16 June 2020

Audited results for the year and unaudited results for the fourth quarter ended 30 April 2020

	Fourth quarter			Year		
	2020[1]	2019	Growth[2]	2020[1]	2019	Growth[2]
	£m	£m	%	£m	£m	%
Underlying results[3, 4]						
Rental revenue	1,039	1,014	-1%	4,606	4,138	8%
EBITDA	464	490	-14%	2,376	2,107	5%
Profit before taxation	114	222	-48%	1,061	1,110	-4%
Earnings per share	20.2p	35.0p	-42%	175.0p	174.2p	-%
Statutory results						
Revenue	1,125	1,106	-2%	5,054	4,500	9%
Operating profit	155	250	-43%	1,224	1,213	-4%
Profit before taxation	98	209	-52%	983	1,059	-7%
Earnings per share	17.4p	32.8p	-46%	162.1p	166.1p	-2%

Full-year highlights[4]

- Resilient performance during the COVID-19 pandemic
- Revenue up 9%[2]; rental revenue up 8%[2]
- Operating profit of £1,224m (2019: £1,213m)
- Pre-tax profit[3] of £1,061m; £1,091m excluding the impact of IFRS 16 (2019: £1,110m)
- Earnings per share[3] of 175.0p (2019: 174.2p)
- £1.5bn of capital invested in the business (2019: £1.6bn)
- Record free cash flow of £792m (2019: £368m)
- £453m spent on bolt-on acquisitions (2019: £622m)
- Net debt to EBITDA leverage[2] of 1.9 times (2019: 1.8 times)
- Proposed final dividend of 33.5p, making 40.65p for the full year (2019: 40.0p)

1 The results for the full year and fourth quarter 2020 are not comparable directly to the prior year due to the adoption of IFRS 16, Leases. Further details are provided in note 2 to the financial statements where we set out the impact of IFRS 16 on the results and present the income statement on a comparable basis to the prior year.

2 Calculated at constant exchange rates applying current period exchange rates and excluding the impact of IFRS 16.

3 Underlying results are stated before exceptional items and intangible amortisation.

4 Throughout this announcement we refer to a number of alternative performance measures which provide additional useful information. The directors have adopted these to provide additional 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 in the Glossary on page 45.

Ashtead's chief executive, Brendan Horgan, commented:

"I am extraordinarily proud of, and grateful for, our team members and their response during a time when our communities were in need. All levels of the organisation quickly adapted our operations to continue servicing our customers while keeping our leading value of safety at the forefront of all we do.

While no one could have foreseen the global impact of COVID-19, our business model and capital structure are designed to withstand the cyclical nature of some of our end markets. We took prompt actions to optimise cash flow, reducing capital expenditure and operating costs, and strengthen further our liquidity position. In these unprecedented times, the results of our long-term strategy to mature our business through diversity and scale came through in our performance.

Looking forward, I am certain these swift actions combined with the strength of our cash flow and balance sheet will serve the Group well. The diversity of our products, services and end markets coupled with ongoing structural change opportunities put the Board in a position of confidence to look to the coming year as one of strong cash generation and strengthening our market position. Based on this confidence, the Board has decided to maintain its progressive dividend policy and to recommend a final dividend of 33.5p."

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Brendan Horgan and Michael Pratt will hold a conference call for equity analysts to discuss the results and outlook at 11am on Tuesday, 16 June 2020. 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 call and conference call for bondholders but any eligible person not having received 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.

Overview and markets

In simple terms, the year can be characterised as pre-COVID-19 and post COVID-19. We were on track for another record year when the COVID-19 pandemic changed the world for everyone. We are proud to report that, despite an unprecedented ‘black swan’ event, with US fleet on rent falling 15% in 5 weeks, we are still able to report strong results for the year. There has, of course, been an impact on our fourth quarter results, but the underlying strength of the business and our performance in the first three quarters of 2019/20 mean we have continued to perform well overall. Our business is robust and we remain open for our customers in all our geographies. Throughout this period our focus has been on our people, our customers, our communities and our investors, in particular:

- ensuring the health and safety of our team members and customers;
- continuing to serve the needs of our customers and communities, including supporting government and private sector responses to the pandemic; and
- taking steps to optimise cash flow, reduce operating costs and strengthen further our liquidity position during a period of suppressed activity.

While trading volumes were lower in the second half of March and April as a result of the pandemic, this has been mitigated, in part, by emergency response efforts throughout our business units but particularly within our specialty businesses. Sunbelt Rentals is designated as an essential business in the US, UK and Canada, supporting government and private sector responses to the pandemic. This includes providing vital equipment and services to first responders, hospitals, alternative care facilities, testing sites, food services and telecommunications and utility companies, while continuing to service ongoing construction sites and increased facility maintenance and cleaning.

As a result of these market dynamics, rental revenue for Sunbelt US in March was 3% higher (2% on a billings per day basis) than prior year and in April was 12% lower than prior year. This is due principally to the general tool business being 15% lower than prior year in April, while the specialty businesses (excluding oil and gas) were 9% higher than last year, with the reduction in the general tool business being driven by declines in volume rather than rental rates. This contributed to Group rental revenue in the fourth quarter 1% lower than the prior year at constant exchange rates. The degree of impact on volume has varied significantly across different markets and is correlated to the severity of infection rates and associated market level restrictions. Since 10 April, we have seen US fleet on rent stabilise and then increase as our markets adjust to new working practices and restrictions eased gradually. The trend has been similar in the UK and Canada. As a result, US May rental revenue was 14% (8% on a billings per day basis) lower than last year.

In early March we took steps to optimise cash flow, reduce operating costs and strengthen further our liquidity position including, but not limited to reducing planned capital expenditure for the year ending April 2021, suspending all current and prospective M&A activity, pausing our share buyback programme, implementing a group wide freeze on new hires and reducing discretionary staff costs, use of third party freight haulers and other operating expenditures consistent with reduced activity levels. We now expect capital expenditure of c. £500m in 2020/21. In addition, on 24 April 2020, we accessed an additional $500m of liquidity through the Group’s senior secured credit facility, increasing the facility size to $4.6bn for the next twelve months.

A skilled workforce is instrumental to the Group’s long-term success and we have made every effort to preserve our committed workforce for the impending recovery. Therefore, we have not made any team members redundant as a result of the impact of COVID-19 and have not sought assistance from government support programmes such as the UK’s Coronavirus Job Retention Scheme or similar schemes in Canada.

Looking forward, we believe that the impact of the COVID-19 pandemic will continue to give rise to market uncertainties over the coming months. However, with strong market positions in all our markets, supported by good quality fleets and a strong financial position, we believe that we are well positioned to respond to this market uncertainty and continue to support our customers and team members.

Trading results

	Revenue		EBITDA		Profit[1]	
	2020	2019	2020	2019	2020	2019
Sunbelt US in $m	5,489.9	4,988.9	2,721.0	2,453.5	1,560.0	1,545.0
Sunbelt Canada in C$m	420.7	344.0	157.0	124.1	54.5	54.8
Sunbelt US in £m	4,335.7	3,824.3	2,149.0	1,880.9	1,232.1	1,184.3
Sunbelt UK[2]	469.2	475.1	148.6	168.4	36.4	62.3
Sunbelt Canada in £m	248.7	200.2	92.8	72.2	32.2	31.9
Group central costs	-	-	(14.6)	(14.9)	(15.4)	(14.9)
	5,053.6	4,499.6	2,375.8	2,106.6	1,285.3	1,263.6
Net financing costs					(224.5)	(153.4)
Profit before amortisation, exceptional items and tax					**1,060.8**	**1,110.2**
Amortisation					(61.7)	(50.7)
Exceptional items					(16.3)	-
Profit before taxation					982.8	1,059.5
Taxation charge					(243.1)	(262.6)
Profit attributable to equity holders of the Company					739.7	796.9
Margins as reported						
Sunbelt US			*49.6%*	*49.2%*	*28.4%*	*31.0%*
Sunbelt UK			*31.7%*	*35.5%*	*7.8%*	*13.1%*
Sunbelt Canada			*37.3%*	*36.1%*	*13.0%*	*15.9%*
Group			*47.0%*	*46.8%*	*25.4%*	*28.1%*

[1] Segment result presented is operating profit before amortisation.
[2] The UK business was rebranded Sunbelt Rentals UK with effect from 1 June 2020

The Group adopted IFRS 16, Leases ('IFRS 16') on 1 May 2019. The Group elected to apply IFRS 16 using the modified retrospective approach with no restatement of comparative figures. As a result, the results for the year are not comparable directly to the prior year with the adoption of IFRS 16 resulting in higher EBITDA and operating profit but lower profit before amortisation, exceptional items and tax than under the previous accounting standard. Our comments below are on both the reported figures and those excluding the impact of IFRS 16 to aid comparability. Margins excluding the impact of IFRS 16 are summarised below. Further details on the adoption and impact of IFRS 16 are provided in note 2 to the financial statements.

Margins excluding the impact of IFRS 16	*2020*	*2019*	*2020*	*2019*
Sunbelt US	*47.6%*	*49.2%*	*28.1%*	*31.0%*
Sunbelt UK	*29.8%*	*35.5%*	*7.6%*	*13.1%*
Sunbelt Canada	*33.6%*	*36.1%*	*12.5%*	*15.9%*
Group	*44.9%*	*46.8%*	*25.1%*	*28.1%*

Group revenue for the year increased 12% (9% at constant exchange rates) to £5,054m (2019: £4,500m) with good growth in the US and Canadian markets. This industry leading performance includes a fourth quarter impacted by COVID-19, resulting in fourth quarter revenue only 2% higher (2% lower on a constant currency basis) than the prior year. This sudden fall in activity levels had a significant impact on profit in the quarter as a large proportion of our costs are fixed in the short term. As a result, underlying profit before tax for the year was £1,061m (2019: £1,110m) or £1,091m excluding the impact of IFRS 16.

Although COVID-19 has influenced the Group's short-term planning and actions, our strategy remains unchanged with long-term growth being driven by organic investment (same-store and greenfield) supplemented by bolt-on acquisitions. In the US and Canada, we experienced 10% and 30% rental only revenue growth respectively, while in the UK, rental only revenue decreased 2% reflecting the more competitive landscape within a more uncertain UK market and a period of realignment for the UK business. The growth in Canada continues to reflect the impact of recent acquisitions, including William F. White acquired in December 2019.

US revenue growth continued to benefit from cyclical and structural trends during the year and can be explained as follows:

		$m
2019 rental only revenue		3,711
Organic (same-store and greenfields)	6%	197
Bolt-ons since 1 May 2018	4%	157
2020 rental only revenue	10%	4,065
Ancillary revenue	6%	981
2020 rental revenue	9%	5,046
Sales revenue	26%	444
2020 total revenue	10%	5,490

US revenue growth demonstrates the successful execution of our long-term structural growth strategy. This growth has been achieved against a back-drop of a construction industry, just less than half of our end markets, which did not grow in 2019. In this market environment, we continued to capitalise on the market opportunity 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 85 new stores in the US in the year, almost half of which were specialty locations.

Rental only revenue growth was 10%, driven by increased fleet on rent. This is a good performance after the last two years, which were impacted favourably by significant hurricane activity, whereas the 2019 hurricane season was much quieter and a fourth quarter adversely affected by the impact of COVID-19. US total revenue, including new and used equipment, merchandise and consumable sales, increased 10% to $5,490m (2019: $4,989m).

