# OUR GROUP AT A GLANCE

Ashtead is an international equipment rental company with national networks in the US, Canada and the UK. We rent a full range of construction, industrial and general equipment across a wide variety of applications to a diverse customer base.

## SUNBELT US

**Share of Group revenue**

**85%**

The second largest equipment rental company in the US with 773 stores.

## SUNBELT CANADA

**Share of Group revenue**

**4%**

Market share of 4% in Canada with 67 stores.

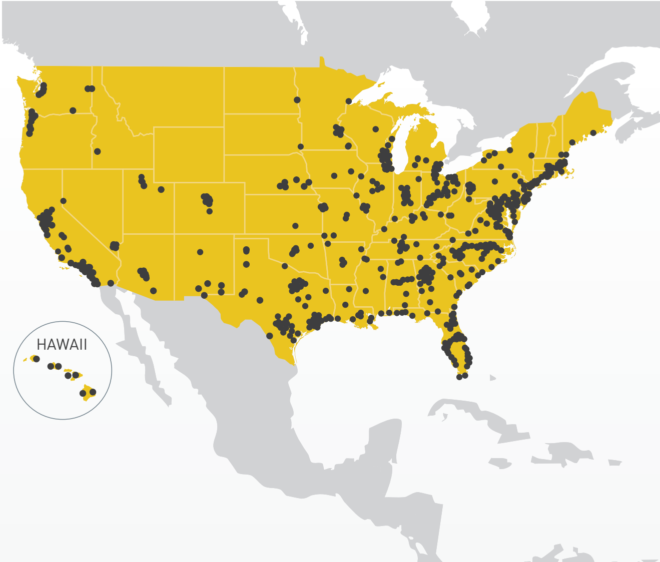
## A-PLANT

**Share of Group revenue**

**11%**

The largest equipment rental company in the UK with 196 stores.

## Sunbelt US




### HIGHLIGHTS

**Revenue**

**$4,989m**

**Operating profit**

**$1,545m**

**Fleet size**

**$9,125m**

**Return on investment[1]**

**24%**

**Stores[2]**

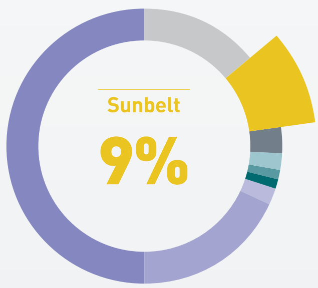
**773**

**Employees**

**13,015**

1 Excluding goodwill and intangible assets.
2 Includes 19 Sunbelt at Lowes stores.

### MARKET SHARE




| | |
|---|---|
| United Rentals | 14% |
| Sunbelt | 9% |
| Herc Rentals | 3% |
| Home Depot | 2% |
| Ahern | 1% |
| H&E | 1% |
| Top 7–10 | 2% |
| Top 11–100 | c. 18% |
| Others | c. 50% |

Source: Management estimate based on IHS Markit market estimates.

### FLEET COMPOSITION

- Aerial work platforms **34%**
- Forklifts **20%**
- Earth moving **13%**
- Pump and power **9%**
- Scaffold **3%**
- Other **21%**

Source: Management information.

## Sunbelt Canada

### HIGHLIGHTS

**Revenue**
**C$344m**

**Operating profit**
**C$55m**

**Fleet size**
**C$660m**

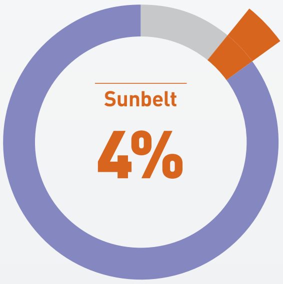
**Return on investment[1]**
**12%**

**Stores**
**67**

**Employees**
**984**

1 Excluding goodwill and intangible assets.

### MARKET SHARE




| | |
|---|---|
| United Rentals (Canada) | 11% |
| Sunbelt Canada | 4% |
| Others | 85% |

Source: Management estimate based on IHS Markit market estimates.

### FLEET COMPOSITION

Aerial work platforms **42%**

Forklifts **12%**

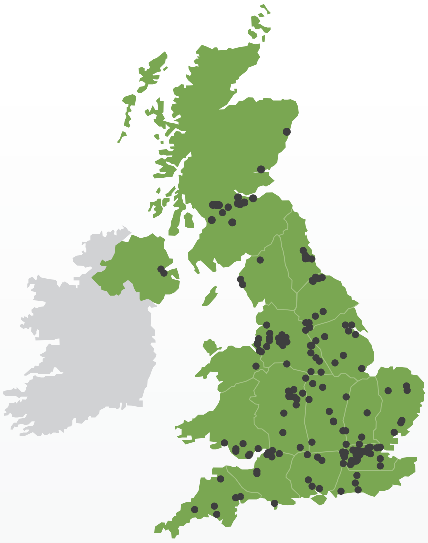
Earth moving **18%**

Pump and power **8%**

Other **20%**

Source: Management information.

## A-Plant



### HIGHLIGHTS

**Revenue**
**£475m**

**Operating profit**
**£62m**

**Fleet size**
**£907m**

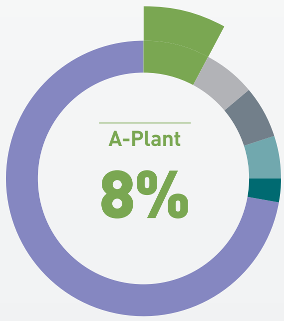
**Return on investment[1]**
**9%**

**Stores**
**196**

**Employees**
**3,789**

1 Excluding goodwill and intangible assets.

### MARKET SHARE




| | |
|---|---|
| A-Plant | 8% |
| HSS | 6% |
| Speedy | 6% |
| VP | 5% |
| GAP | 3% |
| Others | 72% |

Source: Management estimate based on IHS Markit market estimates.

### FLEET COMPOSITION

Aerial work platforms **12%**

Forklifts **10%**

Earth moving **15%**

Accommodation **15%**

Pump and power **4%**

Acrow **3%**

Traffic **2%**

Panels, fencing and barriers **12%**

Other **27%**

Source: Management information.

# BUSINESS AS USUAL

**PAUL WALKER**
Chair,
Ashtead Group plc

I was delighted to succeed Chris Cole as chair of Ashtead. Chris stood down in September 2018 having served as a director of the Company since 2002 and as chair since 2007. Throughout his tenure Chris provided strong leadership to the Board and wise counsel to the executive team. On behalf of the Board I would like to thank Chris for his significant contribution to the success of the business over many years. I have joined the Group at a time of strong sustained growth and I am pleased to report that in this financial year we have delivered record results as we continue to deliver on our strategy. We have had another outstanding year in the US and Canada whilst the UK has been more challenging. Since joining the business I have had an opportunity to visit a number of our sites and meet with many of my new colleagues. I have seen huge passion and commitment from our people and I believe this is a testimony to the consistent and rigorous execution of our strategy.

In May 2019, Geoff Drabble, our long-standing chief executive, stepped down from this role and also from the Board. Geoff has presided over a period of unprecedented growth in the business and has been instrumental in creating a strong foundation and culture on which we can continue to build. On behalf of the Board and everyone at Ashtead I would like to thank Geoff for his significant contribution to the business over many years and we wish him well in his retirement. Brendan Horgan, who was appointed as Geoff's successor, has been chief executive of Sunbelt since 2011 and, in addition, chief operating officer of the Group for the last year. Brendan brings extensive experience in the equipment rental business as well as strong leadership of a scaled business. I am very much looking forward to working with Brendan in his new role.

The US and Canadian markets remain strong and we continue to take advantage of the structural changes for renting equipment. Although the UK market is more subdued, we continue to perform well. Group revenue for the year was £4,500m compared to £3,706m the previous year and underlying pre-tax profit rose 17% at constant exchange rates to £1,110m. Top-line growth remains the driver of our profitability and total rental revenue increased 18% at constant exchange rates, with Sunbelt US growth at 19%, 55% at Sunbelt Canada and 3% at A-Plant.

We have continued to invest responsibly in our fleet, new greenfield sites and bolt-on acquisitions. During the year we made 24 acquisitions, which has helped both broaden our coverage in the United States and Canadian markets, as well as enhancing our product range in our specialty division. Our strong underlying business performance continues to be supported by a strong balance sheet. Net debt increased in the period as we continue to invest in fleet and bolt-on acquisitions and to support our share buyback programme. During the year we completed £675m of our original buyback programme and we expect to spend no less than £500m in buybacks in 2019/20. Our investment in the business and our share buyback programme has been achieved whilst maintaining our leverage ratio in the middle of our target range at 1.8 times EBITDA.

> **The US and Canadian markets remain strong and we continue to take advantage of the structural changes for renting equipment.**

The debt markets have remained strong and in July we issued $600m of 5.25% bonds due in 2026; and in December we extended our senior credit facility to December 2023, while increasing it to $4.1bn and reducing the effective interest rate. As a result, our debt facilities are committed for an average of six years at a weighted average interest cost of less than 5%. Our debt has a smooth, extended profile through to 2027 with no large individual refinancing needs.

We have a progressive dividend policy and our objective is to ensure that dividends are sustainable wherever we are in our business cycle. In line with that objective and our continued strong financial performance, the Board is recommending a final dividend of 33.5p per share making 40.0p for the year compared to 33.0p in 2018, an increase of 21%. Assuming the final dividend is approved at the AGM, it will be paid on 13 September 2019 to shareholders on the register on 16 August 2019.

In the last year the Board has continued to consider and strengthen our governance to ensure that we are aligned with the new Corporate Governance Code 2018 and in particular around stakeholder and workforce engagement.

During the year there have been a number of changes to the Board. In September Wayne Edmunds stepped down from the Board and in January Ian Sutcliffe, who was coming to the end of his nine-year term, retired. The Board thanks both Ian and Wayne for their contribution to the growth and development of Ashtead. Angus Cockburn was appointed a non-executive director and chair of the audit committee in October and in January became the senior independent director following the retirement of Ian Sutcliffe. In May we announced the appointment of Lindsley Ruth as a non-executive director as we continue to evolve the Board for the next stage of the Group's development. Angus and Lindsley both bring significant expertise and experience that the Board and the business will benefit from.

I have met many talented staff since joining the Group and I look forward to meeting many more in the coming year. I want to extend my thanks and that of the Board to all our colleagues for their hard work and support which has delivered such a strong performance. You will read more in this report about what we consider to be the four key elements powering our platform to future growth, our customers, our fleet, our services and our culture, and how those have evolved.

We continue to see clear momentum in the business and a supportive market backdrop which has helped produce another set of great results. As your new chair, I look to the future with confidence knowing that we have a strong sense of purpose, a clear and focused strategy and great talent to continue to deliver strong growth and shareholder returns.

