.0	298.2
Sunbelt Canada in C$m	89.3	69.9	29.0	22.6	11.1	12.3
Sunbelt US in £m	981.2	766.1	466.9	363.6	283.7	220.0
A-Plant	109.9	108.9	36.9	35.8	10.5	10.0
Sunbelt Canada in £m	52.3	41.1	17.0	13.3	6.5	7.2
Group central costs	-	-	(3.4)	(3.9)	(3.5)	(3.9)
	1,143.4	916.1	517.4	408.8	297.2	233.3
Net financing costs					(42.9)	(28.2)
Profit before amortisation and tax					**254.3**	**205.1**
Amortisation					(13.4)	(10.8)
Profit before taxation					240.9	194.3
Margins						
Sunbelt US			*47.5%*	*47.6%*	*28.8%*	*28.8%*
A-Plant			*33.6%*	*32.9%*	*9.5%*	*9.2%*
Sunbelt Canada			*32.4%*	*32.3%*	*12.4%*	*17.6%*
Group			*45.2%*	*44.6%*	*26.0%*	*25.5%*

Group revenue increased 25% to £1,143m in the third quarter (2018: £916m) with a strong performance in the US and Canada. This revenue growth, combined with continued focus on operational efficiency, generated underlying profit before tax of £254m (2018: £205m).

As for the nine months, the Group's growth was driven by strong organic growth supplemented by bolt-on acquisitions. Sunbelt US's revenue growth for the quarter can be analysed as follows:

		$m
2018 rental only revenue		775
Organic (same-store and greenfields)	+15%	113
Bolt-ons since 1 November 2017	+5%	45
2019 rental only revenue	+20%	933
Ancillary revenue	+19%	231
2019 rental revenue	+20%	1,164
Sales revenue	+44%	95
2019 total revenue	+22%	1,259

Sunbelt US's organic growth of 15% is well in excess of that of the rental market as we continue to take market share. In addition, bolt-ons have contributed a further 5% growth as we execute our long-term structural growth strategy of expanding our geographic footprint and our specialty businesses. Total rental only revenue growth of 20% was driven by an increase in fleet on rent.

A-Plant generated rental only revenue up 4% at £83m (2018: £80m) in the quarter. This represented increased fleet on rent and better yield than a year ago. The principal driver of yield was product mix.

Sunbelt Canada delivered revenue of C$89m (2018: C$70m) in the quarter.

Group operating profit increased 27% to £297m (2018: £233m). Net financing costs were £43m (2018: £28m), reflecting a higher average interest rate and higher average debt levels. As a result, Group profit before amortisation of intangibles and taxation was £254m (2018: £205m). After amortisation of £13m (2018: £11m), the statutory profit before taxation was £241m (2018: £194m).

Balance sheet

Fixed assets

Capital expenditure in the nine months totalled £1,290m (2018: £859m) with £1,155m invested in the rental fleet (2018: £766m). Expenditure on rental equipment was 90% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division was:

	2019 Replacement	2019 Growth	2019 Total	2018 Total
Sunbelt US in $m	362.1	938.9	1,301.0	874.8
Sunbelt Canada in C$m	34.3	117.1	151.4	58.7
Sunbelt US in £m	275.3	713.9	989.2	615.2
A-Plant	41.2	37.0	78.2	116.8
Sunbelt Canada in £m	19.8	67.8	87.6	33.6
Total rental equipment	336.3	818.7	1,155.0	765.6
Delivery vehicles, property improvements & IT equipment			134.6	93.7
Total additions			1,289.6	859.3

In a strong US rental market, $939m of rental equipment capital expenditure was spent on growth while $362m was invested in replacement of existing fleet. The growth proportion is estimated on the basis of the assumption that replacement capital expenditure in any period is equal to the original cost of equipment sold.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 31 January 2019 was 32 months (2018: 32 months) on a net book value basis. Sunbelt US's fleet had an average age of 32 months (2018: 32 months), A-Plant's fleet had an average age of 36 months (2018: 31 months) and Sunbelt Canada's fleet had an average age of 28 months (2018: 27 months).