The UK business, which was rebranded Sunbelt Rentals UK with effect from 1 June 2020, generated rental only revenue of £349m, down 2% on the prior year (2019: £357m), resulting from a 2% reduction in fleet on rent. The rate environment in the UK market remained competitive throughout the year. Total revenue decreased 1% to £469m (2019: £475m).

Canada's rental only revenue increased 30%, including the benefit of recent acquisitions. On an organic basis, rental only revenue increased 8%. Total revenue was C$421m (2019: C$344m).

In the US, while our growth continues to outpace the market, the relatively lower rate of growth compared with recent years has put some pressure on drop-through, both in some of our mature stores and from the drag effect of greenfield openings and acquired stores. This was compounded in the fourth quarter by the impact of COVID-19, with a significant proportion of the revenue decline falling through to EBITDA. As a result, for the year, excluding the impact of IFRS 16, 35% of revenue growth dropped through to EBITDA. This contributed to a reported EBITDA margin of 50% (2019: 49%) and a 1% increase in operating profit to $1,560m

(2019: $1,545m) at a margin of 28% (2019: 31%). Excluding the impact of IFRS 16, the EBITDA and operating profit margins were 48% and 28% respectively for the year.

The UK market remains competitive and after a period of sustained growth for the business, the focus had turned to operational efficiency and improving returns. The EBITDA margin of 32% (2019: 35%) reflects the drag effect of the increased fleet disposals, the challenging rate environment, investment in the infrastructure of the business and, recently, the impact of COVID-19. Excluding the impact of the de-fleet exercise and the adoption of IFRS 16, the UK generated an EBITDA margin of 32% (2019: 35%). Operating profit of £36m (2019: £62m) at a margin of 8% (2019: 13%) also reflected these factors.

Canada is in a growth phase as it invests to expand its network and develop the business. Significant growth in the business has been achieved while delivering a COVID-19 impacted 37% EBITDA margin (2019: 36%) and generating an operating profit of C$54m (2019: C$55m) at a margin of 13% (2019: 16%). Excluding the impact of IFRS 16, the EBITDA and operating profit margins were 34% and 12%, respectively.

Reflecting the performance of the divisions, Group underlying operating profit increased to £1,285m (2019: £1,264m), down 1% at constant exchange rates. Net financing costs increased to £224m (2019: £153m) reflecting the impact of the adoption of IFRS 16, which resulted in an incremental interest charge of £45m in the year, and higher average debt levels. As a result, Group profit before amortisation of intangibles, exceptional items and taxation was £1,061m (2019: £1,110m). After a tax charge of 25% (2019: 25%) of the underlying pre-tax profit, underlying earnings per share increased to 175.0p (2019: 174.2p). Excluding the impact of IFRS 16, Group profit before exceptional items, amortisation of intangibles and taxation was £1,091m and underlying earnings per share were flat year-over-year at constant currency. The underlying cash tax charge was 9%.

Statutory profit before tax was £983m (2019: £1,059m). This is after amortisation of £62m (2019: £51m) and, in the current year, an exceptional charge of £16m ($21m). The exceptional charge relates to financing costs associated with the redemption of our $500m 5.625% senior notes in November 2019. Included within the total tax charge is a tax credit of £19m (2019: £12m) which relates to the amortisation of intangibles and exceptional items. As a result, basic earnings per share were 162.1p (2019: 166.1p).

Capital expenditure and acquisitions

Capital expenditure for the year was £1,483m gross and £1,208m net of disposal proceeds (2019: £1,587m gross and £1,385m net). Reflecting this investment, the Group's rental fleet at 30 April 2020 at cost was £9.4bn. Our average fleet age is now 36 months (2019: 34 months).

We invested £453m (2019: £622m), including acquired borrowings, in 18 bolt-on acquisitions during the year as we continue to expand our footprint and look to diversify our specialty markets.

In response to the change in the economic environment as a result of the impact of COVID-19, we paused all acquisition activity and reassessed our capital expenditure plans for 2020/21. As a result, we now expect gross capital expenditure to be c. £500m but have the ability to flex this subject to market conditions. We continue to assess bolt-on opportunities and will evaluate them as part of our capital allocation priorities.

Return on Investment

The Group's return on investment metrics have been impacted by the sudden decline in activity levels in the fourth quarter as a result of COVID-19. This has led to return on investment (excluding goodwill and intangible assets) in the US in the 12 months to 30 April 2020 of 21% (2019: 24%). In the UK, return on investment (excluding goodwill and intangible assets) was 5% (2019: 9%). This decline also reflects the competitive nature of the UK market and the rate environment throughout the year. As a result of the action taking during the year through Project Unify and the strategic plans for the business, we expect returns to improve post COVID-19. In Canada, return on investment (excluding goodwill and intangible assets) was 9% (2019: 12%). We have made a significant investment in Canada including the recent acquisition of William F. White 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 15% (2019: 18%). For comparability, return on investment excludes the impact of IFRS 16.

Cash flow and net debt

The Group generated free cash flow of £792m (2019: £368m) during the year, a record for the business. However as expected, debt increased as we continued to invest in the fleet and made a number of bolt-on acquisitions but also due to the adoption of IFRS 16, which added £883m to debt as at 1 May 2019. During the year, we spent £449m on share buybacks.

In November, the Group took advantage of good debt markets and refinanced its debt facilities by issuing $600m 4.0% senior notes maturing in May 2028 and $600m 4.25% senior notes maturing in November 2029. The net proceeds of these issues were used to repurchase the Group's $500m 5.625% senior notes which would have matured in 2024, pay related fees and expenses and repay an element of the amount outstanding under the ABL facility. In addition, in April the Group accessed an additional $500m through its senior secured credit facility for one year, increasing the facility size to $4.6bn and providing additional liquidity. These actions ensure the Group's debt package continues to be well structured and flexible, enabling us to respond to current market conditions. The Group's borrowing facilities are committed for an average of six years at a weighted average cost of 4%.

Net debt at 30 April 2020 was £5,363m (2019: £3,745m), resulting in a net debt to EBITDA ratio of 2.3 times on a constant currency basis. The Group's target range for net debt to EBITDA is 1.9 to 2.4 times following the adoption of IFRS 16. Excluding the effect of IFRS 16, net debt at 30 April 2020 was £4,256m, while the ratio of net debt to EBITDA was 1.9 times (2019: 1.8 times) on a constant currency basis.

At 30 April 2020, availability under the senior secured debt facility, including cash on the balance sheet, was $2,363m with an additional $2,147m of suppressed availability – substantially above the $460m level at which the Group's entire debt package is covenant free.

Dividends

The Board considered carefully this year's final dividend, given the unprecedented circumstances, taking into account the Group's prospects and financial position; stakeholder interests including team members, customers, communities and shareholders; and the decision not to access government assistance programmes. Taking these considerations into account, the Board has decided to maintain its progressive dividend policy, which considers both profitability and cash generation, and results in a dividend that is sustainable across the cycle. Our intention has always been to increase the dividend as profits increase and be able to maintain it when profits decline. Thus, in a year of slightly lower profit but strong cash generation and a strong balance sheet, the Board is recommending a final dividend of 33.5p per share (2019: 33.5p) making 40.65p for the year (2019: 40.0p). If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 11 September 2020 to shareholders on the register on 14 August 2020.

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 1.9 to 2.4 times target range for net debt to EBITDA (1.5 to 2.0 times pre IFRS 16).

The Group paused its share buyback programme in March as we took action to optimise our cash flow and strengthen further our liquidity position due to the uncertainty arising from the COVID-19 pandemic. We will assess when it is appropriate to resume this programme in the context of all our capital allocation priorities and leverage.

Current trading and outlook

Looking forward, the Board is certain these swift actions combined with the strength of our cash flow and balance sheet will serve the Group well. The diversity of our products, services and end markets coupled with ongoing structural change opportunities put the Board in a position of confidence to look to the coming year as one of strong cash generation and strengthening our market position.

Directors' responsibility statement on the annual report

The responsibility statement below has been prepared in connection with the Company's Annual Report & Accounts for the year ended 30 April 2020. Certain parts thereof are not included in this announcement.

"We confirm to the best of our knowledge:

a) the consolidated financial statements, prepared in accordance with IFRS as issued by the International Accounting Standards Board and IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;

b) the Strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces; and

c) the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board

Eric Watkins
Company secretary
15 June 2020"

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 30 APRIL 2020

	2020			2019		
	Before exceptional items and amortisation	Exceptional items and amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Fourth quarter - unaudited						
Revenue						
Rental revenue	1,038.7	-	1,038.7	1,014.4	-	1,014.4
Sale of new equipment, merchandise and consumables	42.6	-	42.6	43.9	-	43.9
Sale of used rental equipment	44.0	-	44.0	47.5	-	47.5
	1,125.3	-	1,125.3	1,105.8	-	1,105.8
Operating costs						
Staff costs	(291.4)	-	(291.4)	(264.8)	-	(264.8)
Used rental equipment sold	(45.3)	-	(45.3)	(37.9)	-	(37.9)
Other operating costs	(324.1)	-	(324.1)	(312.7)	-	(312.7)
	(660.8)	-	(660.8)	(615.4)	-	(615.4)
EBITDA*	464.5	-	464.5	490.4	-	490.4
Depreciation	(293.2)	-	(293.2)	(226.2)	-	(226.2)
Amortisation of intangibles	-	(16.5)	(16.5)	-	(13.9)	(13.9)
Operating profit	171.3	(16.5)	154.8	264.2	(13.9)	250.3
Interest expense	(57.2)	-	(57.2)	(41.7)	-	(41.7)
Profit on ordinary activities before taxation	114.1	(16.5)	97.6	222.5	(13.9)	208.6
Taxation	(23.6)	4.2	(19.4)	(57.5)	3.4	(54.1)
Profit attributable to equity holders of the Company	90.5	(12.3)	78.2	165.0	(10.5)	154.5
Basic earnings per share	20.2p	(2.8p)	17.4p	35.0p	(2.2p)	32.8p
Diluted earnings per share	20.1p	(2.7p)	17.4p	34.8p	(2.2p)	32.6p

***** 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 INCOME STATEMENT FOR THE YEAR ENDED 30 APRIL 2020

	2020			2019		
	Before exceptional items and amortisation	Exceptional items and amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Year to 30 April 2020 - audited						
Revenue						
Rental revenue	4,606.5	-	4,606.5	4,138.0	-	4,138.0
Sale of new equipment, merchandise and consumables	184.0	-	184.0	170.5	-	170.5
Sale of used rental equipment	263.1	-	263.1	191.1	-	191.1
	5,053.6	-	5,053.6	4,499.6	-	4,499.6
Operating costs						
Staff costs	(1,172.3)	-	(1,172.3)	(1,019.4)	-	(1,019.4)
Used rental equipment sold	(229.9)	-	(229.9)	(159.7)	-	(159.7)
Other operating costs	(1,275.6)	-	(1,275.6)	(1,213.9)	-	(1,213.9)
	(2,677.8)	-	(2,677.8)	(2,393.0)	-	(2,393.0)
EBITDA*	2,375.8	-	2,375.8	2,106.6	-	2,106.6
Depreciation	(1,090.5)	-	(1,090.5)	(843.0)	-	(843.0)
Amortisation of intangibles	-	(61.7)	(61.7)	-	(50.7)	(50.7)
Operating profit	1,285.3	(61.7)	1,223.6	1,263.6	(50.7)	1,212.9
Investment income	-	-	-	0.1	-	0.1
Interest expense	(224.5)	(16.3)	(240.8)	(153.5)	-	(153.5)
Profit on ordinary activities before taxation	1,060.8	(78.0)	982.8	1,110.2	(50.7)	1,059.5
Taxation	(262.3)	19.2	(243.1)	(274.9)	12.3	(262.6)
Profit attributable to equity holders of the Company	798.5	(58.8)	739.7	835.3	(38.4)	796.9
Basic earnings per share	175.0p	(12.9p)	162.1p	174.2p	(8.1p)	166.1p
Diluted earnings per share	174.3p	(12.8p)	161.5p	173.4p	(8.0p)	165.4p