Paul Walker

**PAUL WALKER**
Chair
17 June 2019

## HIGHLIGHTS OF THE YEAR

**19%**

REVENUE UP 19%; RENTAL REVENUE UP 18%[1]

**47%**

GROUP EBITDA MARGINS OF 47% (2018: 47%)

**£1,110m**

GROUP UNDERLYING PRE-TAX PROFIT OF £1,110M (2018: £927M), UP 17% AT CONSTANT EXCHANGE RATES

**+33%**

UNDERLYING EARNINGS PER SHARE UP 33%[1] TO 174.2P (2018: 127.5P)

**£797m**

POST-TAX PROFIT OF £797M (2018: £969M)

**£622m**

£622M SPENT ON BOLT-ON ACQUISITIONS (2018: £392M) AND 74 GREENFIELD LOCATIONS OPENED

**£1.6bn**

£1.6BN INVESTED IN THE BUSINESS (2018: £1.2BN)

**£368m**

£368M OF FREE CASH FLOW GENERATION (2018: £386M)

**1.8x**

NET DEBT TO EBITDA LEVERAGE[1] OF 1.8 TIMES (2018: 1.6 TIMES)

**40.0p**

PROPOSED FINAL DIVIDEND OF 33.5P, MAKING 40.0P FOR THE FULL YEAR, UP 21% (2018: 33.0P)

1 At constant exchange rates.

# HOW WE MADE IT HAPPEN IN 2018/19

Our equipment can be used to lift, power, generate, light, move, dig, compact, drill, support, access, scrub, pump, direct, heat and ventilate – whatever is required.

**250m+**

MILES TRAVELLED FOR DELIVERY AND SERVICE

**40bn+**

BTU/HR OF HEATING DELIVERED

**20m+**

KW OF POWER DELIVERED

**1,500,000**

SMALL TOOLS RENTED

**710,000**

CUSTOMERS


**770,000+**

RENTAL ASSETS


**1,000+**

APPLICATIONS FOR APPRENTICESHIPS

**1,100,000+**

METRES OF BARRIERS ASSEMBLED

**2,975,000**

RENTAL CONTRACTS WRITTEN

**12,000+**

EVENTS SUPPORTED

# THE CHANGING FACE OF OUR CUSTOMERS

## From movie making to stabilising aircraft hangars: we've got it covered

We now count film and TV studios amongst our customers, helping them consistently get the right camera angle whether that's in downtown Los Angeles or Vancouver. With filming schedules often round the clock, we provide 24-hour customer and technical service to keep the cameras rolling. Our boom lifts now come in matt black so they always blend into the background.

**From maintenance to movie making: we've got it covered**

## Structural shoring when things get shaky

In October, Hurricane Michael caused a failing aircraft hangar to collapse on several planes. Our newest specialty business, the result of two recent acquisitions, Shoring Solutions, quickly dispatched a team to prop up and stabilise the whole structure, rotating 24-hour shifts to prevent expensive damage to the planes and completing the task within 72 hours of receiving the initial call.

# POWERING OUR PLATFORM FOR LONG-TERM GROWTH

**BRENDAN HORGAN**
Chief executive

**MICHAEL PRATT**
Finance director

We had another excellent year. The main driver of our growth remains organic investment but we supplemented this with 24 bolt-on acquisitions. We added 146 new locations in the year as we continue to broaden our product offering and geographic reach. The combination of this fleet investment and enhanced footprint forms a great platform for further growth as we progress with our 2021 plan.

We continue to deliver well, in markets that are generally supportive and performing as we expected from both a cyclical and structural perspective. As always, we continue to grow watchfully and responsibly. Sunbelt benefitted from generally strong end markets and, to a lesser degree, the impact of clean-up efforts following hurricanes Florence and Michael.

Our overall strategy remains unchanged, but we have been able to take advantage of increased market opportunities from recent industry consolidation and strong customer demand, which has contributed to our rate of growth. This represents an acceleration of our 2021 plan and demonstrates the flexibility we have in our plans to react to market conditions, whatever they may be. Our expansion is both geographic and product based, adding a nice mix of general equipment and specialty locations through our greenfield and bolt-on programme.

Our addressable market continues to grow, as square footage under roof and MRO (maintenance, repair and operations) opportunities increase. This is particularly useful when construction slows down for non-economic reasons, due to inclement weather, for example. We work on the basis that when construction work ends, maintenance work begins.

We made big strides this year on expanding our specialty offering as we continue to broaden our markets. There is clearly strong cyclical demand for General Tool fleet but our specialty businesses now represent 23% of our total and have seen 19% annual growth over the last three years. In the US we added locations with product solutions specific to Power & HVAC, Pumping, Flooring, Trench Shoring, Climate Control, Ground Protection and Industrial Tools – all to service our ever-broader customer base and end markets. In Canada we added Power Generation and Flooring businesses, beginning the integration of specialty into the broader business platform.

Even as we grow and enjoy the benefits of strong construction markets, we continue to diversify the business, and expect this broadening of our specialty offering to continue. Our overall 2021 plan remains in place but we have accelerated some greenfields in response to the opportunities that inevitably present themselves when there is significant market consolidation.

Group rental revenue was up 21% (18% on a constant currency basis) and we maintained margins despite opening 74 greenfields and completing 24 acquisitions in the period. The previous financial year was a particularly active hurricane season with three significant events and a huge rental revenue contribution, therefore making direct comparison difficult. There have been two hurricanes this financial year, which again unfortunately caused major devastation. Partly due to the timing of the events and partly due to the geographies affected, these resulted in $30–35m of rental revenue versus $100m last year.

Underlying pre-tax profit was £1,110m, up 17% at constant exchange rates. Sunbelt US rental only revenue grew by 20% as we continued to benefit from generally strong markets. This compares to overall US rental market growth of around 7%. Organic growth (same-store and greenfield) was 15%, while bolt-ons added a further 5%. We are well on track to deliver all elements of our 2021 strategy a year earlier than planned.

**We made big strides this year on expanding our specialty offering as we continue to broaden our markets.**

We continued our expansion in Canada by leveraging our recently built scale, in a market where we still have comparatively low share. Throughout the year, we invested in the business with existing location fleet growth, greenfields and bolt-ons, with the aim of broadening our fleet mix and geographic service capabilities, all leading to strong pro forma rental only revenue growth of 18%. The scale of our operations in Canada was transformed by the acquisition of CRS last year and, to a lesser extent, Voisin's this year. In absolute terms, Canada contributed C$344m in revenue and C$55m in operating profit in the year. In a period of rapid growth, the key is to strike a balance between growth and profitability, and in Canada we achieved this. As is the case with US end markets, we continue to see positive indicators in Canada.

A-Plant's rental only revenue grew 4% over the year. The market in the UK remains relatively flat with a competitive rate environment. However, the strength of our business in the UK means A-Plant performed better than many of its peers. We watch the market closely and are focused on customer service and operational improvement to maintain our competitive advantage.

We continue to see good end markets with significant backlogs in terms of demand for our services and we anticipate low-teen revenue growth for the coming year. We watch key indicators closely and see no evidence of a slowdown coming any time soon. So we expect our growth to continue at current rates and next year plan on opening a further c. 80 new locations.

**146**

LOCATIONS ADDED IN THE YEAR

## In the Strategic report

### CAPITALISING ON MARKET OPPORTUNITIES

We are building market share through same-store growth, new greenfield investments, selected bolt-on acquisitions and the expansion of our product offering.

→ Page 12

### CREATING SUSTAINABLE VALUE

Our equipment rental business model, and the management of that over the economic cycle, enable us to create long-term sustainable value.

→ Page 16

### IMPLEMENTING OUR STRATEGY

We focus on building market share, maintaining flexibility in our operations and finances, and being the best we can be every day.

→ Page 22

### MANAGING OUR RISKS

Our main risks relate to economic conditions, competition, financing, cyber security, health and safety, people, the environment and laws and regulations.

→ Page 32

### MEASURING OUR PERFORMANCE

We had another year of strong financial performance, improved operational efficiency and excellent service metrics.

→ Page 36

### BEING A RESPONSIBLE BUSINESS

We report on responsible business through the Group Risk Committee. We focus on health and safety, our people, the environment, community investment and ensuring the highest ethical standards across the Group.

→ Page 44

# MAKING THE MOST OF GROWING MARKETS

The US continues to be our biggest market and we are seeing significant growth in our still relatively new Canadian market. We continue to perform well in the UK but this is a much more subdued environment than North America. The US rental market is five times bigger than the UK and we continue to capitalise on the structural changes in that market, as customers adapt to renting equipment rather than owning it. Our Canadian business is still smaller than our UK business but is growing rapidly. We have expanded our presence in Canada significantly and are excited by the opportunities we see there. We expect the Canadian market to develop similarly to the US, as customers get more used to renting a wider variety of equipment and more familiar with the Availability, Reliability and Ease we deliver. Our aim is to continue to grow the business wherever we are in the economic cycle. Strong markets in the US and Canada, and a stable one in the UK, mean we continue to perform very well.

> Our markets continue to broaden.

**The breadth of our markets**

Our markets continue to broaden, in terms of geography, range of equipment rented and the applications for which our equipment is used. The graphic below shows the growing diversity of end markets that are using our equipment more and more. In many cases, this is the same equipment just used for a different purpose. A significant proportion of our fleet was developed originally for the construction industry but is now used in applications varying from film and TV production to putting up Christmas decorations. We are reaching these broadening markets as a result of our scale, advancement of our market cluster strategy and specialty business evolution – all positioned to give great service to our customers through our corporate mantra, Availability, Reliability and Ease. For any one of these markets, there is also a wide range of equipment used. For example, on large festival sites such as Lollapalooza in Chicago or Glastonbury in the UK, we may have 400-500 pieces of equipment of all different types and sizes. Equipment that previously would not have been rented is now part of the rental mix. This is particularly the case with the ongoing structural change most noticeable in the US and Canada.

Construction continues to be busy but we are seeing lots of growth in general equipment and specialty businesses in areas such as special events and maintenance. A big change in recent years has been

## BROADENING THE MARKETS WE REACH

**EMERGENCY RESPONSE**

- Fire
- Hurricanes
- Flooding
- Tornadoes
- Winter storms
- Residential emergencies

**FACILITIES MAINTENANCE AND MUNICIPALITIES**

- Office complexes
- Parks and recreation departments
- Schools and universities
- Shopping centres
- Apartment complexes
- Pavement/kerb repairs
- Golf Course maintenance
- Government
- Hospitals

**ENTERTAINMENT AND SPECIAL EVENTS**

- National events
- Concerts
- Sporting events
- Film/TV production
- Theme parks
- Festivals
- Farmers' markets
- Local 5K runs
- Cycle races

**CONSTRUCTION**

- Airports
- Highways and bridges
- Office buildings
- Data centres
- Schools and universities
- Shopping centres
- Residential
- Remodelling

the increase in rentals taking place in ordinary square footage under roof applications every day, throughout our business and we expect this trend to continue.

We are also seeing changes in the length of time that customers hold onto equipment. Large projects are longer and rental is now core to these rather than being more 'top up' in nature, as it used to be. We are also seeing customers holding on to equipment longer to move to the next job or project. Demand is high, as are backlogs, and we are seeing customers extend rentals as a result.

## The US

### Economic strength

Our core US markets remain strong. Industry forecasts remain good, our end markets are busy and are signalling no change in course on the horizon. Naturally a range of market indicators can show a range of expectations. However, no one market indicator or forecast tells the full story, or should be overreacted to, but what we are seeing today is a broad set of data, internal and external, pointing to ongoing strong end markets.

Construction markets continue to be strong and, with growing employment, the benefits of lower energy prices and increased disposable income, people continue to spend more money which is positive for our broader, non-construction markets like event work and residential remodelling. Oil and gas, which remains only a very small part of our business, but which has struggled in the past, has rebounded from the lows of three to four years ago. Tax reform has added to positive trends with corporate tax cuts only now beginning to translate into actual projects. These include more data centres and distribution warehouses nearing starts, and office expansion and renovation, all of which need our services. We expect economic growth to continue in the US.