	Rental fleet at original cost 31 January 2019	Rental fleet at original cost 30 April 2018	Rental fleet at original cost LTM average	LTM rental revenue	LTM dollar utilisation	LTM physical utilisation
Sunbelt US in $m	8,867	7,552	8,085	4,437	55%	71%
Sunbelt Canada in C$m	656	394	526	268	51%	60%
Sunbelt US in £m	6,741	5,482	6,092	3,344	55%	71%
A-Plant	910	862	882	415	47%	69%
Sunbelt Canada in £m	380	223	304	155	51%	60%
	8,031	6,567	7,278	3,914		

Dollar utilisation was 55% at Sunbelt US (2018: 55%), 47% at A-Plant (2018: 49%) and 51% at Sunbelt Canada (2018: 58%). The Sunbelt US dollar utilisation is in line with where it was a year ago as the drag effect of yield and the increased cost of fleet has moderated. The lower A-Plant dollar utilisation reflects the drag effect of yield while Sunbelt Canada reflects the mix of the business with a full year of CRS and the impact of the lower dollar utilisation Voisin's business. Physical utilisation at Sunbelt US was 71% (2018: 72%), 69% at A-Plant (2018: 68%) and 60% at Sunbelt Canada.

Trade receivables

Receivable days at 31 January 2019 were 56 days (2018: 54 days). The bad debt charge for the last twelve months ended 31 January 2019 as a percentage of total turnover was 0.6% (2018: 0.7%). Trade receivables at 31 January 2019 of £729m (2018: £539m) are stated net of allowances for bad debts and credit notes of £59m (2018: £47m) with the allowance representing 7.5% (2018: 8.1%) of gross receivables.

Trade and other payables

Group payable days were 53 days in 2019 (2018: 53 days) with capital expenditure related payables, which have longer payment terms, totalling £130m (2018: £99m). Payment periods for purchases other than rental equipment vary between seven and 60 days and for rental equipment between 30 and 120 days.

Cash flow and net debt

	Nine months to 31 January 2019 £m	Nine months to 31 January 2018 £m	LTM to 31 January 2019 £m	Year to 30 April 2018 £m
EBITDA before exceptional items	1,616.2	1,342.5	2,006.8	1,733.1
Cash inflow from operations before exceptional items and changes in rental equipment	1,500.3	1,280.4	1,901.1	1,681.2
*Cash conversion ratio**	*92.8%*	*95.4%*	*94.7%*	*97.0%*
Replacement rental capital expenditure	(379.3)	(300.5)	(454.6)	(375.8)
Payments for non-rental capital expenditure	(134.3)	(99.4)	(176.1)	(141.2)
Rental equipment disposal proceeds	128.1	111.8	168.1	151.8
Other property, plant and equipment disposal proceeds	7.8	6.4	10.3	8.9
Tax (net)	(34.0)	(86.4)	(45.2)	(97.6)
Financing costs	(80.8)	(68.0)	(122.8)	(110.0)
Cash inflow before growth capex and payment of exceptional costs	**1,007.8**	**844.3**	**1,280.8**	**1,117.3**
Growth rental capital expenditure	(935.8)	(639.7)	(1,002.0)	(705.9)
Exceptional costs	-	(25.2)	-	(25.2)
Free cash flow	**72.0**	**179.4**	**278.8**	**386.2**
Business acquisitions	(460.8)	(282.1)	(537.7)	(359.0)
Total cash (absorbed)/generated	**(388.8)**	**(102.7)**	**(258.9)**	**27.2**
Dividends	(133.3)	(113.2)	(160.6)	(140.5)
Purchase of own shares by the Company	(327.4)	(46.5)	(439.1)	(158.2)
Purchase of own shares by the ESOT	(14.2)	(10.2)	(14.2)	(10.2)
Increase in net debt due to cash flow	**(863.7)**	**(272.6)**	**(872.8)**	**(281.7)**

* Cash inflow from operations before exceptional items and changes in rental equipment as a percentage of EBITDA before exceptional items.

Cash inflow from operations before payment of exceptional costs and the net investment in the rental fleet increased by 17% to £1,500m. The nine month cash conversion ratio was 93% (2018: 95%).