***** 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 30 April		Audited Year to 30 April	
	2020	2019	2020	2019
	£m	£m	£m	£m
Profit attributable to equity holders of the Company for the period	78.2	154.5	739.7	796.9
Items that will not be reclassified to profit or loss:				
Remeasurement of the defined benefit pension plan	(10.8)	(3.7)	(10.8)	(3.7)
Tax on defined benefit pension plan	2.1	0.7	2.1	0.7
	(8.7)	(3.0)	(8.7)	(3.0)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	105.6	20.6	71.0	108.9
Total comprehensive income for the period	175.1	172.1	802.0	902.8

CONSOLIDATED BALANCE SHEET AT 30 APRIL 2020

	Audited 2020 £m	2019 £m
Current assets		
Inventories	83.3	83.5
Trade and other receivables	821.6	843.6
Current tax asset	32.8	25.3
Cash and cash equivalents	241.4	12.8
	1,179.1	965.2
Non-current assets		
Property, plant and equipment		
- rental equipment	5,890.1	5,413.3
- other assets	708.7	573.7
	6,598.8	5,987.0
Right-of-use asset	1,088.3	-
Goodwill	1,340.3	1,144.7
Other intangible assets	326.1	260.6
	9,353.5	7,392.3
Total assets	10,532.6	8,357.5
Current liabilities		
Trade and other payables	574.7	632.4
Current tax liability	2.3	16.4
Lease liabilities	106.0	-
Short-term borrowings	-	2.3
Provisions	53.7	42.5
	736.7	693.6
Non-current liabilities		
Lease liabilities	1,006.2	-
Long-term borrowings	4,492.2	3,755.4
Provisions	38.9	46.0
Deferred tax liabilities	1,274.3	1,061.1
Net defined benefit pension plan liability	12.1	0.9
	6,823.7	4,863.4
Total liabilities	7,560.4	5,557.0
Equity		
Share capital	45.4	49.9
Share premium account	3.6	3.6
Capital redemption reserve	10.8	6.3
Own shares held by the Company	(115.9)	(622.6)
Own shares held by the ESOT	(27.7)	(24.6)
Cumulative foreign exchange translation differences	305.7	234.7
Retained reserves	2,750.3	3,153.2
Equity attributable to equity holders of the Company	2,972.2	2,800.5
Total liabilities and equity	10,532.6	8,357.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2020

	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
At 1 May 2018	49.9	3.6	6.3	(161.0)	(20.0)	125.8	2,522.3	2,526.9
Profit for the year	-	-	-	-	-	-	796.9	796.9
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	108.9	-	108.9
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	(3.7)	(3.7)
Tax on defined benefit pension plan	-	-	-	-	-	-	0.7	0.7
Total comprehensive income for the year	-	-	-	-	-	108.9	793.9	902.8
Dividends paid	-	-	-	-	-	-	(164.2)	(164.2)
Own shares purchased by the ESOT	-	-	-	-	(14.2)	-	-	(14.2)
Own shares purchased by the Company	-	-	-	(461.6)	-	-	-	(461.6)
Share-based payments	-	-	-	-	9.6	-	(2.0)	7.6
Tax on share-based payments	-	-	-	-	-	-	3.2	3.2
At 30 April 2019	49.9	3.6	6.3	(622.6)	(24.6)	234.7	3,153.2	2,800.5
Effect of adoption of IFRS 16	-	-	-	-	-	-	8.1	8.1
At 1 May 2019 (restated)	49.9	3.6	6.3	(622.6)	(24.6)	234.7	3,161.3	2,808.6
Profit for the year	-	-	-	-	-	-	739.7	739.7
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	71.0	-	71.0
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	(10.8)	(10.8)
Tax on defined benefit pension plan	-	-	-	-	-	-	2.1	2.1
Total comprehensive income for the year	-	-	-	-	-	71.0	731.0	802.0
Dividends paid	-	-	-	-	-	-	(186.7)	(186.7)
Own shares purchased by the ESOT	-	-	-	-	(17.6)	-	-	(17.6)
Own shares purchased by the Company	-	-	-	(444.6)	-	-	-	(444.6)
Share-based payments	-	-	-	-	14.5	-	(6.1)	8.4
Tax on share-based payments	-	-	-	-	-	-	2.1	2.1
Cancellation of shares	(4.5)	-	4.5	951.3	-	-	(951.3)	-
At 30 April 2020	45.4	3.6	10.8	(115.9)	(27.7)	305.7	2,750.3	2,972.2

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2020

		Audited 2020 £m		2019 £m
Cash flows from operating activities				
Cash generated from operations before exceptional items and changes in rental equipment		2,430.4		2,042.5
Payments for rental property, plant and equipment		(1,366.2)		(1,503.5)
Proceeds from disposal of rental property, plant and equipment		246.6		181.6
Cash generated from operations		1,310.8		720.6
Financing costs paid (net)		(196.9)		(142.9)
Exceptional financing costs paid		(12.4)		-
Tax paid (net)		(113.2)		(51.0)
Net cash generated from operating activities		988.3		526.7
Cash flows from investing activities				
Acquisition of businesses		(453.1)		(591.3)
Payments for non-rental property, plant and equipment		(208.2)		(168.7)
Proceeds from disposal of non-rental property, plant and equipment		12.0		10.2
Net cash used in investing activities		(649.3)		(749.8)
Cash flows from financing activities				
Drawdown of loans		2,318.5		1,820.3
Redemption of loans		(1,712.4)		(963.8)
Repayment of principal under lease liabilities		(64.3)		(1.2)
Dividends paid		(186.7)		(164.2)
Purchase of own shares by the ESOT		(17.6)		(14.2)
Purchase of own shares by the Company		(448.6)		(460.4)
Net cash (used in)/generated from financing activities		(111.1)		216.5
Increase/(decrease) in cash and cash equivalents		227.9		(6.6)
Opening cash and cash equivalents		12.8		19.1
Effect of exchange rate difference		0.7		0.3
Closing cash and cash equivalents		241.4		12.8
Reconciliation of net cash flows to net debt				
(Increase)/decrease in cash and cash equivalents in the period		(227.9)		6.6
Increase in debt through cash flow		541.8		855.3
Change in net debt from cash flows		313.9		861.9
Debt acquired		89.5		28.4
Exchange differences		133.0		126.3
Non-cash movements:				
- deferred costs of debt raising		10.1		15.4
- new lease liabilities		188.8		0.9
Increase in net debt in the period		735.3		1,032.9
Net debt at 1 May (as previously stated)	3,744.9		2,712.0	
Effect of adoption of IFRS 16	882.8		-	
Net debt at 1 May 2019 (restated)		4,627.7		2,712.0
Net debt at 30 April 2020		5,363.0		3,744.9

NOTES TO THE CONDENSED CONSOLIDATED 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 financial statements as at, and for the year ended, 30 April 2020 comprise the Company and its subsidiaries ('the Group').

The financial statements for the year ended 30 April 2020 were approved by the directors on 15 June 2020.

This preliminary announcement of the results for the year ended 30 April 2020 contains information derived from the forthcoming 2019/20 Annual Report & Accounts and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 April 2020 were approved by the directors on 15 June 2020 and will be delivered to shareholders and filed with the Registrar of Companies and made available on the Group's website at www.ashtead-group.com in July 2020. 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.

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

2. Basis of preparation

The financial statements for the year ended 30 April 2020 have been prepared in accordance with relevant International Financial Reporting Standards ('IFRS') as adopted by the European Union and the accounting policies set out in the Group's Annual Report and Accounts for the year ended 30 April 2019, except for the adoption of IFRS 16, Leases ('IFRS 16'), further details of which are set out below.

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 the Glossary of Terms on page 45.

The 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 13), 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 financial statements.

In the current year, as the Group was in the final stages of the annual budget and business planning process, the impact of the COVID-19 pandemic began to affect our end markets and operations. We were already planning for lower rates of growth and had adjusted our capital expenditure plans accordingly. However, as the COVID-19 pandemic unfolded, we took immediate action to optimise cash flow, reduce operating costs, strengthen further our liquidity position and adjust our planning accordingly. While the economic impact remains uncertain, we modelled a range of scenarios which considered different possible outcomes based on the timing, severity and duration of the downturn and subsequent recovery. This scenario planning considers the potential impact of COVID-19 and, more generally weakening markets on revenue, margins, cash flows, overall debt levels and leverage.

2. Basis of preparation (continued)

In addition, we then considered sensitivities to these scenarios. In particular, we considered the impact of a more significant and sustained period of revenue reduction and increased irrecoverability of receivables, while taking into account reasonable mitigating actions. Under all these scenarios, the Group continues to generate free cash flow and reduce debt during the period of assessment.

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

	US dollar		Canadian dollar	
	2020	2019	2020	2019
Average for the three months ended 30 April	1.26	1.31	1.73	1.74
Average for the year ended 30 April	1.27	1.30	1.69	1.72
At 30 April	1.26	1.30	1.75	1.75

IFRS 16, Leases

IFRS 16 has been applicable for the Group from 1 May 2019 and provides a new model for lease accounting under which lessees recognise a lease liability reflecting future lease payments and a right-of-use asset on the balance sheet for all lease contracts other than certain short-term leases and leases of low-value assets.

Under IFRS 16 the Group recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement, whereas under IAS 17, Leases ('IAS 17') operating leases previously gave rise to a straight-line expense included within other operating costs. In addition, right-of-use assets will be tested for impairment in accordance with IAS 36, Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

Under IFRS 16 the Group separates the total amount of cash paid for leases that are on balance sheet into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement. Under IAS 17 operating lease payments were presented as operating cash outflows.

Details of the Group's accounting policies under IFRS 16 are set out below, together with a description of the impact of adopting IFRS 16. Significant judgements applied in the adoption of IFRS 16 included determining the lease term for those leases with termination or extension options and determining an incremental borrowing rate where the rate in the lease could not be determined readily.

Accounting policy under IFRS 16

The Group assesses whether a contract is a lease, or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

2. Basis of preparation (continued)

The lease liability is measured initially at the present value of future lease payments at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments included in the measurement of the Group's lease liability comprise:

- fixed lease payments, less any lease incentives received; and
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is presented as a separate line in the consolidated balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term changes, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset with depreciation commencing at the commencement date of the lease.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other operating costs" in the income statement.

For short-term leases (lease terms of 12 months or less) and leases of low-value assets (such as photocopiers, vending machines, etc.), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other operating costs in the consolidated income statement.