The markets we serve remain strong, as both structural and cyclical trends continue to be favourable. Chart 02 shows the last three construction cycles. These have followed one of two patterns. From 1975 to 1982 and from 1982 to 1991 the initial recovery was very aggressive but the overall cycle was relatively short. We believe we still have at least two to three years of growth left in the cycle and whilst the pace of growth may moderate, we should have multiple years of structural and cyclical opportunity ahead.

### Market share in the US

We continue to grow our market share in the US and even though we are the second largest equipment rental company, there remains plenty of room to grow as chart 03 shows. Our major large competitors are United Rentals and Herc Rentals with 14% and 3% respectively. Home Depot, Ahern and H&E have shares of 2% or less. Most of the remainder of the market is made up of small local independent tool shops.

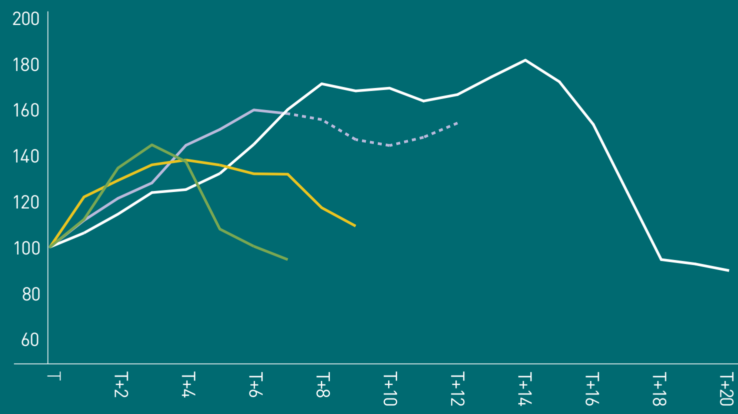
Much of our market share gain comes from these small independents when we set up new stores or acquire them. Ours is a capital-intensive industry where size matters. Scale brings cost benefits and sophistication in areas like IT and other services, and this leads ultimately to further consolidation. The proportion of the market enjoyed by the larger players continues to increase and we have clearly been a major beneficiary of this trend. Whilst there will always be a place for strong local players, the market share enjoyed by the larger players is likely to grow by a further 30 to 40% in the medium term.

**01 US MARKET OUTLOOK (RENTAL REVENUE FORECASTS)**

| 2019 | 2020 | 2021 |
|---|---|---|
| +5% | +5% | +5% |

Source: IHS Markit (May 2019).

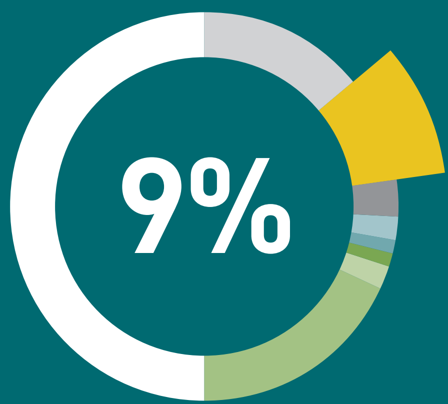
**02 CONSTRUCTION ACTIVITY BY CYCLE**




1975–1982 · 1982–1991 · 1991–2011 · Current cycle · Forecast (T=100 based on constant dollars)

Source: Dodge Data & Analytics (June 2019).

**03 US MARKET SHARE**




| | | | |
|---|---|---|---|
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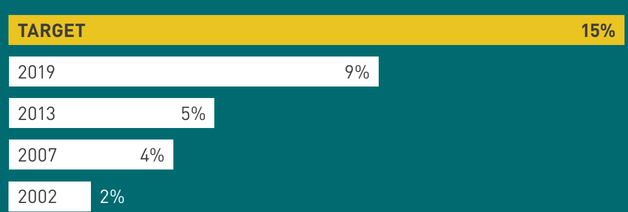
| Sunbelt | 9% | Top 7–10 | 2% |
| Herc Rentals | 3% | Top 11–100 | c. 18% |
| Home Depot | 2% | Others | c. 50% |
| Ahern | 1% | | |

Source: Management estimate based on IHS Markit market estimates.

**04 US MARKET SHARE DEVELOPMENT**




Source: Management estimates.

## OUR MARKETS CONTINUED

This market share analysis is based on the traditional definition of the rental market focused on construction. A significant market for us is property maintenance, repair and operation characterised by square footage under roof. In the US there is 87bn square feet under roof and we believe this represents a potential rental market of $7-10bn, with minimal rental penetration at the moment. It is not a new market for Sunbelt but one with increasing opportunity as we demonstrate the benefits of rental through Availability, Reliability and Ease. One consequence of this is that we believe the size of the rental market is understated and hence our, and everyone else's, market share is overstated. This only serves to increase the opportunities for growth.

We are confident that as the market grows, our share will also increase. We have a good track record of success having doubled our market share since 2010. We continue to set ambitious targets for continuing to increase our market share, with an initial goal of 15%. The speed with which we increase our market share is in part a function of how quickly we can get new locations up and running. However, as noted above, our market share growth also comes from continuing to broaden both our end markets and the range of equipment we have available to rent in each location (more on this in our strategy section on page 22).

The combination of our business model, which you can read more about on page 16, the continuing strong economy and the long-term trend to rental, provides the perfect environment for us to achieve our goals. In addition, our market share gains accelerate as we make the most of our scale advantages. In the longer term, we believe that US market share in the order of 20% is an attainable goal.

As we increase our market share and grow our specialty businesses, they become a greater proportion of the mix across the cycle. The acquisitions we make are often to expand into a new specialty area or to develop an existing one and then we supplement them with greenfield openings.

### The trend to rental

The trend of rental penetration in the US continues to be positive for the industry as our customers have become accustomed to the flexibility of an outsourced model. Between 2010 and 2019, increased rental penetration effectively grew our end market by 20 to 25%. We see this trend continuing, which will provide similar levels of market growth over the coming years. Rental still only makes up around 55% of the US market compared to around 75% in the UK. However, this is a broad average with penetration levels ranging from single to low double-digit percentages for, say, floor scrubbers to 90%+ for large aerial equipment.

We like specialty products because they are at the low end of this range, which provides greater scope for growth. We see the potential market penetration for rental equipment to be well over 60% in the US. The short-term drivers of this evolution are the significant cost inflation in recent years associated with the replacement of equipment, technical changes to equipment requirements that make rental more attractive and health, safety and environmental issues which make rental more economical and just easier. In addition, our customers are ever more used to renting equipment rather than owning it themselves.

**87bn**

SQUARE FEET UNDER ROOF IN THE US

The diversity of our fleet helps us take advantage of the increasing trend to rental and we continue to expand the range of products we rent. Our customers often assume we will be able to fulfil their equipment needs with a rental product for an ever-widening range of applications. If your fleet consists of equipment which is already predominantly rented, like telehandlers and large booms, you are not necessarily benefitting from increased rental penetration as it is probably as high as it is likely to get. However, if you have a broader mix of fleet, then there is significant further upside to come from increased rental penetration.

The combination of increased environmental regulations on engines leading to higher replacement costs, more stringent health and safety requirements and technological advancements also make renting an increasingly attractive proposition. For example, environmental regulations have driven further rental penetration through the reduction in fleet size by those customers who previously may have chosen to own some if not all of their larger equipment needs.

Customers and smaller competitors with older fleets are faced with heavier replacement spend causing them to either replace less and rent or reduce their fleet size. Furthermore, the difficulties of getting to grips with new technology and maintenance requirements have also caused more operators to decide to rent. Maintaining optimally-serviced and therefore safe equipment can be a big outlay for a smaller operator. Therefore we continue to invest in keeping our fleet in the best condition it can be to take advantage of the increased demand for rental.

Our own development and use of technology is also driving rental penetration. Our highly sophisticated proprietary customer management, inventory and delivery tracking systems enable us to make our customers' rental experience one of Availability, Reliability and Ease. Our customers are increasingly willing to rent different types of equipment from us, more often. (More on this in the section on strategy on page 22.)

> **The proportion of the market enjoyed by the larger players continues to increase.**

## Canada

### A fast-growing market

Canada is still a relatively new and fast-growing market for us. The existing rental market is just over a tenth of the size of the US. But in the same way that the US has experienced structural growth as more and more types of equipment are rented for different applications, we expect similar trends in Canada in the longer term. Our share of the Canadian rental market is around 4%. There is plenty of scope to develop this in the same way as in the US and we are growing rapidly. IHS Markit predicts Canadian rental revenue to grow between 4 and 6% annually through 2021. We anticipate growing more rapidly as we take market share and broaden our offering.

Our entry to the Canadian market was focused first on the southwest corner of Canada where we acquired a small business in 2014, GWG Rentals, with a strong management team. Using this as a base, we then opened a series of greenfields and made a number of small bolt-on acquisitions to expand the business. We now also have a significant presence in Ontario through the acquisitions of CRS in 2017 and Voisin's in 2018 and are expanding in Edmonton, Calgary and Winnipeg. We are creating a strong platform from which to grow.

Sunbelt Canada has had pro forma rental only revenue growth of 18% this year and in five years we have gone from six stores to 67. The rental market has, to date, been construction focused, but we continue to develop new markets such as the film industry in Vancouver. In addition, we have added our power and flooring solutions specialty businesses this year. Customers who traditionally rented mainly aerial work platforms are now renting smaller equipment as well. Customers are increasingly seeing the benefits of working with us to fulfil the full range of their rental needs. Prior to our arrival there was no branded equipment in the market. Our cluster approach (more on this in our section on strategy on page 26) also means we are able to be closer to our customers than has previously been the case.

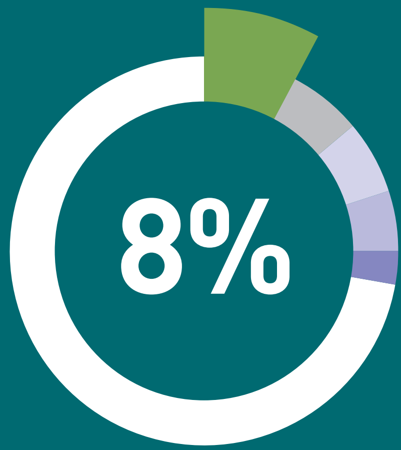
Across the country there are variances in the mix of fleet we have on rent. In Western Canada we see more customer demand for aerial work platforms ('AWP') especially through our work servicing the film and TV industry. In the resource-rich areas of Canada there is more demand for extraction equipment and this is reflected in the fleet mix available. We see great opportunities for expanding our specialty and AWP businesses, especially in Ontario. As we expand in other provinces we expect to generate more business from Canada's resources industry.

Our initial goal is to achieve market share of 5% and for Canada to make up between 15-20% of the North American business.

**18%**

PRO FORMA RENTAL ONLY REVENUE GROWTH IN CANADA

**06 UK MARKET SHARE**




Source: Management estimate based on IHS Markit market estimates.