Total payments for capital expenditure (rental equipment and other PPE) in the nine months were £1,449m (2018: £1,040m). Disposal proceeds received totalled £136m (2018: £118m), giving net payments for capital expenditure of £1,313m in the period (2018: £922m). Financing costs paid totalled £81m (2018: £68m) while tax payments were £34m (2018: £86m). Financing costs paid typically differ from the charge in the income statement due to the timing of interest payments in the year and non-cash interest charges. The exceptional costs incurred in the prior year represent the amounts paid to settle the interest and call premium due on the $900m senior secured notes which were satisfied and discharged in August 2017.

Accordingly, in the nine months the Group generated £1,008m (2018: £844m) of net cash before discretionary investments made to enlarge the size and hence earning capacity of its rental fleet and on acquisitions. After growth capital expenditure and payment of exceptional costs, there was a free cash inflow of £72m (2018: £179m) and, after acquisition expenditure of £461m (2018: £282m), a net cash outflow of £389m (2018: £103m), before returns to shareholders.

Net debt

	31 January		30 April
	2019	2018	2018
	£m	£m	£m
First priority senior secured bank debt	2,009.8	1,453.3	1,508.5
Finance lease obligations	5.8	5.1	5.3
5.625% second priority senior secured notes, due 2024	375.8	347.0	358.4
4.125% second priority senior secured notes, due 2025	450.5	415.9	429.5
5.250% second priority senior secured notes, due 2026	449.4	-	-
4.375% second priority senior secured notes, due 2027	450.2	415.9	429.4
	3,741.5	2,637.2	2,731.1
Cash and cash equivalents	(16.7)	(8.7)	(19.1)
Total net debt	3,724.8	2,628.5	2,712.0

Net debt at 31 January 2019 was £3,725m with the increase since 30 April 2018 reflecting the net cash outflow set out above and the impact of weaker sterling (£106m). The Group's EBITDA for the twelve months ended 31 January 2019 was £2,007m and the ratio of net debt to EBITDA was 1.8 times at 31 January 2019 (2018: 1.6 times) on a constant currency basis and 1.9 times (2018: 1.5 times) on a reported basis.

Principal risks and uncertainties

Risks and uncertainties in achieving the Group's objectives for the remainder of the financial year, together with assumptions, estimates, judgements and critical accounting policies used in preparing financial information remain broadly unchanged from those detailed in the 2018 Annual Report and Accounts.

The principal risks and uncertainties facing the Group are:

- economic conditions;
- competition;
- financing;
- business continuity;
- people;
- health and safety;
- environmental; and
- laws and regulations.

Further details, including actions taken to mitigate these risks, are provided within the 2018 Annual Report and Accounts on pages 38 to 41.

Our business is subject to significant fluctuations in performance from quarter to quarter as a result of seasonal effects. Commercial construction activity tends to increase in the summer and during extended periods of mild weather and to decrease in the winter and during extended periods of inclement weather. Furthermore, due to the incidence of public holidays in the US, Canada and the UK, there are more billing days in the first half of our financial year than the second half leading to our revenue normally being higher in the first half. On a quarterly basis, the second quarter is typically our strongest quarter, followed by the first and then the third and fourth quarters.

In addition, the current trading and outlook section of the interim statement provides commentary on market and economic conditions for the remainder of the year.

Fluctuations in the value of the US dollar with respect to the pound sterling have had, and may continue to have, a significant impact on our financial condition and results of operations as reported in pounds due to the majority of our assets, liabilities, revenues and costs being denominated in US dollars. The Group has arranged its financing such that, at 31 January 2019, 88% of its debt was denominated in US (and Canadian) dollars so that there is a natural partial offset between its dollar-denominated net assets and earnings and its dollar-denominated debt and interest expense. At 31 January 2019, dollar-denominated debt represented approximately 57% of the value of dollar-denominated net assets (other than debt). Based on the current currency mix of our profits and on dollar debt levels, interest and exchange rates at 31 January 2019, a 1% change in the US dollar exchange rate would impact underlying pre-tax profit by approximately £10m.