Approach to transition

The Group has elected to apply IFRS 16 using the modified retrospective approach, with the right-of-use asset equal to the lease liability on transition subject to required transitional adjustments. As such, the cumulative effect of adopting IFRS 16 of £8m has been recognised as an adjustment to opening retained earnings on 1 May 2019 with no restatement of comparatives.

The Group's weighted average incremental borrowing rate applied to lease liabilities as at 1 May 2019 was 4.5%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of preparation (continued)

Practical expedients adopted on transition

As part of the Group's adoption of IFRS 16 and application of the modified retrospective approach to transition, the Group elected to use the following practical expedients:

- a single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- right-of-use assets have been adjusted by the carrying amount of onerous lease provisions at 30 April 2020 instead of performing impairment reviews under IAS 36;
- hindsight has been used in determining the lease term and as such the Group has assumed that all available lease extension options are taken unless there are plans to exit a location based on our historical experience; and
- leases where the remaining lease term on transition was less than 12 months have been excluded from the lease liability on transition.

Financial impact

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. The table below sets out the adjustments recognised at the date of initial application of IFRS 16 in relation to the opening balance sheet:

	As at 30 April 2019	Impact of IFRS 16	As at 1 May 2019
	£m	£m	£m
Current assets			
Trade and other receivables	843.6	(8.0)	835.6
Other current assets	121.6	-	121.6
	965.2	(8.0)	957.2
Non-current assets			
Property, plant and equipment	5,987.0	(4.8)	5,982.2
Right-of-use asset	-	894.3	894.3
Other non-current assets	1,405.3	-	1,405.3
	7,392.3	889.5	8,281.8
Current liabilities			
Trade and other payables	632.4	(10.6)	621.8
Lease liabilities	-	89.0	89.0
Short-term borrowings	2.3	(2.3)	-
Provisions	42.5	(0.5)	42.0
Other current liabilities	16.4	-	16.4
	693.6	75.6	769.2
Non-current liabilities			
Lease liabilities	-	798.8	798.8
Long-term borrowings	3,755.4	(2.7)	3,752.7
Provisions	46.0	(0.9)	45.1
Deferred tax liabilities	1,061.1	2.6	1,063.7
Other non-current liabilities	0.9	-	0.9
	4,863.4	797.8	5,661.2
Net assets	2,800.5	8.1	2,808.6

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of preparation (continued)

The table below presents a reconciliation of the minimum operating lease commitments disclosed at 30 April 2019 to the lease liabilities recognised at 1 May 2019 under IFRS 16:

	£m
Minimum operating lease commitments disclosed under IAS 17 at 30 April 2019	495.2
Commitments under reasonably certain extension options	761.8
Short-term and low value lease commitments	(5.4)
Effect of discounting	(368.8)
Finance lease liabilities recognised under IAS 17 at 30 April 2019	5.0
Lease liabilities recognised at 1 May 2019 under IFRS 16	887.8

In terms of the income statement impact, the application of IFRS 16 resulted in a decrease in other operating expenses and an increase in depreciation and interest expense compared to IAS 17. The impact on the consolidated income statement is detailed below where pro forma adjustments have been made to eliminate the depreciation and interest which arise under IFRS 16 and to include the operating lease costs within EBITDA which would have been recorded under IAS 17.

		2020		2019
	Pre IFRS 16	Impact of IFRS 16	As reported	Total
	£m	£m	£m	£m
Revenue				
Rental revenue	4,606.5	-	4,606.5	4,138.0
Sale of new equipment, merchandise and consumables	184.0	-	184.0	170.5
Sale of used rental equipment	263.1	-	263.1	191.1
	5,053.6	-	5,053.6	4,499.6
Operating costs				
Staff costs	(1,172.3)	-	(1,172.3)	(1,019.4)
Used rental equipment sold	(229.9)	-	(229.9)	(159.7)
Other operating costs	(1,381.1)	105.5	(1,275.6)	(1,213.9)
	(2,783.3)	105.5	(2,677.8)	(2,393.0)
EBITDA	2,270.3	105.5	2,375.8	2,106.6
Depreciation	(1,000.0)	(90.5)	(1,090.5)	(843.0)
Amortisation of intangibles	(61.7)	-	(61.7)	(50.7)
Operating profit	1,208.6	15.0	1,223.6	1,212.9
Investment income	-	-	-	0.1
Interest expense	(179.4)	(45.1)	(224.5)	(153.5)
Exceptional items	(16.3)	-	(16.3)	-
Profit on ordinary activities before taxation	1,012.9	(30.1)	982.8	1,059.5
Taxation	(251.1)	8.0	(243.1)	(262.6)
Profit attributable to equity holders of the Company	761.8	(22.1)	739.7	796.9

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Segmental analysis

Three months to 30 April 2020 (unaudited)

	Sunbelt US	Sunbelt UK	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	896.5	91.5	50.7	-	1,038.7
Sale of new equipment, merchandise and consumables	32.1	6.2	4.3	-	42.6
Sale of used rental equipment	35.0	6.4	2.6	-	44.0
	963.6	104.1	57.6	-	1,125.3
Operating profit before amortisation	177.0	(1.4)	(2.1)	(2.2)	171.3
Amortisation					(16.5)
Net financing costs					(57.2)
Profit before taxation					97.6
Taxation					(19.4)
Profit attributable to equity shareholders					78.2

Three months to 30 April 2019 (unaudited)

	Sunbelt US	Sunbelt UK	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	875.1	98.2	41.1	-	1,014.4
Sale of new equipment, merchandise and consumables	31.9	8.1	3.9	-	43.9
Sale of used rental equipment	33.9	8.4	5.2	-	47.5
	940.9	114.7	50.2	-	1,105.8
Operating profit before amortisation	256.1	7.6	4.2	(3.7)	264.2
Amortisation					(13.9)
Net financing costs					(41.7)
Profit before taxation					208.6
Taxation					(54.1)
Profit attributable to equity shareholders					154.5

3. Segmental analysis (continued)

Year to 30 April 2020

	Sunbelt US £m	Sunbelt UK £m	Sunbelt Canada £m	Corporate items £m	Group £m
Revenue					
Rental revenue	3,985.2	407.8	213.5	-	4,606.5
Sale of new equipment, merchandise and consumables	132.5	30.3	21.2	-	184.0
Sale of used rental equipment	218.0	31.1	14.0	-	263.1
	4,335.7	469.2	248.7	-	5,053.6
Operating profit before amortisation	1,232.1	36.4	32.2	(15.4)	1,285.3
Amortisation					(61.7)
Net financing costs					(224.5)
Exceptional items					(16.3)
Profit before taxation					982.8
Taxation					(243.1)
Profit attributable to equity shareholders					739.7

Year to 30 April 2019

	Sunbelt US £m	Sunbelt UK £m	Sunbelt Canada £m	Corporate items £m	Group £m
Revenue					
Rental revenue	3,554.2	416.4	167.4	-	4,138.0
Sale of new equipment, merchandise and consumables	118.4	32.5	19.6	-	170.5
Sale of used rental equipment	151.7	26.2	13.2	-	191.1
	3,824.3	475.1	200.2	-	4,499.6
Operating profit before amortisation	1,184.3	62.3	31.9	(14.9)	1,263.6
Amortisation					(50.7)
Net financing costs					(153.4)
Profit before taxation					1,059.5
Taxation					(262.6)
Profit attributable to equity shareholders					796.9

	Sunbelt US £m	Sunbelt UK £m	Sunbelt Canada £m	Corporate items £m	Group £m
At 30 April 2020					
Segment assets	8,639.5	835.2	776.4	7.3	10,258.4
Cash					241.4
Taxation assets					32.8
Total assets					10,532.6
At 30 April 2019					
Segment assets	6,991.8	851.6	475.7	0.3	8,319.4
Cash					12.8
Taxation assets					25.3
Total assets					8,357.5

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Operating costs and other income

	2020			2019		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Three months to 30 April (unaudited)						
Staff costs:						
Salaries	265.2	-	265.2	239.3	-	239.3
Social security costs	20.3	-	20.3	19.4	-	19.4
Other pension costs	5.9	-	5.9	6.1	-	6.1
	291.4	-	291.4	264.8	-	264.8
Used rental equipment sold	45.3	-	45.3	37.9	-	37.9
Other operating costs:						
Vehicle costs	61.3	-	61.3	64.1	-	64.1
Spares, consumables & external repairs	51.8	-	51.8	61.6	-	61.6
Facility costs	13.6	-	13.6	35.5	-	35.5
Other external charges	197.4	-	197.4	151.5	-	151.5
	324.1	-	324.1	312.7	-	312.7
Depreciation and amortisation:						
Depreciation	293.2	-	293.2	226.2	-	226.2
Amortisation of intangibles	-	16.5	16.5	-	13.9	13.9
	293.2	16.5	309.7	226.2	13.9	240.1
	954.0	16.5	970.5	841.6	13.9	855.5

	2020			2019		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Year to 30 April						
Staff costs:						
Salaries	1,070.2	-	1,070.2	930.3	-	930.3
Social security costs	80.6	-	80.6	70.6	-	70.6
Other pension costs	21.5	-	21.5	18.5	-	18.5
	1,172.3	-	1,172.3	1,019.4	-	1,019.4
Used rental equipment sold	229.9	-	229.9	159.7	-	159.7
Other operating costs:						
Vehicle costs	293.1	-	293.1	267.8	-	267.8
Spares, consumables & external repairs	249.0	-	249.0	227.4	-	227.4
Facility costs	50.5	-	50.5	128.4	-	128.4
Other external charges	683.0	-	683.0	590.3	-	590.3
	1,275.6	-	1,275.6	1,213.9	-	1,213.9
Depreciation and amortisation:						
Depreciation	1,090.5	-	1,090.5	843.0	-	843.0
Amortisation of intangibles	-	61.7	61.7	-	50.7	50.7
	1,090.5	61.7	1,152.2	843.0	50.7	893.7
	3,768.3	61.7	3,830.0	3,236.0	50.7	3,286.7

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Exceptional items and amortisation

Exceptional items are those items of financial performance that are material and non-recurring in nature. Amortisation relates to the write-off of intangible assets over their estimated useful economic life. The Group believes these items should be disclosed separately within the consolidated income statement to assist in the understanding of the financial performance of the Group. Underlying profit and earnings per share are stated before exceptional items and amortisation of intangibles.

	Unaudited Three months to 30 April		Audited Year to 30 April	
	2020	2019	2020	2019
	£m	£m	£m	£m
Amortisation of intangibles	16.5	13.9	61.7	50.7
Write-off of deferred financing costs	-	-	3.9	-
Early redemption fee	-	-	11.2	-
Call period interest	-	-	1.2	-
Taxation	(4.2)	(3.4)	(19.2)	(12.3)
	12.3	10.5	58.8	38.4

The costs associated with the redemption of the \$500m 5.625% senior notes in November 2019 have been classified as exceptional items. The write-off of deferred financing costs consists of the unamortised balance of the costs relating to the notes. In addition, an early redemption fee of £11m (\$15m) was paid to redeem the notes prior to their scheduled maturity. The call period interest represents the interest charge on the \$500m notes for the period from the issue of the new \$1.2bn notes to the date the \$500m notes were redeemed. Of these items, total cash costs were £12m.