## The UK

### Economic resilience

The UK market is more challenging and although we expect it to continue to grow, this will be at a more moderate pace for the foreseeable future. A contributory factor has been the continuing uncertainty around Brexit. Structural growth opportunities are more difficult to come by because of an already high level of rental penetration. Nonetheless, A-Plant continues to grow, making bolt-on acquisitions and taking market share. A-Plant also performs better and is more resilient than many of its peers. Table 05 shows the outlook for UK construction. Given the good overall construction market, we will continue to invest responsibly in the UK market as we seek to increase market share and enhance returns.

### Market share

We continue to be the largest equipment rental company in the UK. There are a greater number of major players in the UK market and, as the largest, we only have an 8% market share.

Chart 06 shows our key competitors and their share of the market. We believe we continue to be well-positioned in the market with our strong customer service, broad-based fleet and strong balance sheet. We continue to broaden our customer base and have focused our investment on specialty sectors within the market. This has proven successful in growing our market share.

**05 UK CONSTRUCTION INDUSTRY FORECASTS**

| £m constant 2016 prices | 2017 actual | 2018 forecast | 2019 forecast | 2020 projection | 2021 projection | **% of total** |
|---|---|---|---|---|---|---|
| Residential | 55,880 | 57,759<br>+3.4% | 56,968<br>-1.4% | 57,746<br>+1.4% | 58,324<br>+1.0% | **35%** |
| Private commercial | 48,651 | 47,895<br>-1.6% | 46,158<br>-3.6% | 45,255<br>-2.0% | 44,876<br>-0.8% | **27%** |
| Public and infrastructure | 57,965 | 57,926<br>-0.1% | 59,739<br>+3.1% | 62,115<br>+4.0% | 64,662<br>+4.1% | **39%** |
| Total | 162,496 | 163,580<br>+0.7% | 162,865<br>-0.4% | 165,116<br>+1.4% | 167,862<br>+1.7% | **100%** |

Source: Construction Products Association (Spring 2019).

# CREATING SUSTAINABLE VALUE

We create value through the short-term rental of equipment that is used for a wide variety of applications to a diverse customer base. Our rental fleet ranges from small hand-held tools to the largest construction equipment and is available through a network of stores in the US, Canada and the UK.

## WHAT WE DO

We have a platform which enables our customers to rent what they want, when they want and where they want with ease.

### Purchase

We buy a broad range of equipment from leading manufacturers.

### Rent

We rent it on a short-term basis to a broad range of customers.

### Sell

We sell the old equipment in the second-hand market.

## HOW WE DO IT

### MANAGING THE CYCLE

**Planning ahead**

**Careful balance sheet management**

### Differentiating the fleet

- Broad fleet mix
- Highly responsive (no job too small)
- Scale to meet size and range of requirement

→ Page 18

### Ensuring operational excellence

- Optimal fleet age
- Nationwide networks in US and UK and a growing one in Canada
- Long-term partnerships with leading equipment manufacturers
- Focused, service-driven approach
- Strong customer relationships
- Industry-leading application of technology

→ Page 18

**Enabling our customers to rent what they want, when they want and where they want with ease**

### AVAILABILITY

Range of products and services

- General tools
- Air compressors and accessories
- Compaction and earth moving
- Climate control services
- Power and HVAC
- Pump solutions
- Remediation and restoration

| | |
|---|---|
| **Adapting our fleet and cost position** | **Taking advantage of opportunities** |

## Investing in our people

- Highly skilled team
- Devolved structure
- Maintaining significant staff continuity
- Strong focus on recruitment, training and incentivisation

→ Page 19

## Maximising our return on investment

- Effective management and monitoring of fleet investment
- Optimisation of utilisation rates and returns
- Flexibility in local pricing structures
- Focus on higher-return equipment
- Appropriate incentive plans consistent with improved returns

→ Page 19

## RELIABILITY

Network

- Logistics
- Bricks and mortar
- Customers
- Our people
- Clusters

## EASE

Technology to simplify

- CommandCenter
- Accelerate
- MSP
- VDOS

## VALUE CREATION

### Rental solutions

The provision of cost-effective rental solutions to a diverse customer base.

→ Page 18

### Long-term relationships

Developing long-term relationships with customers and suppliers.

→ Page 18

### Enhancing communities

Enhancing the communities in which we operate, through employment, opportunity and community involvement.

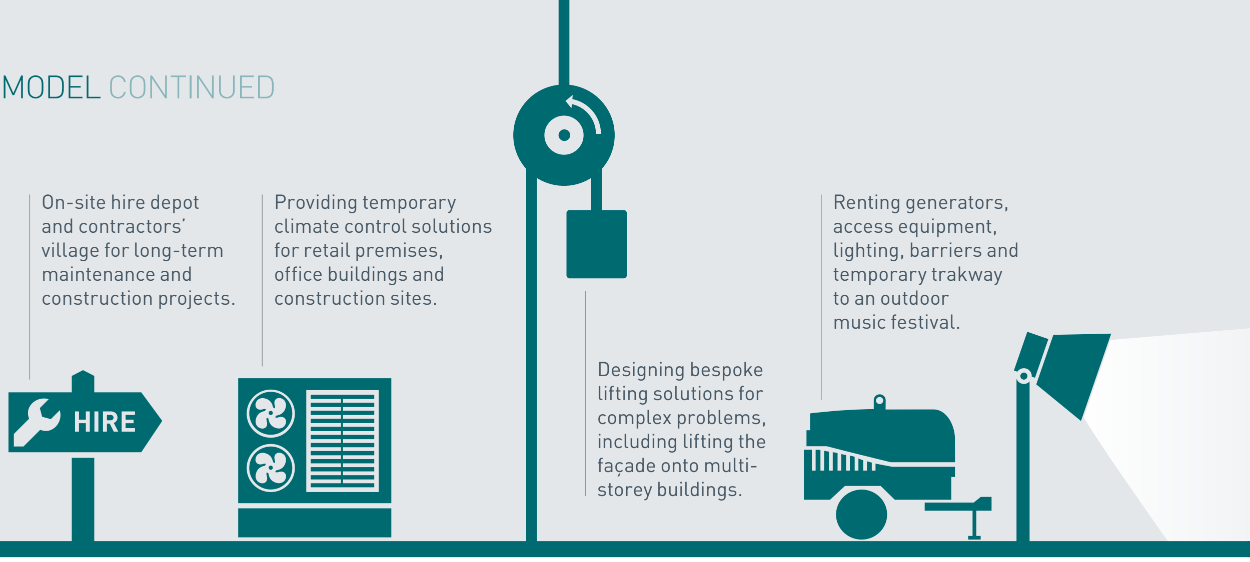
→ Page 54

### Sustainable returns

Generating sustainable returns for shareholders throughout the cycle.

→ Page 18

## WHAT WE DO IS SIMPLE. HOW WE DO IT IS NOT.




At its most basic, our model is simple – we purchase an asset, we rent it to customers through our platform and generate a revenue stream each year we own it (on average, seven years) and then we sell it in the second-hand market and receive a proportion of the original purchase price in disposal proceeds. Assuming we purchase an asset for $100, generate revenue of $55 each year (equivalent to 55% dollar utilisation) and receive 35% of the original purchase price as disposal proceeds, we generate a return of $420 on an initial outlay of $100 over an average seven-year useful life. We incur costs in providing this service, principally employee, maintenance, property and transportation costs and fleet depreciation. However, this simple overview encompasses a significant number of moving parts, activities and expertise that powers the platform to ensure Availability, Reliability and Ease. Our ability to excel in these areas enables us to generate strong margins and deliver long-term, sustainable shareholder value, whilst managing the risks inherent in our business (refer to pages 32 to 35).

### Managing the cycle

We describe ourselves as being a late cycle business in that our biggest end market, non-residential construction, is usually one of the last parts of the economy to be affected by a change in economic conditions. This means that we have a good degree of visibility on when we are likely to be affected, as the signs will have been visible in other parts of the economy for some time. We are therefore able to plan accordingly and react in a timely manner when necessary. Key to the execution of our model is the planning we undertake to capitalise on the opportunities presented by the cycle. The opportunities are for both organic growth, through winning market share from less well-positioned competitors, and positioning ourselves to be able to fund acquisitive growth if suitable opportunities arise. See content on our strategy on page 22.

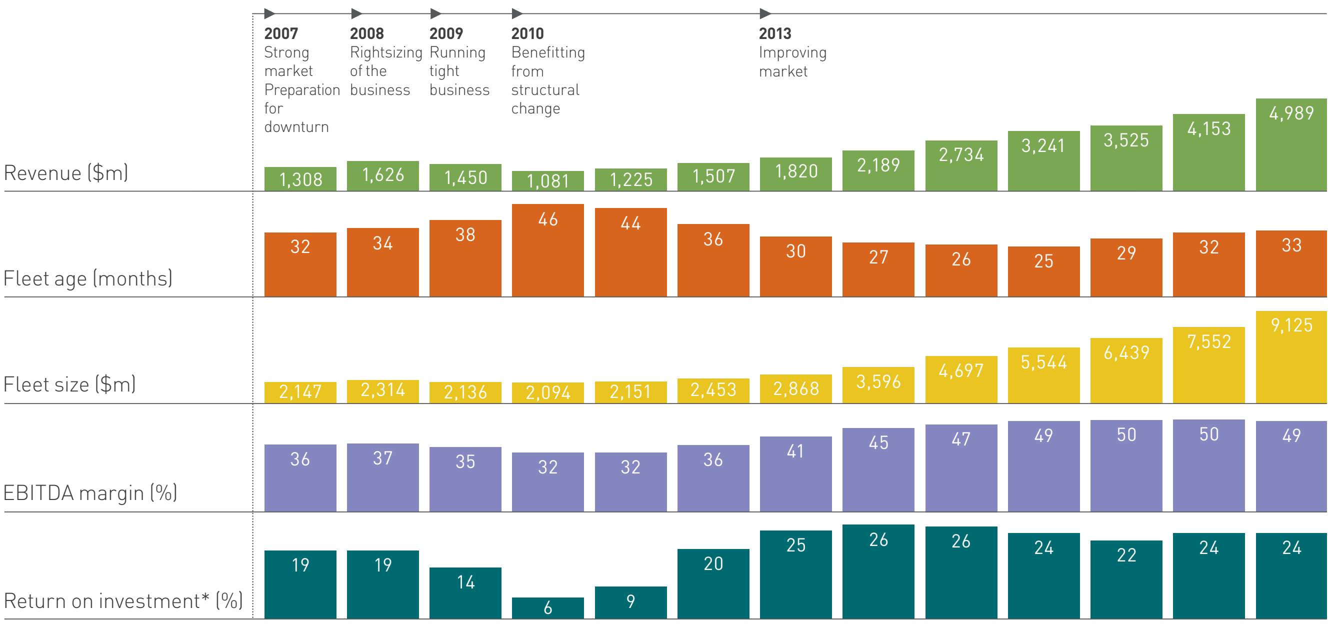
### Differentiating our fleet and service

The differentiation in our fleet and service means that we provide equipment to many different sectors. Construction continues to be our largest market but now represents around 45% in the US as we have deliberately reduced our reliance in this area. We continue to develop our specialty areas such as Power & HVAC, Pump Solutions, Climate Control, Scaffolding, Oil & Gas, Flooring Solutions and Industrial Services which represented 23% of our US business. Residential construction is a small proportion of our business (5%) as it is not a heavy user of equipment. In the UK specialty represents 59% of our business.