OPERATING STATISTICS

	Number of rental stores			Staff numbers		
	31 January		30 April	31 January		30 April
	2019	2018	2018	2019	2018	2018
Sunbelt US	744	648	658	12,635	11,463	11,722
A-Plant	197	185	187	3,778	3,623	3,571
Sunbelt Canada	67	53	54	932	707	688
Corporate office	-	-	-	15	16	15
Group	1,008	886	899	17,360	15,809	15,996

Sunbelt US's rental store number includes 19 Sunbelt at Lowes stores at 31 January 2019 (2018: 23).

GLOSSARY OF TERMS

The glossary of terms below sets out definitions of terms used throughout this announcement. Included are a number of alternative performance measures ('APMs') which the directors have adopted in order to provide additional useful information on the underlying trends, performance and position of the Group. The directors use these measures, which are common across the industry, for planning and reporting purposes. These measures are also used in discussions with the investment analyst community and credit rating agencies. The APMs are not defined by IFRS and therefore may not be directly comparable with other companies' APMs and should not be considered superior to or a substitute for IFRS measures. Further details are provided in the 2018 Annual Report and Accounts on pages 137 to 139.

Availability: represents the headroom on a given date under the terms of our $4.1bn asset-backed senior credit facility, taking account of current borrowings.

Capital expenditure: represents additions to rental equipment and other tangible assets (excluding assets acquired through a business combination).

Cash conversion ratio: represents cash flow from operations before exceptional items and changes in rental equipment as a percentage of underlying EBITDA. Details are provided within the Review of Third Quarter, Balance Sheet and Cash Flow section.

Constant currency: calculated by applying the current period exchange rate to the comparative period result. The relevant foreign currency exchange rates are provided within the Basis of Preparation section.

Dollar utilisation: dollar utilisation is trailing 12-month rental revenue divided by average fleet size at original (or 'first') cost measured over a 12-month period. Details are shown within the Review of Third Quarter, Balance Sheet and Cash Flow section.

EBITDA: EBITDA is earnings before interest, tax, depreciation and amortisation. A reconciliation of EBITDA to profit before tax is shown on the income statement.

Drop-through: calculated as the incremental rental revenue which converts into EBITDA.

Exceptional items: those items of income or expense which the Directors believe should be disclosed separately by virtue of their significant size or nature to enable a better understanding of the Group's financial performance.

Fleet age: net book value weighted age of serialised rental assets. Serialised rental assets constitute the substantial majority of our fleet.

Fleet on rent: quantity measured at original cost of our rental fleet on rent.

Free cash flow: cash generated from operating activities less non-rental net property, plant and equipment expenditure. Non-rental net property, plant and equipment expenditure comprises payments for non-rental capital expenditure less disposal proceeds received in relation to non-rental asset disposals.

Leverage: leverage is net debt divided by underlying EBITDA. Leverage calculated at constant exchange rates uses the current balance sheet exchange rate.

Net debt: net debt is total debt less cash balances, as reported. An analysis of net debt is provided in note 13.

Organic: organic measures comprise all locations, excluding locations arising from a bolt-on acquisition completed after the start of the comparative financial period.

Physical utilisation: physical utilisation is measured as the daily average of the amount of itemised fleet at cost on rent as a percentage of the total fleet at cost and for Sunbelt US is measured only for equipment whose cost is over $7,500, which comprised 89% of its fleet at 31 January 2019.

Return on Investment ('RoI'): last 12-month ('LTM') underlying operating profit divided by the last 12-month average of the sum of net tangible and intangible fixed assets, plus net working capital but excluding net debt and tax. RoI is used by management to help inform capital allocation decisions within the business and a reconciliation of Group RoI is provided below:

LTM underlying operating profit (£m)	1,212
Average net assets (£m)	6,731
Return on Investment	**18%**

RoI for the businesses is calculated in the same way, but excludes goodwill and intangible assets.

Same-store: same-stores are those locations which were open at the start of the comparative financial period.

Suppressed availability: represents the amount on a given date that the asset base exceeds the facility size under the terms of our $4.1bn asset-backed senior credit facility.

Underlying: underlying results are results stated before exceptional items and the amortisation of acquired intangibles. A reconciliation is shown on the income statement.

Yield: reflects a combination of the rental rate charged, rental period and product and customer mix.