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

	Unaudited Three months to 30 April		Audited Year to 30 April	
	2020	2019	2020	2019
	£m	£m	£m	£m
Amortisation of intangibles	16.5	13.9	61.7	50.7
Charged in arriving at operating profit	16.5	13.9	61.7	50.7
Net financing costs	-	-	16.3	-
Charged in arriving at profit before tax	16.5	13.9	78.0	50.7
Taxation	(4.2)	(3.4)	(19.2)	(12.3)
	12.3	10.5	58.8	38.4

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. Net financing costs

	Unaudited Three months to 30 April		Audited Year to 30 April	
	2020	2019	2020	2019
	£m	£m	£m	£m
Investment income:				
Net interest on the net defined benefit pension plan asset	-	-	-	(0.1)
Interest expense:				
Bank interest payable	16.3	19.0	75.8	68.6
Interest payable on senior notes	26.3	21.2	95.8	79.1
Interest payable on lease liabilities	12.6	0.1	45.5	0.4
Non-cash unwind of discount on provisions	0.3	0.1	1.2	0.8
Amortisation of deferred debt raising costs	1.7	1.3	6.2	4.6
	57.2	41.7	224.5	153.5
Net financing costs before exceptional items	57.2	41.7	224.5	153.4
Exceptional items	-	-	16.3	-
Net financing costs	57.2	41.7	240.8	153.4

7. Taxation

The tax charge for the year has been computed using a tax rate of 25% in the US (2019: 25%), 19% in the UK (2019: 19%) and 27% in Canada (2019: 27%). The blended rate for the Group as a whole is 25% (2019: 25%).

The tax charge of £262m (2019: £275m) on the underlying profit before taxation of £1,061m (2019: £1,110m) can be explained as follows:

	Year to 30 April	
	2020	2019
	£m	£m
Current tax		
- current tax on income for the period	128.0	54.3
- adjustments to prior year	(34.5)	1.1
	93.5	55.4
Deferred tax		
- origination and reversal of temporary differences	140.4	218.1
- adjustments to prior year	28.4	1.4
	168.8	219.5
Tax on underlying activities	262.3	274.9
Comprising:		
- UK	20.6	17.8
- US	240.9	252.8
- Canada	0.8	4.3
	262.3	274.9

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Taxation (continued)

In addition, the tax credit of £19m (2019: £12m) on amortisation and exceptional items of £78m (2019: £51m) consists of a current tax credit of £10m (2019: £nil) relating to the US and £1m (2019: £nil) relating to the UK, a deferred tax credit of £1m (2019: £2m) relating to the UK, £4m (2019: £7m) relating to the US and £3m (2019: £3m) relating to Canada.

8. Earnings per share

Basic and diluted earnings per share for the three and twelve months ended 30 April 2020 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:

	Unaudited Three months to 30 April		Audited Year to 30 April	
	2020	2019	2020	2019
Profit for the financial period (£m)	78.2	154.5	739.7	796.9
Weighted average number of shares (m) - basic	448.7	471.4	456.4	479.7
- diluted	450.2	473.4	458.0	481.7
Basic earnings per share	17.4p	32.8p	162.1p	166.1p
Diluted earnings per share	17.4p	32.6p	161.5p	165.4p

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:

	Unaudited Three months to 30 April		Audited Year to 30 April	
	2020	2019	2020	2019
Basic earnings per share	17.4p	32.8p	162.1p	166.1p
Amortisation of intangibles	3.7p	2.9p	13.5p	10.6p
Exceptional items	-	-	3.6p	-
Tax on exceptional items and amortisation	(0.9p)	(0.7p)	(4.2p)	(2.5p)
Underlying earnings per share	20.2p	35.0p	175.0p	174.2p

9. Dividends

During the year, a final dividend in respect of the year ended 30 April 2019 of 33.5p (2018: 27.5p) and an interim dividend for the year ending 30 April 2020 of 7.15p (2019: 6.5p) per share were paid to shareholders and costing £187m (2019: £164m).

In addition, the directors are proposing a final dividend in respect of the year ended 30 April 2020 of 33.5p (2019: 33.5p) per share which will absorb £150m of shareholders' funds, based on the 448m shares qualifying for dividend on 15 June 2020. Subject to approval by shareholders, it will be paid on 11 September 2020 to shareholders who are on the register of members on 14 August 2020.

10. Property, plant and equipment

Net book value	2020 Rental equipment £m	2020 Total £m	2019 Rental equipment £m	2019 Total £m
At 1 May	5,413.3	5,987.0	4,430.5	4,882.0
Effect of adoption of IFRS 16	-	(4.8)	-	-
Exchange differences	154.8	169.7	210.9	231.1
Reclassifications	(2.1)	-	(1.9)	-
Additions	1,274.3	1,483.0	1,416.8	1,587.1
Acquisitions	155.9	199.4	259.4	296.9
Disposals	(226.5)	(236.7)	(156.9)	(167.1)
Depreciation	(879.6)	(998.8)	(745.5)	(843.0)
At 30 April	5,890.1	6,598.8	5,413.3	5,987.0

11. Right-of-use assets

Net book value	Property leases £m	Other leases £m	Total £m
Effect of adoption of IFRS 16	889.5	4.8	894.3
Exchange differences	25.3	-	25.3
Additions	191.5	1.6	193.1
Acquisitions	74.8	-	74.8
Remeasurement	(3.4)	-	(3.4)
Disposals	(3.5)	(0.6)	(4.1)
Depreciation	(90.5)	(1.2)	(91.7)
At 30 April 2020	1,083.7	4.6	1,088.3

On transition, the right-of-use asset has been adjusted for the impact of onerous lease provisions (£1m) and lease prepayments (£8m).

12. Lease liability

	30 April 2020 £m	30 April 2019 £m
Current	106.0	-
Non-current	1,006.2	-
	1,112.2	-

13. Borrowings

	30 April 2020 £m	30 April 2019 £m
Current		
Finance lease obligations	-	2.3
Non-current		
First priority senior secured bank debt	2,141.9	2,010.7
Finance lease obligations	-	2.7
5.625% senior notes, due 2024	-	379.3
4.125% senior notes, due 2025	470.8	454.7
5.250% senior notes, due 2026	469.6	453.6
4.375% senior notes, due 2027	470.2	454.4
4.000% senior notes, due 2028	469.9	-
4.250% senior notes, due 2029	469.8	-
	4,492.2	3,755.4

The senior secured bank debt is secured by way of fixed and floating charges over substantially all the Group's property, plant and equipment, inventory and trade receivables. Following the redemption of the $500m 5.625% notes due in 2024, the second priority fixed and floating charges over the Group's property, plant and equipment, inventory and trade receivables securing the senior notes were released and the senior notes are no longer secured by these assets. The senior notes continue to be guaranteed by Ashtead Group plc and all its principal subsidiary undertakings.

The $600m 4.125% senior notes mature in August 2025, the $600m 5.25% senior notes mature in August 2026, the $600m 4.375% senior notes mature in August 2027, the $600m 4.000% senior notes mature in May 2028 and the $600m 4.250% senior notes mature in November 2029. 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 4%. The terms of the senior notes are such that financial performance covenants are only measured at the time new debt is raised.

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 $460m. The covenant ratio is calculated each quarter. At 30 April 2020, the fixed charge ratio exceeded the covenant requirement.

At 30 April 2020, availability under the senior secured bank facility, including cash on the balance sheet, was $2,363m ($1,622m at 30 April 2019), with an additional $2,147m of suppressed availability, meaning that the covenant did not apply at 30 April 2020 and is unlikely to apply in forthcoming quarters.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. Borrowings (continued)

Fair value of financial instruments

At 30 April 2020, the Group had no derivative financial instruments.

With the exception of the Group's senior 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 30 April 2020		At 30 April 2019	
	Book Value £m	Fair value £m	Book value £m	Fair value £m
5.625% senior notes	-	-	383.5	397.5
4.125% senior notes	475.7	461.4	460.3	455.1
5.250% senior notes	475.7	479.3	460.3	476.9
4.375% senior notes	475.7	463.8	460.3	451.6
4.000% senior notes	475.7	453.1	-	-
4.250% senior notes	475.7	453.1	-	-
	2,378.5	2,310.7	1,764.4	1,781.1
Deferred costs of raising finance	(28.2)	-	(22.4)	-
	2,350.3	2,310.7	1,742.0	1,781.1

The fair value of the senior notes has been calculated using quoted market prices at 30 April 2020.

14. Share capital

Ordinary shares of 10p each:

	30 April 2020 Number	30 April 2019 Number	30 April 2020 £m	30 April 2019 £m
Issued and fully paid	454,194,833	499,225,712	45.4	49.9

During the year, the Company purchased 19.7m ordinary shares at a total cost of £445m under the Group's share buyback programme. Since the commencement of the Group's ongoing share buyback programme, the Group has purchased 49.9m shares and in January 2020, 45.0m ordinary shares held in treasury were cancelled. At 30 April 2020 after the cancellation of these shares, 4.9m (April 2019: 30.3m) shares were held by the Company and a further 1.5m (April 2019: 1.6m) shares were held by the Company's Employee Share Ownership Trust.

15. Notes to the cash flow statement

a) Cash flow from operating activities

	Year to 30 April 2020 £m	2019 £m
Operating profit before exceptional items and amortisation	1,285.3	1,263.6
Depreciation	1,090.5	843.0
EBITDA before exceptional items	2,375.8	2,106.6
Profit on disposal of rental equipment	(33.3)	(31.4)
Profit on disposal of other property, plant and equipment	(1.2)	(0.8)
Increase in inventories	(0.5)	(14.9)
Decrease/(increase) in trade and other receivables	94.1	(84.7)
(Decrease)/increase in trade and other payables	(13.2)	60.7
Exchange differences	0.3	(0.6)
Other non-cash movements	8.4	7.6
Cash generated from operations before exceptional items and changes in rental equipment	2,430.4	2,042.5

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 2019 £m	Adoption of IFRS 16 £m	Cash flow £m	Exchange movement £m	Debt acquired £m	New lease liabilities £m	Other movements £m	30 April 2020 £m
Short-term borrowings	2.3	(2.3)	-	-	-	-	-	-
Long-term borrowings	3,755.4	(2.7)	606.1	108.6	14.7	-	10.1	4,492.2
Lease liabilities	-	887.8	(64.3)	25.1	74.8	188.8	-	1,112.2
Total liabilities from financing activities	3,757.7	882.8	541.8	133.7	89.5	188.8	10.1	5,604.4
Cash and cash equivalents	(12.8)	-	(227.9)	(0.7)	-	-	-	(241.4)
Net debt	3,744.9	882.8	313.9	133.0	89.5	188.8	10.1	5,363.0

15. Notes to the cash flow statement (continued)

b) Analysis of net debt (continued)

	1 May 2018 £m	Cash Flow £m	Non-cash movements: Exchange movement £m	Non-cash movements: Debt acquired £m	Non-cash movements: Other movements £m	30 April 2019 £m
Short-term borrowings	2.7	(9.1)	-	7.9	0.8	2.3
Long-term borrowings	2,728.4	864.4	126.6	20.5	15.5	3,755.4
Total liabilities from financing activities	2,731.1	855.3	126.6	28.4	16.3	3,757.7
Cash and cash equivalents	(19.1)	6.6	(0.3)	-	-	(12.8)
Net debt	2,712.0	861.9	126.3	28.4	16.3	3,744.9

Debt acquired of £90m (2019: £28m) comprises borrowings of £15m (2019: £28m) and lease liabilities of £75m (2019: £nil). Further details are given in note 16.