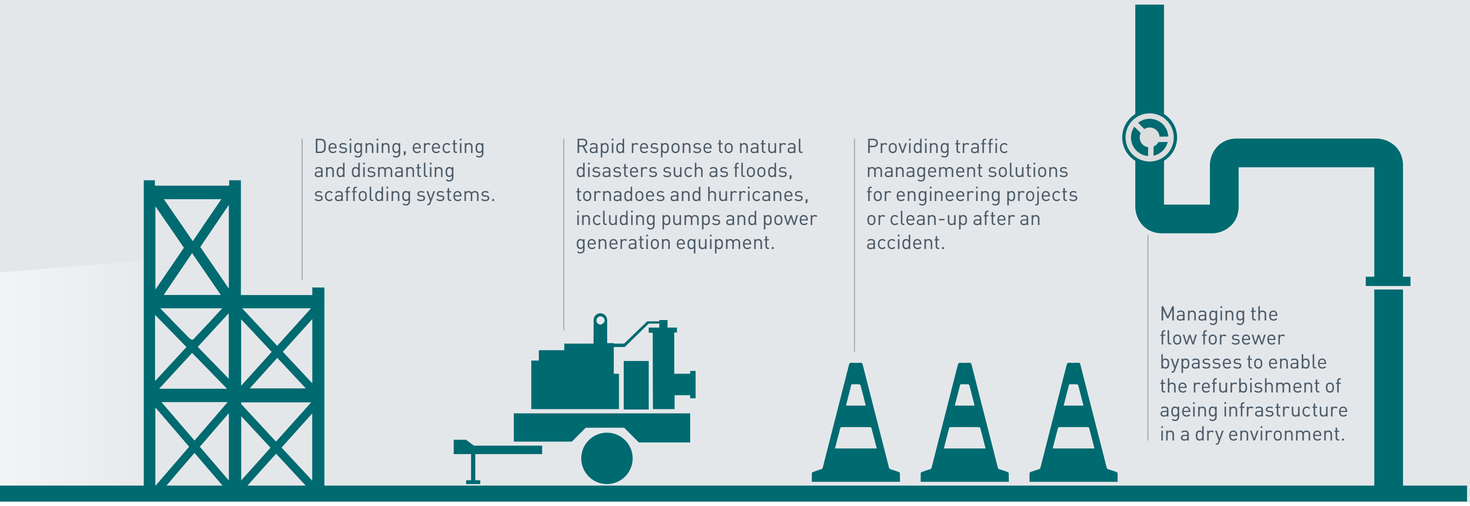
Our customers range in size and scale from multinational businesses, through strong local contractors to individual do-it-yourselfers. Our diversified customer base includes construction, industrial and homeowner customers, service, repair and facility management businesses, as well as government entities and specialist contractors. Our core market is the small to mid-sized local contractor. The nature of the business is such that it consists of a high number of low-value transactions. In the year to April 2019, Sunbelt US dealt with over 620,000 customers, who generated average revenue of $7,400.

The individual components of our fleet are similar to our peers. However, it is the breadth and depth of our fleet that

**07 MANAGING THE CYCLE – SUNBELT US**




* Excluding goodwill and intangible assets.




differentiates us from them and provides the potential for higher returns. The size, age and mix of our rental fleet is driven by the needs of our customers, market conditions and overall demand. The equipment we provide to each customer is diverse and we are often involved in supplying various types of equipment over an extended period at each distinct stage of a project's development. Our equipment is also used in a wide range of other applications including industrial, events, repair and maintenance and facilities management.

### How we operate

Our operating model is key to the way we deliver operational excellence:

- In the US we achieve scale through a 'clustered market' approach of grouping large and small general tool and specialty rental locations in each of our developed markets. This approach allows us to provide a comprehensive product offering and convenient service to our customers wherever their job sites may be within these markets. When combined with our purchasing power, this creates a virtuous circle of scale. You can find out more on our cluster strategy on page 26.
- In Canada, we have first focused on expanding our presence in the Western and Eastern provinces, also achieving scale through a clustered market approach similar to the US. The businesses we acquired have strong positions in construction equipment, aerial work platforms and general tools. We are expanding the range of products available to customers in all areas, including building up our specialty service offering.
- In the UK, our strategy is focused on having sufficient stores to allow us to offer a full range of general tool and specialty equipment on a nationwide basis. We have migrated our network towards fewer, larger locations which are able to address all the needs of our customers in their respective markets. This difference in approach from the US reflects the nature of the customer base (more national accounts) and the smaller geography of the UK.
- Across our rental fleet, we seek generally to carry equipment from one or two suppliers in each product range and to limit the number of model types of each product. We believe that having a standardised fleet results in lower costs. This is because we obtain greater discounts by purchasing in bulk and reduce maintenance costs through more focused and, therefore, reduced training requirements for our staff. We are also able to share spare parts between stores which helps minimise the risk of over-stocking. Furthermore, we can easily transfer fleet between locations which helps us achieve strong levels of physical utilisation, one of our key performance indicators ('KPIs').
- We purchase equipment from well-known manufacturers with strong reputations for product quality and reliability and maintain close relationships with them to ensure certainty of supply and good after-purchase service and support. We work with suppliers to provide early visibility of our equipment needs which enables them to plan their production schedules and ensures we receive the fleet when we need it. However, we believe we have sufficient alternative sources of supply for the equipment we purchase in each product category.
- We also aim to offer a full service solution for our customers in all scenarios. Our specialty product range includes equipment types such as pumps, power generation, heating, cooling, scaffolding, traffic management, temporary flooring, trench shoring and lifting services, which involve providing service expertise as well as equipment.
- We invest heavily in technology, including the mobile applications required to deliver efficient service as well as high returns. Customers can track the equipment they have on rent, place new orders, request pickup or service or extend their contract while on the go. Our sales reps have access to the same information, along with details of the location of our fleet and all other information required to serve the customer. Technology enables our business and provides power to the platform and a significant advantage over our competitors.
- Our large and experienced sales force is encouraged to build and reinforce customer relationships and to concentrate on generating strong, whole-life returns from our rental fleet. Our sales force works closely with our customers to ensure we meet their needs. Through the application of technology, it is equipped with real-time access to fleet availability and pricing information enabling it to respond rapidly to the needs of a customer while optimising returns.
- We guarantee our service standards and promise our customers we will make it happen. We believe that our focus on customer service and the guarantees we offer help distinguish our businesses from competitors and assist us in delivering superior financial returns. Our responsiveness to customer needs is critical in a business where around 70% of orders are placed for delivery within 24 hours. We have worked with a lot of our customers for many years. Our customer retention is high due to the scale and quality of our fleet, our speed of response and our customer service.
- Our local management teams are experienced and incentivised to produce strong financial returns and high quality standards. We believe that the autonomy given to management teams to take decisions locally ensures that, despite our size, we retain the feel of a small, local business for our employees.

### Investing in our people

Our people enable us to provide the exceptional customer service that keeps our customers coming back. Our exceptional staff and focus on service give us a huge competitive advantage in what we do. On page 48 we discuss the importance of our staff and corporate culture in more detail. We aim to recruit good people and then invest in them throughout their careers.

# ALWAYS EXPANDING OUR FLEET

## An increasing range of specialty equipment

## Diversity of fleet powers our growth

The applications for our fleet have increased exponentially over recent years. While once we were mainly about construction, our fleet now includes the complete range of equipment to assist with climate control, flooring and pumping solutions, shoring, event management and power generation from the smallest to the largest scale. We continuously find innovative new uses for long-standing fleet stalwarts like the scissor lift and aerial work platforms, for example.

## Powering a town in time of peak demand

Three times a year a New England town experiences a significant influx of visitors and the local utility company has trouble keeping up with demand for power. We were able to bring 4 megawatts of power directly into the substation during peak times, preventing the power grid being overloaded or even complete power outages. This keeps the cost of network expansion low but accommodates fluctuating demand.

# OUR STRATEGY

Our business will always be cyclical, but the continuing level of structural change in our markets, particularly in the US and Canada, combined with our proven strategy, makes us better able to capitalise on good economic environments and be more resilient to economic downturn.

Our strategy to optimise the opportunities presented by structural change is growth through same-store investment, greenfields and bolt-ons. From 2011 to 2019, we achieved 20% compound annual growth in the US, of which two-thirds was from structural change. Our markets remain full of potential and we do not see that changing in the short term. If the situation does change we will be well prepared. We are always conservative in our approach to maintaining a stable and secure balance sheet throughout the cycle and this enables us to maintain the flexibility we require to manage changes to the business and its environment, as and when they occur. Our focus remains on responsible, sustainable growth.

Our goal in the medium term is to achieve 15% market share in the US, take a 5% share in Canada and grow the UK market share. We continue to believe these are realistic goals given the way the rental market is evolving and the way we do business. Consistent implementation of our strategy across the economic cycle will ensure we are in a strong position at all times to take advantage of the opportunities presented. In the near term, our Project 2021 plan is to grow to 900 locations in North America and be a $5bn+ revenue business by 2021 and we are on track to deliver that ahead of schedule. The risks that we face in implementing this strategy are discussed on pages 32 to 35.

**Our strategic priorities**

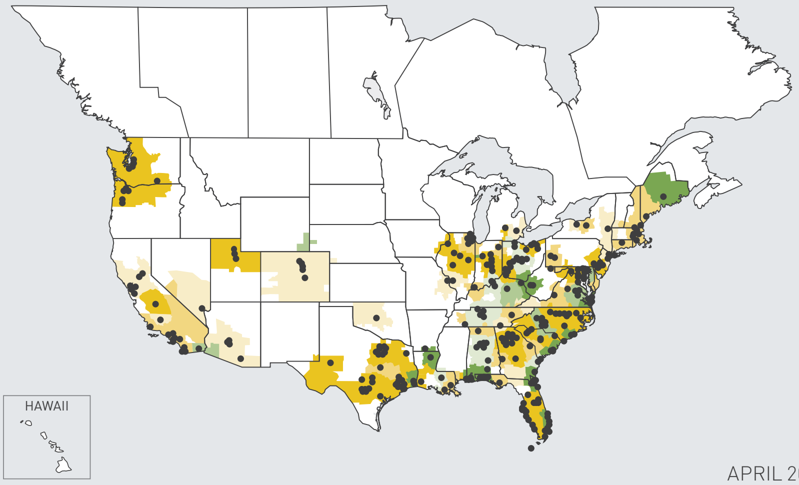
## Build a broad platform for growth

## Operational excellence

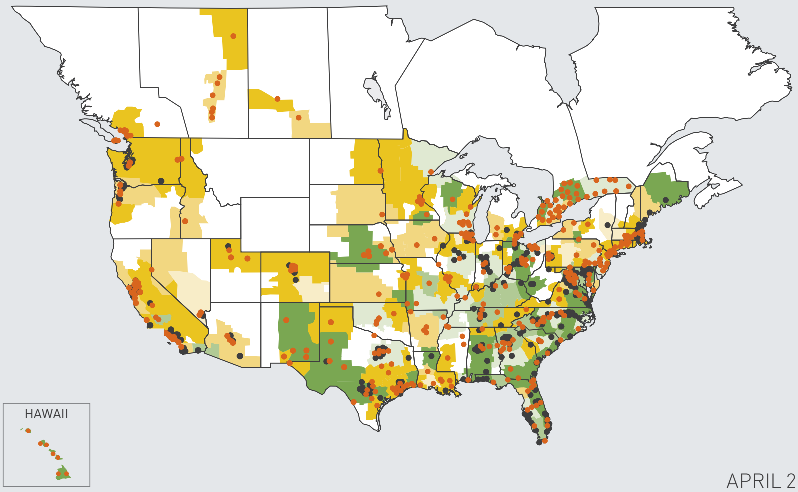
## Maintain financial and operational flexibility

| Targets | Key initiatives | Update | Relevant KPIs and risks |
| --- | --- | --- | --- |
| Build a broad platform for growth:<br>› target 15% US market share<br>› take 5% Canadian market share<br>› increase UK market share | › Same-store fleet growth<br>› Greenfield expansion<br>› Bolt-on M&A<br>› Develop specialty products<br>› Develop diversified clusters in key areas<br>› Increased focus on non-traditional rental equipment | › 9% US market share<br>› 4% Canadian market share<br>› 8% UK market share<br>› 20% increase in US rental fleet at cost<br>› 20% increase in US fleet on rent<br>› 70 greenfield openings in the US<br>› \$684m spent on US acquisitions<br>› C\$128m spent on Canadian acquisitions<br>› £15m spent on UK acquisitions | **KPIs**<br>› Fleet on rent<br>**Risks**<br>› Competition<br>› People |
| Operational excellence:<br>› improve operational capability and effectiveness<br>› continued focus on service | › Operational improvement:<br>– delivery cost recovery<br>– fleet efficiency<br>› Increased use of technology to drive optimal service and revenue growth<br>› ARE initiative: Availability, Reliability, Ease<br>› Focus on culture | › Continued focus on improvement programmes designed to deliver improved dollar utilisation and EBITDA margins | **KPIs**<br>› Dollar utilisation<br>› Underlying EBITDA margins<br>› RoI<br>› Fleet on rent<br>› Staff turnover<br>› Safety<br>**Risks**<br>› Business continuity<br>› People<br>› Health and safety<br>› Environmental<br>› Laws and regulations |
| Maintain financial and operational flexibility:<br>› RoI above 15% for the Group (excluding IFRS 16)<br>› maintain leverage in the range 1.5 to 2 times net debt to EBITDA (excluding IFRS 16)<br>› ensure financial firepower at the bottom of cycle for next 'step-change' | › Driving improved dollar utilisation<br>› Maintain drop-through rates<br>› Increasing US store maturity<br>› Maintaining financial discipline<br>› Optimise fleet profile and age during the cyclical upturn | › Strong RoI at 18% (2018: 18%)<br>› Sunbelt US dollar utilisation of 55% (2018: 55%)<br>› Sunbelt Canada dollar utilisation of 49% (2018: 60%)<br>› A-Plant dollar utilisation of 47% (2018: 48%)<br>› Fall through of 49% and 52% in Sunbelt US and A-Plant<br>› Sunbelt US EBITDA margin of 49% (2018: 50%), Sunbelt Canada EBITDA margin of 36% (2018: 30%)<br>› A-Plant EBITDA margin of 35% (2018: 35%)<br>› Leverage of 1.8x EBITDA<br>Fleet age remains appropriate at this stage of the cycle:<br>› Sunbelt US 33 months (2018: 32 months)<br>› Sunbelt Canada 30 months (2018: 28 months)<br>› A-Plant 38 months (2018: 32 months) | **KPIs**<br>› RoI<br>› Dollar utilisation<br>› Underlying EBITDA margins<br>› Leverage<br>› Net debt<br>**Risks**<br>› Economic conditions<br>› Competition<br>› Financing |

**08 MARKET SHARE AND GROWTH STRATEGY**




APRIL 2012




APRIL 2019

**Growth**
- Stores – April 2012
- Store growth – May 2012 to April 2019

**Market share (%)**
0 10 15+

IHS Markit/ARA: State of the Equipment Rental Industry, April 2019 Outlook & Management estimates.

**09 SOURCES OF SUNBELT US REVENUE GROWTH (YEAR ENDED 30 APRIL 2019)**

**15%** ORGANIC GROWTH + **5%** BOLT-ON ACQUISITIONS = **20%** RENTAL ONLY REVENUE GROWTH

## Building a broad platform for growth

The first of our strategic priorities is to build a broad platform for same-store growth supplemented by small bolt-on acquisitions and new greenfield sites. Our platform is not only our physical stores but our people and delivery fleet. You can see from the maps how we have made an enormous impact on the US market since 2012 and how much potential there still is to grow. We have added over 450 new locations in the US since we embarked on our strategy for growth in 2012. Anything in green on the map is where we already have over 10% market share. Areas in dark green are where we have over 15%. It is only a matter of time before we achieve similar results across a broader geography because we now have the scale, competitive advantage and balance sheet strength to reach our targets. We believe there is significant opportunity for expansion in both existing and new geographies, with the ability to reach our initial target of 875 locations in the US earlier than planned and then go further.

We also see similar opportunities to build a broad platform as we expand in the Canadian market. When we entered the market in 2014 we had six locations in Western Canada. We now have 67 locations with a growing presence in Eastern Canada and we plan to expand in the interior provinces. We will achieve this through a combination of new greenfield sites and acquisitions.

There is a drag on margins when we open new stores but they improve quickly as they deliver more revenue and later broaden the fleet and customer mix. The same happens with acquisitions because we buy businesses that we can improve, either operationally or through additional investment, or both. However, our focus remains on same-store growth which generates the best returns. This same-store growth is supplemented with greenfields, either building out clusters or entering new markets. This investment drove organic growth of 15% which is part cyclical market growth and part structural growth. So even if the market stops growing, our stores can continue to grow because that structural part of the growth is independent of the market. This is why we are consistently able to outperform both our competitors and the market. The strength of our brand and reputation means that new greenfield sites become profitable very quickly. We are pleased to report that this is also the case in Canada where in five years, we have gone from being unknown to now being a recognised and trusted partner.

## 10 BUSINESS MIX – SUNBELT US

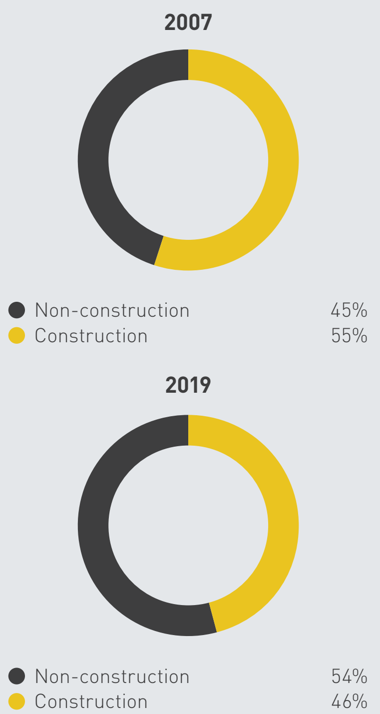



Chart 09 shows the revenue growth and mix from organic growth and bolt-on acquisitions. When we add the 5% growth from our bolt-on acquisitions, rental revenue growth becomes 20%, of which around three quarters is structural and not driven by market growth. Our strategy capitalises on both structural and cyclical factors to drive our revenue growth.

Structural growth is people choosing to rent more equipment (increased rental penetration) and the big getting bigger (increased market share). We are able to keep growing because we prioritise investment in the fleet and have the financial security to be able to do that. Our customers want good quality fleet, readily available to meet their needs. Investing in a broad range of fleet and backing that up with great service means our customers remain loyal and do not need to look elsewhere. Prioritising higher return on investment ('RoI') products further helps our growth.

We are always on the lookout for the best opportunities and the flexibility in our model enables us to act quickly when we need to, whether that be opening a new greenfield site or making an acquisition. We are also flexible in the mix of greenfields and bolt-on acquisitions depending on the opportunities we see. Further diversifying the business is also a priority and opportunities that allow us to diversify and expand our specialty businesses are particularly key to our strategy of building a broader base for growth.

Our specialty businesses are a strategic priority and have grown from 16% of our business in 2011 to 23% in 2019. This year 48 of our 70 greenfield openings in the US were specialty stores and we added 40 specialty stores through acquisition. We aim to build specialty businesses generating $2bn of revenue in time. We have always said we wanted to reduce our dependence on the construction industry. The increase in our specialty businesses is one way in which we have increased the ratio of our non-construction business, as can be seen in chart 10.

Specialty markets are typically characterised by low rental penetration and a predominance of small local players. We continue to see further opportunity as we consolidate and improve the service offering leading to market growth from increased rental penetration as our customers become accustomed to the quality of our offering.

As mentioned elsewhere, we are building our rental penetration through expansion of the types of equipment we rent. As well as our specialty businesses, we are increasingly focused on developing the rental penetration of the smaller end of our product range. Chart 11 shows how the largest equipment in our fleet has high levels of rental penetration while the smaller, but often still costly to own, equipment has not traditionally been a large part of the rental mix.

One of the ways that we are encouraging customers to think about hiring smaller tools is by making it as easy and cost-effective to hire them as it is to hire larger equipment. For example, ToolFlex is a subscription-type service that allows customers to hire and exchange a set number of tools and equipment as often as they want for a flat fee per month. This fee is cheaper than if the items were to be hired individually and the programme is proving very popular with smaller customers.

## 11 RENTAL PENETRATION: THE PRODUCT RANGE

## 12 OPPORTUNITY OF MATURING CLUSTERS FOR SUNBELT US

| Market profile | Non-construction | Operating profit %[1] | RoI[2] |
|---|---|---|---|
| Mature | >60% | 39% | 29% |
| Mid-term | c. 40% | 37% | 26% |
| Early | c. 20% | 37% | 24% |

Top 100 markets, excluding FY19 openings.

1 EBITA margin calculated excluding central overheads.

2 RoI calculated with reference to profit centre contribution, excluding central overheads. Average investment excludes goodwill and intangible assets.

## 13 OPPORTUNITY TO BUILD OUT FURTHER CLUSTERS, SUNBELT US

| Rental markets | Top 25 | 26–50 | 51–100 | 101–210 |
|---|---|---|---|---|
| Rental market % | 57% | 19% | 15% | 9% |
| Cluster definition | >15 | >10 | >4 | >1 |
| Clustered | 8 markets | 7 markets | 9 markets | 16 markets |

Source: Management information.

Our cluster approach is also an important aspect of building a broad platform for growth. Our greenfield sites are chosen carefully to enhance our existing business. We focus on building clusters of stores because, as can be seen in chart 12 as our clusters mature, they access a broader range of markets unrelated to construction leading to better margins and RoI.

A top 25 market cluster in the US has more than 15 stores, a top 26-50 market cluster more than ten stores and a top 51-100 market more than four stores. We also include the smaller 101-210 markets within our cluster analysis. We have found that these smaller markets, while performing less well than others overall, often prove more resilient when times are less good. Our definition of a cluster in these markets is two or more stores. Creating clusters is also a key element of our expansion strategy in Canada which also helps us increase the specialty business element of what we can provide for customers. With the advanced technology we have in place, we are able to analyse local market data very accurately. This allows us to find similarities between certain US and Canadian centres, and model our growth plan accordingly. The more customers get to know and trust us, the faster our growth becomes.