Details of the Group's cash and debt are given in note 13 and the Review of Fourth Quarter, Balance Sheet and Cash Flow accompanying these condensed consolidated financial statements.

c) Acquisitions

	Year to 30 April 2020 £m	Year to 30 April 2019 £m
Cash consideration paid:		
- acquisitions in the period	435.8	589.4
- contingent consideration	17.3	1.9
	453.1	591.3

During the year, 18 businesses were acquired with cash paid of £436m (2019: £589m), after taking account of net cash acquired of £4m. Further details are provided in note 16.

Contingent consideration of £17m (2019: £2m) was paid relating to prior year acquisitions.

16. Acquisitions

During the year, the following acquisitions were completed:

i) On 9 May 2019, Sunbelt US acquired the business and assets of Westside Rental and Sales, LLC ('Westside'). Westside is a general equipment business in Tennessee.

ii) On 17 May 2019, Sunbelt US acquired the business and assets of the Harlingen Texas branch of Harris County Rentals, LLC, trading as Texas State Rentals ('HCR'). HCR is a general equipment business in Texas.

iii) On 29 May 2019, Sunbelt US acquired the business and assets of the Tampa branch of Contractors Building Supply Co., LLC ('CBS'). CBS is a general equipment business in Florida.

16. Acquisitions (continued)

iv) On 20 June 2019, Sunbelt US acquired the business and assets of Six and Mango, LLP ('SME'). SME is a general equipment business in Texas.

v) On 28 June 2019, A-Plant acquired the entire share capital of Ellerbeck Industries Limited, trading as Inlec UK Limited ('Inlec') and Evercal Limited ('Evercal'). Inlec and Evercal are industrial test and measurement businesses.

vi) On 19 July 2019, Sunbelt US acquired the business and assets of King Equipment, LLC ('King') for a cash consideration of £152m ($191m), including properties for £21m, with contingent consideration of up to £2m ($3m) payable over the next year depending on revenue meeting or exceeding certain thresholds. King is a general equipment business in California.

vii) On 28 August 2019, Sunbelt US acquired the business and assets of Redi-Rents, Inc. ('Redi-Rents'). Redi-Rents is a general equipment business in California.

viii) On 5 September 2019, Sunbelt US acquired the business and assets of Midwest Scaffold Services, LLC ('MSS'). MSS is a scaffold business in the US midwest.

ix) On 1 October 2019, Sunbelt Canada acquired the entire share capital of Rental Experts, Inc. and the business and assets of River City Aerial Lifts, Inc. (together 'Rental Experts/River City'). Rental Experts/River City is a general equipment business in Manitoba.

x) On 2 October 2019, Sunbelt US acquired the business and assets of Allwest Underground, Inc. ('Allwest'). Allwest is a trench shoring business in Washington and Oregon.

xi) On 15 October 2019, Sunbelt US acquired the business and assets of Beavercreek Rentals, Inc. ('Beavercreek'). Beavercreek is a general equipment business in Ohio.

xii) On 14 November 2019, Sunbelt US acquired the business and assets of the New Braunfels Texas branch of Harris County Rentals, LLC, trading as Texas State Rentals ('HCR'). HCR is a general equipment business in Texas.

xiii) On 26 November 2019, Sunbelt US acquired the business and assets of Kitsap Rentals, Inc. ('Advanced Rentals'). Advanced Rentals is a general equipment business in Washington.

xiv) On 2 December 2019, Sunbelt Canada acquired the entire share capital of William F. White International, Inc. ('WFW') for a cash consideration of £136m (C$234m) with contingent consideration of up to £8m (C$14m), payable over the next year, depending on EBITDA meeting or exceeding certain thresholds. Including acquired debt, the total cash consideration was £151m (C$260m). WFW is a film and television equipment rental business operating across Canada.

xv) On 11 December 2019, Sunbelt US acquired the business and assets of S&S Diversified Inc. ('Midwest Sweepers & Scrubbers'). Midwest Sweepers and Scrubbers is a flooring solutions business in Missouri.

xvi) On 21 January 2020, Sunbelt US acquired the business and assets of Associated Power, Inc. ('Associated Power'). Associated Power is a temporary power rental business in Southern California.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. Acquisitions (continued)

xvii) On 29 January 2020, Sunbelt US acquired the business and assets of Gaston Rentals, Inc. and McArver Enterprises, Ltd (together, 'Gaston'). Gaston is a general equipment business in North Carolina.

xviii) On 9 March 2020, Sunbelt US acquired the business and assets of BJ's Rentals, Inc. ('BJ's'). BJ's is a general equipment 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	31.2
Inventory	0.4
Property, plant and equipment	
- rental equipment	155.9
- other assets	43.5
Right-of-use asset	74.8
Creditors	(20.3)
Debt	(14.7)
Lease liabilities	(74.8)
Current tax	(11.4)
Deferred tax	(17.3)
Intangible assets (non-compete agreements, brand names and customer relationships)	122.3
	289.6
Consideration:	
- cash paid and due to be paid (net of cash acquired)	438.8
- contingent consideration	14.5
	453.3
Goodwill	163.7

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. £99m of the goodwill is expected to be deductible for income tax purposes.

The gross value and the fair value of trade receivables at acquisition was £31m.

Due to the operational integration of acquired businesses with Sunbelt US, Sunbelt Canada and Sunbelt UK 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 2019 to their date of acquisition was not material.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. Contingent liabilities

Following its state aid investigation, in April 2019 the European Commission announced its decision that the Group Financing Exemption in the UK controlled foreign company ('CFC') legislation constitutes state aid in some circumstances. In common with the UK Government and other UK-based international companies, the Group does not agree with the decision and has therefore lodged a formal appeal with the General Court of the European Union. If the decision reached by the European Commission is not successfully appealed, we have estimated the Group's maximum potential liability to be £36m as at 30 April 2020. Based on the current status of proceedings, we have concluded that no provision is required in relation to this matter.

REVIEW OF FOURTH QUARTER, BALANCE SHEET AND CASH FLOW

Fourth quarter (unaudited)

	Revenue		EBITDA		Profit[1]	
	2020	2019	2020	2019	2020	2019
Sunbelt US in $m	1,210.0	1,229.8	532.1	577.0	220.9	334.9
Sunbelt Canada in C$m	99.9	87.4	26.0	28.6	(3.1)	7.4
Sunbelt US in £m	963.6	940.9	424.3	441.6	177.0	256.1
Sunbelt UK	104.1	114.7	27.4	36.3	(1.4)	7.6
Sunbelt Canada in £m	57.6	50.2	14.8	16.4	(2.1)	4.2
Group central costs	-	-	(2.0)	(3.9)	(2.2)	(3.7)
	1,125.3	1,105.8	464.5	490.4	171.3	264.2
Net financing costs					(57.2)	(41.7)
Profit before amortisation and tax					**114.1**	**222.5**
Amortisation					(16.5)	(13.9)
Profit before taxation					97.6	208.6
Margins as reported						
Sunbelt US			*44.0%*	*46.9%*	*18.3%*	*27.2%*
Sunbelt UK			*26.3%*	*31.8%*	*-1.4%*	*6.7%*
Sunbelt Canada			*26.0%*	*32.7%*	*-3.1%*	*8.5%*
Group			*41.3%*	*44.3%*	*15.2%*	*23.9%*

[1] Segment result presented is operating profit before amortisation.

The Group adopted IFRS 16, Leases ('IFRS 16') on 1 May 2019. The Group elected to apply IFRS 16 using the modified retrospective approach with no restatement of comparative figures. As a result, the results for the fourth quarter are not comparable directly to the prior year with the adoption of IFRS 16 resulting in higher EBITDA and operating profit but lower profit before amortisation, exceptional items and tax than under the previous accounting standard. Our comments below are on both the reported figures and those excluding the impact of IFRS 16 to aid comparability. Margins excluding the impact of IFRS 16 are summarised below. Further details on the adoption and impact of IFRS 16 are provided in note 2 to the financial statements.

Margins excluding the impact of IFRS 16	*2020*	*2019*	*2020*	*2019*
Sunbelt US	*41.6%*	*46.9%*	*17.9%*	*27.2%*
Sunbelt UK	*24.2%*	*31.8%*	*-1.6%*	*6.7%*
Sunbelt Canada	*20.2%*	*32.7%*	*-4.0%*	*8.5%*
Group	*38.7%*	*44.3%*	*14.8%*	*23.9%*

Fourth quarter results reflect the impact of COVID-19 on the business where activity levels dropped suddenly from mid-March. As a result, while Group revenue increased 2% to £1,125m in the fourth quarter (2019: £1,106m), it fell 2% at constant exchange rates. This sudden fall in activity levels had a significant impact on profit as a large proportion of our costs are fixed in the short term. As a result, operating profit was £171m (2019: £264m).

US revenue growth for the quarter can be analysed as follows:

		$m
2019 rental only revenue		908
Organic (same-store and greenfields)	-3%	(24)
Bolt-ons (since 1 February 2019)	3%	21
2020 rental only revenue	-%	905
Ancillary revenue	-6%	221
2020 rental revenue	-2%	1,126
Sales revenue	-2%	84
2020 total revenue	-2%	1,210

US rental only revenue was broadly flat year over year with growth from bolt-ons of 3% offsetting the reduction in organic rental revenue. The UK generated rental only revenue of £78m (2019: £84m), a decrease of 7% compared with the comparable quarter, while Canada delivered revenue of C$100m (2019: C$87m) in the quarter reflecting the benefit of recent acquisitions. On an organic basis, rental only revenue decreased 4%.

Group operating profit decreased 35% to £171m (2019: £264m). Net financing costs were £57m (2019: £42m), the increase due to principally the impact of IFRS 16. As a result, Group profit before amortisation of intangibles, exceptional items and taxation was £114m (2019: £222m). After amortisation of £16m the statutory profit before taxation was £98m (2019: £209m).

Balance sheet

Fixed assets

Capital expenditure in the year totalled £1,483m (2019: £1,587m) with £1,274m invested in the rental fleet (2019: £1,417m). Expenditure on rental equipment was 86% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division was:

		2020		2019
	Replacement	Growth	Total	Total
Sunbelt US in $m	711.8	740.1	1,451.9	1,607.4
Sunbelt Canada in C$m	73.5	42.9	116.4	155.7
Sunbelt US in £m	564.3	586.8	1,151.1	1,233.1
Sunbelt UK	56.7	-	56.7	94.9
Sunbelt Canada in £m	42.0	24.5	66.5	88.8
Total rental equipment	663.0	611.3	1,274.3	1,416.8
Delivery vehicles, property improvements & IT equipment			208.7	170.4
Total additions			1,483.0	1,587.2

In the US, $740m of rental equipment capital expenditure was spent on growth while $712m 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 30 April 2020 was 36 months (2019: 34 months) on a net book value basis. The US fleet had an average age of 36 months (2019: 33 months), the UK fleet had an average age of 43 months (2019: 38 months) and Canada's fleet had an average age of 33 months (2019: 30 months).