We focus on ensuring our clusters meet the multiple needs of local customers even if that means some stores may appear superficially to perform less well than others. The interaction of the stores in a cluster is what gives us real competitive advantage. We find that having one large anchor location is highly desirable and we like to mix up the large equipment locations with smaller general tool stores. The addition of specialty stores serves to really differentiate us from competitors in the area. Average revenue per store is not a relevant measure with which to evaluate the success of individual clusters or even the business as a whole. The value is in the mix.

### Operational excellence

The second of our strategic priorities is constantly improving our operational capability and effectiveness, doing what we do to the very best of our ability. Customer service is a crucial element of this and we continue to build market share because we are in the right locations and providing better equipment with a higher quality of service than our competitors. Our reputation for good service is now such that when we open a new location, that store moves quickly up the revenue curve because we are already well known for what we do and how we do it. Our mantra is that our customers' rental experience should be one of Availability, Reliability and Ease. Getting these aspects right helps drive growth.

We want our customers to be delighted by our service and our culture empowers staff to do the right thing and get things done. The Ashtead culture is one of empowered entrepreneurship where staff pay just as much attention to our smaller customers as to our larger ones. Maintaining low staff turnover and high staff safety levels are crucial to our strategy for operational excellence and you can read more about these in our Responsible business report on page 44.

In Sunbelt US, we have three main categories of customers whose service needs vary depending on their size. Our smallest customers have rental revenue spend with us of less than $20,000 a year but represent 96% of our customers by number. These smaller customers tend to require higher levels of service but can incur a higher transactional cost. Our medium-sized customers often need equipment for longer periods of time and can command a discounted service. Our largest customers are our national accounts who have large-scale and often very sophisticated requirements. We have gained significant market share in all types of customer due, in part, to the strength of the relationships we build.

Our focus on operational excellence across the board drives our financial performance. Improving operational efficiency is an ongoing focus and we constantly strive to maintain high levels of fleet on rent, improve the organisation of our stores, analyse how we load our delivery trucks, optimise our delivery and pick-up routes and how we spend time at the customer location, for example. As with any multi-location business, all locations are good at some of this, some locations are good at all of it – our goal is for all locations to be good at all of it.

Technology is playing an increasingly large part in delivering Availability, Reliability and Ease to customers, as we develop proprietary applications to improve the rental process. Sunbelt's complete digital eco-system begins with our online CommandCenter, including a mobile app, where customers can see and manage everything to do with their account. They can track what equipment they have on rent, order new items from the entire range, see what they've rented recently, request service or a pickup, extend their contract, see store locations, log their favourite equipment, etc.. Our sales reps have access to all of this information, as well as a very powerful customer relationship management tool, Accelerate, which enables them to find out where available equipment is located, customer contacts, preferences and potential needs, and all other information relevant to serving the customer. Finally, our Vehicle Delivery Optimisation System ('VDOS') is used by dispatchers to manage pickup and delivery of equipment at job sites, and schedule drivers who are able to access it on their mobile phones. There are vast amounts of data behind these applications which we utilise to make efficiency gains, add depth to our growth strategy and provide more accurate strategic forecasts. We have similar tools in the UK and in Canada.

## INTERSTATE ACQUISITION

**We acquired the Interstate business in August 2018. The addition of this business, with a notable presence in the large New York City and Philadelphia markets accelerates our clustering in those regions with all the cross-selling and margin enhancement benefits this brings.**

**Our bolt-on strategy always focuses on revenue synergies and the Interstate deal is a good example of this. We acquired a business with a good market presence, in areas where Sunbelt has been historically under-represented. However, their product offering was purely aerial. We now have an opportunity to cross-sell our broader product offering into the Interstate customer base and we have a better aerial service for our existing customers.**

**By introducing a broader customer base and product range, and leveraging our platform overall, we increased time utilisation from 60 to 73% in the first ten weeks post acquisition, all while improving utilisation in the incumbent Sunbelt locations in the same markets. Bolt-ons and greenfields will always have some drag on average rental rates, but as rates inevitably follow time utilisation, we see these improve over time as the benefits of our platform take effect.**

### Financial and operational flexibility

Maintaining financial and operational flexibility enables us to flex our business and operational models through the economic cycle. As we have said elsewhere, this enables us to react quickly to both negative changes in the market and opportunities of which we want to take advantage. The more growth we experience and plan for, the more financial and operational flexibility we need. A key element of our strategy is ensuring we have the financial strength to enable growth when appropriate and make our returns sustainable. Having a strong balance sheet is fundamental to our success at all stages in the cycle.

A core element of our financial stability comes from our strategy of ensuring that, averaged across the economic cycle, we always deliver RoI well ahead of our cost of capital. RoI through the cycle is the key measure for any rental company and the best medium-term indicator of the strength of the business. We do this in a variety of ways at different stages of the cycle, all focused on the effective management of invested capital and financial discipline.

The maturity of our stores has a big impact on RoI. As stores mature and get bigger and broaden their fleet range there is natural margin and returns progression. Stores that were greenfield sites only two years ago are now already adding same-store growth. We are always focused on moving new and young stores up the maturity curve as there is scope for higher returns as they progress. This also means that we are now at a very different stage in our evolution in the current economic cycle relative to where we were in the last cycle. We have more stores overall and they are larger and more mature than at the peak of the last cycle, so we are much better placed to weather the next downturn when it comes, as we know it will.

We have continued, over recent years, to be consistent in our commitment to both low leverage and a young fleet age and we benefit from the options this strategy has provided. Traditionally, rental companies have only generated cash in a downturn when they reduce capital expenditure and age their fleet. In the upturn, they consume cash as they replace their fleets and then seek to grow. We have changed this dynamic through this cycle with our scale and strong margins. We are in a phase where we continue to grow the business in a cyclical upturn and are highly cash generative. As a consequence, our leverage would trend naturally towards the lower end of our target range of 1.5 to 2.0 times net debt to EBITDA (excluding IFRS 16) which provides the Group with significant flexibility and security. This gives us even more flexibility to invest in growth, which is what we are doing. We get significant competitive advantage from our younger fleet and our purchasing power. Our strong balance sheet allows us to capitalise on this advantage in both North America and the UK.

From this position of strength in the up-cycle, we can ensure we have sufficient financial resources at the bottom of the cycle to prepare for the next 'step-change' in the market and capitalise on growth opportunities in the early stages of the next recovery.

In terms of fleet investment, we are replacing fleet bought at the bottom of the last cycle and the early part of recovery when spend was lower. As a result, our replacement capital expenditure is lower than it would be in steady state and will increase towards £1bn in the coming years. While we will flex short-term spend to reflect market conditions, we are committed to our long-term structural growth. So once again we will be opening around 80 greenfield locations in North America next year and expect to continue to do so in the medium term. We anticipate market-leading growth across the business but with the added benefit of significant cash generation.

In 2008 and 2009 our financial and operational flexibility enabled us to adjust our fleet spend more quickly and aggressively than the rest of the market as we entered a downturn in the cycle. Our model is very flexible and has proven itself to be adjustable very quickly, when market conditions require. We are very conscious that we have to know both when to spend and when not to.

# MEASURING OUR PERFORMANCE

## At Group level, we measure the performance of the business using a number of key performance indicators ('KPIs').

These help to ensure that we are delivering against our strategic priorities as set out on page 22. Several of these KPIs (underlying EPS, return on investment and leverage) influence the remuneration of our executive team (see page 74).

Certain KPIs are more appropriately measured for each of our operating businesses, whereas other KPIs are best measured for the Group as a whole.

**Link to strategic priority**

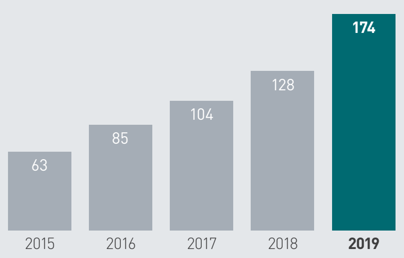
- Build a broad platform for growth
- Operational excellence
- Maintain financial and operational flexibility

→ **Metrics relating to environmental matters are set out within our Responsible business report on page 56.**

* Linked to remuneration

1 No data is available for Sunbelt Canada on a comparable basis due to the acquisition of CRS in August 2017.

### UNDERLYING EPS (P)*

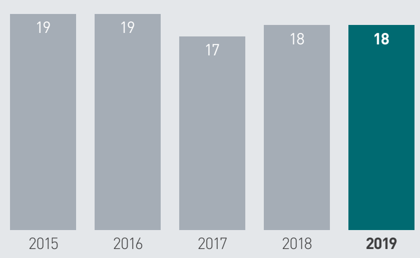



**Calculation**
Underlying Group profit after taxation divided by the weighted average number of shares in issue (excluding shares held by the Company and the ESOT).

**Target**
As a cyclical business, underlying EPS varies substantially through the cycle.

**2019 performance**
Underlying EPS improved to 174.2p per share in 2018/19.

### RETURN ON INVESTMENT ('ROI') (%)*

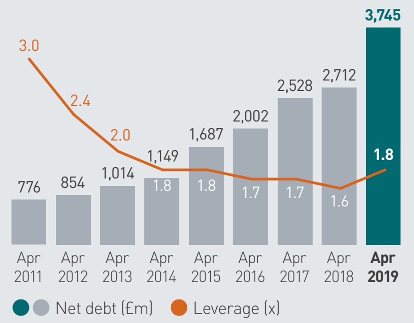



**Calculation**
Underlying operating profit divided by the sum of net tangible and intangible fixed assets, plus net working capital but excluding net debt and tax.

**Target**
Averaged across the economic cycle we look to deliver RoI well ahead of our cost of capital, as discussed in our strategic review.

**2019 performance**
Our RoI was 18% for the year ended 30 April 2019.

### NET DEBT AND LEVERAGE AT CONSTANT EXCHANGE RATES*

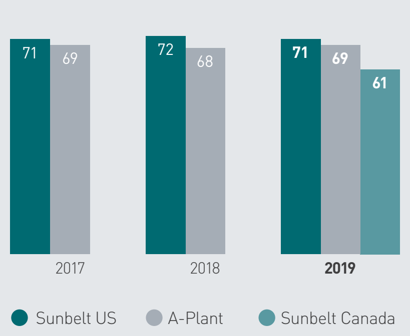



**Calculation**
Net debt is total debt less cash balances, as reported, and leverage is net debt divided by underlying EBITDA, calculated at constant exchange rates (balance sheet rate).

**Target**
We seek to maintain a conservative balance sheet structure with a target for net debt to underlying EBITDA of 1.5 to 2 times (excluding IFRS 16).

**2019 performance**
Net debt at 30 April 2019 was £3,745m and leverage was 1.8 times.

## PHYSICAL UTILISATION (%)

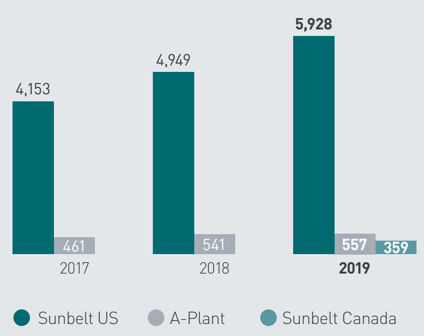



**Calculation**
Physical utilisation is measured as the daily average of the amount of itemised fleet at cost on rent as a percentage of the total fleet at cost and for Sunbelt US is measured only for equipment whose cost is over $7,500 (which comprised 88% of its itemised fleet at 30 April 2019).