	Rental fleet at original cost			LTM rental	LTM dollar
	30 April 2020	30 April 2019	LTM average	revenue	utilisation
Sunbelt US in $m	10,102	9,125	9,817	5,046	51%
Sunbelt Canada in C$m	921	660	776	361	47%
Sunbelt US in £m	8,010	6,999	7,753	3,985	51%
Sunbelt UK	874	907	885	408	46%
Sunbelt Canada in £m	526	376	459	213	47%
	9,410	8,282	9,097	4,606	

Dollar utilisation was 51% in the US (2019: 55%), 46% for the UK (2019: 47%) and 47% for Canada (2019: 49%). US dollar utilisation was impacted favourably last year by hurricane activity and adversely this year due to slightly lower physical fleet utilisation earlier in the year and, more recently, by the COVID-19 pandemic. The pandemic had a similar impact on the UK and Canada.

Trade receivables

Receivable days at 30 April 2020 were 49 days (2019: 51 days). The bad debt charge for the last twelve months ended 30 April 2020 as a percentage of total turnover was 1.2% (2019: 0.6%). This increase over the prior year reflects an additional charge taken for potentially irrecoverable receivables as a result of the impact of COVID-19. Trade receivables at 30 April 2020 of £776m (2019: £756m) are stated net of allowances for bad debts and credit notes of £100m (2019: £53m) with the increased allowance representing 13% (2019: 7%) of gross receivables as a result of COVID-19.

Trade and other payables

Group payable days were 55 days in 2020 (2019: 55 days) with capital expenditure related payables totalling £106m (2019: £196m). 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

	Year to 30 April 2020 £m	2019 £m
EBITDA before exceptional items	2,375.8	2,106.6
Cash inflow from operations before exceptional items and changes in rental equipment	2,430.4	2,042.5
*Cash conversion ratio**	*102.3%*	*97.0%*
Replacement rental capital expenditure	(650.2)	(472.9)
Payments for non-rental capital expenditure	(208.2)	(168.7)
Rental equipment disposal proceeds	246.6	181.6
Other property, plant and equipment disposal proceeds	12.0	10.2
Tax (net)	(113.2)	(51.0)
Financing costs	(196.9)	(142.9)
Cash inflow before growth capex and payment of exceptional costs	**1,520.5**	**1,398.8**
Growth rental capital expenditure	(716.0)	(1,030.6)
Exceptional costs	(12.4)	-
Free cash flow	**792.1**	**368.2**
Business acquisitions	(453.1)	(591.3)
Total cash generated/(absorbed)	**339.0**	**(223.1)**
Dividends	(186.7)	(164.2)
Purchase of own shares by the Company	(448.6)	(460.4)
Purchase of own shares by the ESOT	(17.6)	(14.2)
Increase in net debt due to cash flow	**(313.9)**	**(861.9)**

* 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 19% to £2,430m. The cash conversion ratio for the year was 102% (2019: 97%).

Total payments for capital expenditure (rental equipment and other PPE) during the year were £1,574m (2019: £1,672m). Disposal proceeds received totalled £259m (2019: £192m), giving net payments for capital expenditure of £1,315m in the period (2019: £1,480m). Financing costs paid totalled £197m (2019: £143m) while tax payments were £113m (2019: £51m). 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.

Accordingly, the Group generated £1,520m (2019: £1,399m) of net cash before discretionary investments made to enlarge the size and hence earning capacity of the rental fleet and on acquisitions. After growth capital expenditure and exceptional costs, there was a free cash inflow of £792m (2019: £368m) and, after acquisition expenditure of £453m (2019: £591m), a net cash inflow of £339m (2019: outflow of £223m), before returns to shareholders. Excluding the impact of IFRS 16, there was a free cash inflow of £725m (2019: £368m) and a net cash inflow of £272m (2019: £223m), before returns to shareholders.

Net debt

	2020	2019
	£m	£m
First priority senior secured bank debt	2,141.9	2,010.7
5.625% senior notes, due 2024	-	379.3
4.125% senior notes, due 2025	470.8	454.7
5.250% senior notes, due 2026	469.6	453.6
4.375% senior notes, due 2027	470.2	454.4
4.000% senior notes, due 2028	469.9	-
4.250% senior notes, due 2029	469.8	-
Total external borrowings	4,492.2	3,752.7
Lease liabilities	1,112.2	5.0
	5,604.4	3,757.7
Cash and cash equivalents	(241.4)	(12.8)
Total net debt	5,363.0	3,744.9

Net debt at 30 April 2020 was £5,363m with the increase since 30 April 2019 reflecting the adoption of IFRS 16, the net cash outflow set out above and weaker sterling (£133m). The Group's EBITDA for the year ended 30 April 2020 was £2,376m. Including the impact of IFRS 16, the ratio of net debt to EBITDA was 2.3 times at 30 April 2020. Excluding the impact of IFRS 16, the ratio of net debt to EBITDA was 1.9 times (2019: 1.8 times) on a constant currency and a reported basis as at 30 April 2020.

Financial risk management

The Group's trading and financing activities expose it to various financial risks that, if left unmanaged, could adversely impact on current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

The Group's activities expose it primarily to interest rate and currency risk. Interest rate risk is monitored on a continuous basis and managed, where appropriate, through the use of interest rate swaps whereas the use of forward foreign exchange contracts to manage currency risk is considered on an individual non-trading transaction basis. The Group is not exposed to commodity price risk or equity price risk as defined in IFRS 7.

Interest rate risk

The Group has fixed and variable rate debt in issue with 52% of the drawn debt at a fixed rate as at 30 April 2020, excluding lease liabilities. The Group's accounting policy requires all borrowings to be held at amortised cost. As a result, the carrying value of fixed rate debt is unaffected by changes in credit conditions in the debt markets and there is therefore no exposure to fair value interest rate risk. The Group's debt that bears interest at a variable rate comprises all outstanding borrowings under the senior secured credit facility. The interest rates currently applicable to this variable rate debt are LIBOR as applicable to the currency borrowed plus 150bp for $4.1bn of the facility and pricing is LIBOR plus 225bp, with a LIBOR floor of 75bp, for the other $500m.

The Group periodically utilises interest rate swap agreements to manage and mitigate its exposure to changes in interest rates. However, during the year ended and as at 30 April 2020, the Group had no such swap agreements outstanding. The Group may, at times, hold cash and cash equivalents, which earn interest at a variable rate.

Currency risk

Currency risk is predominantly translation risk as there are no significant transactions in the ordinary course of business that take place between foreign entities. The Group's reporting currency is the pound sterling. However, a majority of our assets, liabilities, revenue and costs is denominated in US dollars. The Group has arranged its financing such that, at 30 April 2020, 92% 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 30 April 2020, dollar denominated debt represented approximately 67% 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 30 April 2020, a 1% change in the US dollar exchange rate would impact pre-tax profit by £11m.

The Group's exposure to exchange rate movements on trading transactions is relatively limited. All Group companies invoice revenue in their respective local currency and generally incur expense and purchase assets in their local currency. Consequently, the Group does not routinely hedge either forecast foreign exchange exposures or the impact of exchange rate movements on the translation of overseas profits into sterling. Where the Group does hedge, it maintains appropriate hedging documentation. Foreign exchange risk on significant non-trading transactions (e.g. acquisitions) is considered on an individual basis.

Credit risk

The Group's principal financial assets are cash and bank balances and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group has a large number of unrelated customers, serving over 745,000 during the financial year, and does not have any significant credit exposure to any particular customer. Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the markets they serve. The Group believes that management of credit risk on a devolved basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management practice are observed across the Group, such as the use of credit reference agencies and the maintenance of credit control functions.

Liquidity risk

Liquidity risk is the risk that the Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment.

The Group generates significant free cash flow before investment (defined as cash flow from operations less replacement capital expenditure net of proceeds of asset disposals, interest paid and tax paid). This free cash flow before investment is available to the Group to invest in growth capital expenditure, acquisitions, dividend payments and other returns to shareholders or to reduce debt.

In addition to the strong free cash flow from normal trading activities, additional liquidity is available through the Group's senior secured debt facility. At 30 April 2020, availability, including cash on the balance sheet and the $4.6bn facility, was $2,363m (£1,874m).

Principal risks and uncertainties

The Group faces a number of risks and uncertainties in its day-to-day operations and it is management's role to mitigate and manage these risks. The Board has established a formal risk management process which has identified the following principal risks and uncertainties which could affect employees, operations, revenue, profits, cash flows and assets of the Group.

Economic conditions

Potential impact
In the longer term, there is a link between demand for our services and levels of economic activity. The construction industry, which affects our business, is cyclical and typically lags the general economic cycle by between 12 and 24 months.

The economic uncertainties resulting from the impact of the COVID-19 or other pandemics are considered as part of this risk, together with trade / tariff escalation and the impact of Brexit on the UK economy.

Mitigation
- Prudent management through the different phases of the cycle.
- Flexibility in the business model.
- Capital structure and debt facilities arranged in recognition of the cyclical nature of our market and able to withstand market shocks.

Change

In recent years, our performance has benefitted from the economic cycle. In the current year, while we were anticipating a slowing of market growth, the impact of the COVID-19 pandemic has resulted in an immediate reduction in market activity and increased uncertainty. Nevertheless, our business planning is designed to ensure we maintain a strong balance sheet to not only weather unexpected shocks but also ensure we have firepower as markets recover to achieve the next 'step-change' in business performance.

Competition

Potential impact
The already competitive market could become even more competitive and we could suffer increased competition from large national competitors or small companies operating at a local level resulting in reduced market share and lower revenue.

Mitigation
- Create commercial advantage by providing the highest level of service, consistently and at a price which offers value.
- Differentiation of service.
- Enhance the barriers to entry to newcomers provided by our platform: industry-leading IT, experienced personnel and a broad network and equipment fleet.
- Regularly estimate and monitor our market share and track the performance of our competitors.

Change
Our competitive position continues to improve. We have grown faster than our larger competitors and the market, and continue to take market share from our smaller, less well financed competitors. We have a 10% market share in the US, a 5% market share in Canada and 8% in the UK.

Financing

Potential impact
Debt facilities are only ever committed for a finite period of time and we need to plan to renew our facilities before they mature and guard against default. Our loan agreements also contain conditions (known as covenants) with which we must comply.

Mitigation
- Maintain conservative (1.5 to 2 times excluding the impact of IFRS 16), net debt to EBITDA leverage which helps minimise our refinancing risk.
- Maintain long debt maturities.
- Use of an asset-based senior facility means none of our debt contains quarterly financial covenants when availability under the facility exceeds $460m.

Change
At 30 April 2020, our facilities were committed for an average of six years, leverage was at 1.9 times and availability under the senior debt facility, including cash on the balance sheet, was $2,363m.

Cyber security

Potential impact
A cyber-attack or serious uncured failure in our systems could result in us being unable to deliver service to our customers and / or the loss of data. In particular, we are heavily dependent on technology for the smooth running of our business given the large number of both units of equipment we rent and our customers. As a result, we could suffer reputational loss, revenue loss and financial penalties.

This is the most significant factor in our business continuity planning.

Mitigation
- Stringent policies surrounding security, user access, change control and the ability to download and install software.
- Testing of cyber security including system penetration testing and internal phishing training exercises undertaken.
- Use of antivirus and malware software, firewalls, email scanning and internet monitoring as an integral part of our security plan.
- Use of firewalls and encryption to protect systems and any connections to third parties.
- Use of multi-factor authentication.
- Continued focus on development of IT strategy taking advantage of cloud technology available.
- Separate near-live back-up data centres which are designed to be able to provide the necessary services in the event of a failure at a primary site.

Change
We seek to improve continually our cyber security policies and controls in place. We have made a significant investment to enhance further our cyber security environment and profile this year and have a plan for the coming year.

In relation to business continuity, our plans have been subject to continued review and update during the year and our disaster recovery plans are tested regularly. Our broader business continuity plans have been tested extensively as a result of the COVID-19 pandemic and were proven robust and enabled the business to operate uninterrupted throughout.

Health and safety

Potential impact
We need to comply with laws and regulations governing occupational health and safety matters. Furthermore, accidents could happen which might result in injury to an individual, claims against the Group and damage to our reputation.

Mitigation
- Maintain appropriate health and safety policies and procedures regarding the need to comply with laws and regulations and to reasonably guard our employees against the risk of injury.
- Induction and training programmes reinforce health and safety policies.
- Programmes to support our customers exercising their responsibility to their own workforces when using our equipment.
- Maintain appropriate insurance coverage.

Change
The health and safety of our team members is our priority. We have introduced a new safety framework in North America under the banner 'Engage for Life' and this will be extended to the UK during 2020/21.

Introduced additional measures to protect our team members, customers and communities as a result of the impact of COVID-19 including:
- restricted travel and meetings;
- remote working where possible;
- reinforced health protection protocols and implemented social distancing;
- provided touchless signature at the point of equipment pick-up or delivery;
- implemented curbside pick-up and drop-off.

In terms of reportable incidents, the RIDDOR reportable rate was 0.30 (2019: 0.34) in Sunbelt US, 0.34 (2019: 0.28) in Sunbelt Canada and 0.19 (2019: 0.22) in Sunbelt UK.

People

Potential impact
Retaining and attracting good people is key to delivering superior performance and customer service. Excessive staff turnover is likely to impact on our ability to maintain the appropriate quality of service to our customers and would ultimately impact our financial performance adversely. At a leadership level, succession planning is required to ensure the Group can continue to inspire the right culture, leadership and behaviours and meet its strategic objectives.

Mitigation
- Provide well-structured and competitive reward and benefit packages that ensure our ability to attract and retain the employees we need.
- Ensure that our staff have the right working environment and equipment to enable them to do the best job possible and maximise their satisfaction at work.
- Invest in training and career development opportunities for our people to support them in their careers.
- Ensure succession plans are in place and reviewed regularly which meet the ongoing needs of the Group.

Change
Our compensation and incentive programmes have continued to evolve to reflect market conditions and the economic environment.

Employee turnover is most significant in the first 12-24 months of employment and so we have developed programmes to enhance both the recruitment and induction process.

We continue to invest in training and career development with over 350 courses offered across both businesses.

<u>Environmental</u>

Potential impact
We need to comply with environmental laws. These laws regulate such issues as wastewater, stormwater, solid and hazardous wastes and materials, and air quality. Breaches potentially create hazards to our employees, damage to our reputation and expose the Group to, amongst other things, the cost of investigating and remediating contamination and also fines and penalties for non-compliance.

Mitigation
- Policies and procedures in place at all our stores regarding the need to adhere to local laws and regulations.
- Procurement policies reflect the need for the latest available emissions management and fuel efficiency tools in our fleet.
- Monitoring and reporting of carbon emissions.

Change
We continue to seek to reduce the environmental impact of our business and invest in technology to reduce the environmental impact on our customers' businesses.

We are reviewing our ESG positioning and enhancing and formalising our strategy for the future.

In 2019/20 our carbon emission intensity ratio reduced to 20.3 (2019: 21.2) in the US, 12.5 (2019: 12.8) in Canada and 9.0 (2019: 9.4) in the UK.

<u>Laws and regulations</u>

Potential impact
Failure to comply with the frequently changing regulatory environment could result in reputational damage or financial penalty.

Mitigation
- Maintaining a legal function to oversee management of these risks and to achieve compliance with relevant legislation.
- Group-wide ethics policy and whistle-blowing arrangements.
- Evolving policies and practices to take account of changes in legal obligations.
- Training and induction programmes ensure our staff receive appropriate training and briefing on the relevant policies.

Change
We monitor regulatory and legislative changes to ensure our policies and practices reflect them and we comply with relevant legislation.

Our whistle-blowing arrangements are well established and the Company Secretary reports matters arising to the Audit Committee and the Board during the course of the year.

During the year over 2,100 people in Sunbelt US, 120 people in Canada and 365 people in Sunbelt UK underwent induction training and additional training programmes were undertaken in safety.

OPERATING STATISTICS

	Number of rental stores		Staff numbers	
	2020	2019	2020	2019
Sunbelt US	837	773	14,048	13,015
Sunbelt UK	193	196	3,712	3,789
Sunbelt Canada	75	67	1,506	984
Corporate office	-	-	18	15
Group	1,105	1,036	19,284	17,803

Sunbelt US's rental store number includes no Sunbelt at Lowes stores at 30 April 2020 (2019: 19).

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. Where relevant, the APMs exclude the impact of IFRS 16 to aid comparability with prior year metrics. 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.

<table>
<tr><th>Term</th><th>Closest equivalent statutory measure</th><th>Definition and purpose</th></tr>
<tr><td>Constant currency growth</td><td>None</td><td>
Calculated by applying the current period exchange rate to the comparative period result. The relevant foreign currency exchange rates are provided within Note 2, Accounting policies, to the financial statements. This measure is used as a means of eliminating the effects of foreign exchange rate movements on the period-on-period changes in reported results.
<table>
<tr><th></th><th>2020
£m</th><th>2019
£m</th><th>%</th></tr>
<tr><td>Rental revenue</td><td></td><td></td><td></td></tr>
<tr><td>As reported</td><td>4,606</td><td>4,138</td><td>11%</td></tr>
<tr><td>Retranslation effect</td><td>-</td><td>110</td><td></td></tr>
<tr><td>At constant currency</td><td>4,606</td><td>4,248</td><td>8%</td></tr>
<tr><td>Underlying profit before tax</td><td></td><td></td><td></td></tr>
<tr><td>As reported</td><td>1,061</td><td>1,110</td><td>-4%</td></tr>
<tr><td>Impact of IFRS 16</td><td>30</td><td>-</td><td></td></tr>
<tr><td>Retranslation effect</td><td>-</td><td>32</td><td></td></tr>
<tr><td>At constant currency</td><td>1,091</td><td>1,142</td><td>-4%</td></tr>
</table>
</td></tr>
<tr><td>Drop through</td><td>None</td><td>
Calculated as the incremental rental revenue which converts into EBITDA (excluding gains from sale of new equipment, merchandise and consumables and from sale of used equipment). In the current year, the impact of IFRS 16 has been excluded so as not to distort this metric.
<table>
<tr><th></th><th>2020</th><th>2019</th></tr>
<tr><td>Sunbelt US ($m)</td><td></td><td></td></tr>
<tr><td>Rental revenue</td><td>5,046</td><td>4,637</td></tr>
<tr><td>EBITDA exc. gains and impact of IFRS 16</td><td>2,505</td><td>2,362</td></tr>
<tr><td>Drop through</td><td>35%</td><td></td></tr>
</table>
This measure is utilised by the Group to demonstrate the incremental profitability generated by the Group as a result of growth in the year.
</td></tr>
<tr><td>Leverage</td><td>None</td><td>
Leverage calculated at constant exchange rates uses the current period exchange rate and is determined as net debt divided by underlying EBITDA.
<table>
<tr><th></th><th colspan="2">2020
£m</th><th>2019
£m</th></tr>
<tr><th></th><th>Inc. IFRS 16</th><th>Exc. IFRS 16</th><th></th></tr>
<tr><td>Net debt (at constant currency)</td><td>5,363</td><td>4,256</td><td>3,850</td></tr>
<tr><td>EBITDA (at constant currency)</td><td>2,380</td><td>2,280</td><td>2,170</td></tr>
<tr><td>Leverage</td><td>2.3</td><td>1.9</td><td>1.8</td></tr>
</table>
This measure is used to provide an indication of the strength of the Group's balance sheet and is widely used by investors and credit rating agencies. It also forms part of the remuneration targets of the Group and has been identified as one of the Group's key performance indicators.
</td></tr>
</table>

<table>
<tr><th>Term</th><th>Closest equivalent statutory measure</th><th>Definition and purpose</th></tr>
<tr><td>Return on Investment (‘RoI’)</td><td>None</td><td>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. In the current year, the impact of IFRS 16 has been excluded so as not to distort this metrics. RoI is used by management to help inform capital allocation decisions within the business and has been identified as one of the Group’s key performance indicators. It also forms part of the remuneration targets of the Group.

A reconciliation of Group RoI is provided below:

<table>
<tr><th></th><th>2020</th><th>2019</th></tr>
<tr><td>Underlying operating profit (£m)</td><td>1,270</td><td>1,264</td></tr>
<tr><td>Average net assets (£m)</td><td>8,347</td><td>7,117</td></tr>
<tr><td>Return on investment (%)</td><td>15%</td><td>18%</td></tr>
</table>

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

<table>
<tr><th></th><th>US</th><th>Canada</th><th>UK</th></tr>
<tr><td>Underlying operating profit</td><td>1,544</td><td>53</td><td>36</td></tr>
<tr><td>Average net assets, excluding goodwill and intangibles</td><td>7,406</td><td>583</td><td>649</td></tr>
<tr><td>Return on investment</td><td>21%</td><td>9%</td><td>5%</td></tr>
</table>
</td></tr>
</table>

Other terms used within this announcement include:

- **Availability:** represents the headroom on a given date under the terms of our $4.6bn asset-backed senior bank 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 Fourth Quarter, Balance Sheet and Cash Flow 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 Fourth Quarter, Balance Sheet and Cash Flow section.

- **EBITDA and EBITDA margin:** EBITDA is earnings before interest, tax, depreciation and amortisation. A reconciliation of EBITDA to profit before tax is shown on the income statement. EBITDA margin is calculated as EBITDA before exceptional items divided by revenue. Progression in EBITDA margin is an important indicator of the Group’s performance and this has been identified as one of the Group’s key performance indicators.

- **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. Excluding these items provides readers with helpful additional information on the performance of the business across periods and against peer companies. It is also consistent with how business performance is reported to the Board and the remuneration targets set by the Company. Details are provided in Note 5.

- **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. Fleet on rent has been identified as one of the Group’s key performance indicators.

- **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. This measure shows the cash retained by the Group prior to discretionary expenditure on acquisitions and returns to shareholders. A reconciliation of free cash flow is shown in the Review of Fourth Quarter, Balance Sheet and Cash Flow section.

- **Net debt:** net debt is total borrowings (bank, bonds and lease liabilities) less cash balances, as reported. This measure is used to provide an indication of the Group's overall level of indebtedness and is widely used by investors and credit rating agencies. An analysis of net debt is provided in note 15.

- **Operating profit and operating profit margin:** Operating profit is earnings before interest and tax. A reconciliation of operating profit to profit before tax is shown on the income statement. Operating profit margin is calculated as operating profit before exceptional items and the amortisation of intangibles divided by revenue. Progression in operating profit margin is an important indicator of the Group's performance.

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

- **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 $4.6bn asset-backed senior bank 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:** is the return we generate from our equipment. The change in yield is a combination of the rental rate charged, rental period and product and customer mix.