**Target**
It is important to sustain annual average physical utilisation at between 60% and 70% through the cycle. If utilisation falls below 60%, yield will tend to suffer, whilst above 70% we may not have enough fleet in certain stores to meet our customers' needs.

**2019 performance**[1]
Sunbelt US utilisation was 71% (2017/18: 72%), while A-Plant utilisation was 69% (2017/18: 68%) and Sunbelt Canada was 61%.

## FLEET ON RENT ($M/£M/C$M)

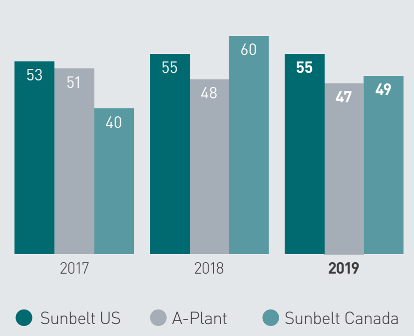



**Calculation**
Fleet on rent is measured as the daily average of the original cost of our itemised equipment on rent.

**Target**
To achieve growth rates in Sunbelt and A-Plant in excess of the growth in our markets and that of our competitors.

**2019 performance**[1]
In Sunbelt US, fleet on rent grew 20% in 2018/19, whilst in A-Plant it grew 3%. The US market grew 7% and the UK market by 2%.

## DOLLAR UTILISATION (%)

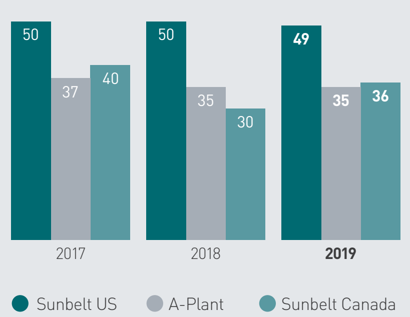



**Calculation**
Dollar utilisation is rental revenue divided by average fleet at original (or 'first') cost measured over a 12-month period.

**Target**
Improve dollar utilisation to drive improving returns in the business.

**2019 performance**
Dollar utilisation was 55% in Sunbelt US, in line with what it was a year ago. In Sunbelt Canada, it was 49%, reflecting the mix of business with a full year of CRS and the impact of lower dollar utilisation Voisin's business. In A-Plant it decreased to 47%, principally due to pricing pressure.

## UNDERLYING EBITDA MARGINS (%)

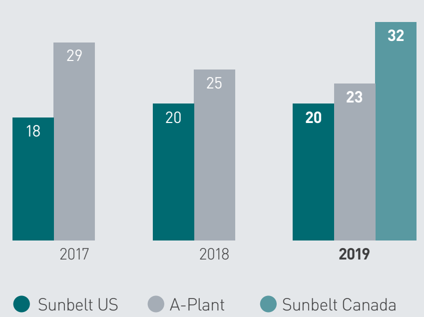



**Calculation**
Underlying EBITDA as a percentage of total revenue.

**Target**
To improve or maintain margins and achieve peak EBITDA margins of 45-50% in Sunbelt US during this cycle, 40-45% in due course in Sunbelt Canada and 35-40% in A-Plant.

**2019 performance**
EBITDA margins in 2018/19 were 49% in Sunbelt US, 35% in A-Plant and 36% in Sunbelt Canada.

## STAFF TURNOVER (%)

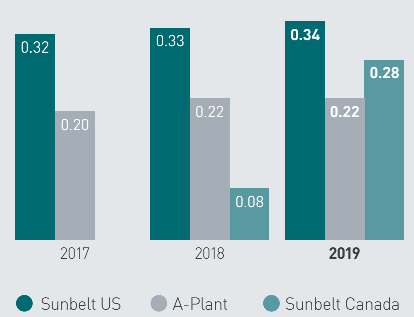



**Calculation**
Staff turnover is calculated as the number of leavers in a year (excluding redundancies) divided by the average headcount during the year.

**Target**
Our aim is to keep employee turnover below historical levels to enable us to build on the skill base we have established.

**2019 performance**[1]
Total turnover levels have remained relatively constant for Sunbelt US and A-Plant. Our well-trained, knowledgeable staff remain targets for our competitors. Voluntary employee turnover is lower and discussed on page 48.

## SAFETY




**Calculation**
The RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) reportable rate is the number of major injuries or over seven-day injuries per 100,000 hours worked.

**Target**
Continued reduction in accident rates.

**2019 performance**
The RIDDOR reportable rates of 0.34 in Sunbelt US and 0.22 in A-Plant were similar to the prior year. For Sunbelt Canada, the RIDDOR reportable rate was 0.28.

More detail is included in our Responsible business report on page 45.

## Making it work for everyone

We don't just provide equipment, but also the team to go with it. Often we will have staff working alongside our customer 24/7, ensuring all maintenance and any additional equipment needs are dealt with promptly. Our engineers and technical staff are on hand to make the job run smoothly and if needed, we'll staff an entire depot on-site, cutting transport cost, as well as unnecessary delivery-related carbon emissions.

**Using the latest technology to make things easy and efficient**

## Enhancing our services offer through online platforms

Our online CommandCenter, also available as an app, allows customers to organise projects and track equipment rented, at any time of the day or night, changing orders if required, quickly and efficiently. In-app weekly reporting, monthly cost comparisons, easy look-up of outstanding invoices, delivery instructions and payment, ensure total accuracy and efficiency. Customers save time, money and frustration with an easy-to-use, all-encompassing, interactive interface.

# CUSTOMER-CENTRIC SERVICES

# MANAGING OUR RISK

The Group recognises the importance of identifying and managing financial and non-financial risks faced by the business. In response to this, it has developed a rigorous risk management framework designed to identify and assess the likelihood and consequences of risks and to manage the actions necessary to mitigate their impact.

Our risk identification processes seek to identify risks from both a top-down strategic perspective and a bottom-up business perspective. The Board has overall responsibility for risk management, setting of risk appetite and implementation of the risk management policy. This is designed to enable our employees to take advantage of attractive opportunities, yet to do so within the risk appetite set by the Board.

The Group Risk Register is the core of the Group's risk management process. It contains an overall assessment of the risks faced by the Group together with the controls established to reduce those risks to an acceptable level and is maintained by the Group Risk Committee. The Group Risk Register is based on detailed risk registers maintained by Sunbelt and A-Plant, which are reviewed and monitored through local risk committees. The operation and effectiveness of the local risk committees, which meet at least quarterly, continues to be enhanced. The Group Risk Committee meets as required, but at least twice a year, with the objective of encouraging best risk management practice across the Group and a culture of regulatory compliance and ethical behaviour. The Group Risk Committee reports annually through the Audit Committee to the Board. As part of this process, it reviews the results of the local risk committee assessments. It produces an annual report and updated Group Risk Register which is reviewed by the Audit Committee to assess whether the appropriate risks have been identified and to ensure adequate assurance is obtained over those risks and then it is presented formally to the Board for discussion, approval and, if appropriate, re-rating of risks. Our risk appetite is reflected in our rating of risks and ensures the appropriate focus is placed on the correct risks. The Board takes a view of the prospects of the business through the cycle and, given the inherent cyclicality in the business, tends to operate with a low risk appetite. Further detail on our risk management framework and priorities during the year is provided on pages 44 and 45.

## RISK MANAGEMENT FRAMEWORK

### GROUP RISK COMMITTEE

- Reviews key and emerging risks on a regular basis with support from Sunbelt and A-Plant risk committees which meet quarterly.
- Receives in-depth presentations from Sunbelt and A-Plant risk committees on key matters.

**RISK IDENTIFICATION**

Assessed both on a top-down and bottom-up basis

Risks considered most material to the business.

**ASSESSMENT OF LIKELIHOOD AND IMPACT**

Financial, operational and regulatory impacts considered.

**RISK APPETITE DETERMINED**

Risk appetite assessed for individual risks in accordance with our overall Group risk appetite.

**MITIGATING CONTROLS IMPLEMENTED**

Mitigating controls identified, implemented and monitored to ensure risk is reduced to an acceptable level.

### AUDIT COMMITTEE

- Receives presentation from Group Risk Committee and the Group Risk Register on an annual basis.
- Assesses effectiveness of risk management process.

**GROUP RISK REGISTER**

Group Risk Register summarises work of Group Risk Committee, changes in risks identified and details by significant risk material controls and monitoring activities completed.

### BOARD

- Overall responsibility for risk management framework and the definition of risk appetite.
- Undertakes Board monitoring of significant risks throughout the year.

**RISK APPETITE DETERMINED**

Risk appetite determined with reference to the Group's risk categories:

STRATEGIC | OPERATIONAL | FINANCIAL

## PRINCIPAL RISKS

Set out below are the principal business risks that could impact the Group's business model, future performance, solvency or liquidity and information on how we mitigate them. We have reassessed our principal risks during the year and have identified 'cyber security' as a principal risk in place of 'business continuity'. This reflects the fact that cyber security risk and disaster recovery are the main factors influencing business continuity. Furthermore, our risk profile evolves as we move through the economic cycle and commentary on how risks have changed is included below.

### Change in risk in 2018/19

- ↑ Increased risk
- → Constant risk
- ↓ Decreased risk
- N New risk

### ↑ 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 impact of Brexit on the UK economy is considered part of this risk.

**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**
Our performance is benefitting from the economic cycle and we expect to see further upside as economic growth continues. However, our longer-term planning is focused on the next downturn to ensure we have the financial firepower at the bottom of the cycle to achieve the next 'step-change' in business performance. As we move further into this cycle, the risk of an economic downturn increases.

**Strategic priority**

### → 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 are growing faster than our larger competitors and the market, and continue to take market share from our smaller, less well financed competitors. We have a 9% market share in the US, a 4% market share in Canada and 8% in the UK.

**Strategic priority**

### → 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 $410m.

**Change**
At 30 April 2019, our facilities were committed for an average of six years, leverage was at 1.8 times and availability under the senior debt facility was $1,622m.

**Strategic priority**

### N 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**
Risk separately identified in current year having previously been considered as part of business continuity risk.

We continue to enhance our response to cyber-security threats.

Our business continuity plans were reviewed and updated during the year and our disaster recovery plans are tested regularly.

**Strategic priority**

## 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. Further details are provided on page 38.

**Change**
In terms of reportable incidents, the RIDDOR reportable rate was 0.34 (2018: 0.33) in Sunbelt US, 0.28 (2018: 0.08) in Sunbelt Canada and 0.22 (2018: 0.22) in A-Plant.

**Strategic priority**

## 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.

Staff turnover has remained relatively constant with the prior year as our well-trained, knowledgeable staff have become targets for our competitors.

Increased focus on recruitment and induction training programmes as our highest level of turnover is within the first two years of employment.

We continue to invest in training and career development with over 250 courses offered across both businesses.

**Strategic priority**

## ENVIRONMENTAL

**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. In 2018/19 our carbon emission intensity ratio reduced to 67 (2018: 72) in Sunbelt US and 56 (2018: 67) in Sunbelt Canada. A-Plant's carbon emission intensity ratio was 75 (2018: 74). Further detail is provided on pages 55 and 56.

**Strategic priority**

## LAWS AND REGULATIONS

**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 during the course of the year. Further details as to the Group's whistle-blowing arrangements are provided on page 71.

During the year over 2,300 people in Sunbelt US, 125 people in Canada and 525 people in A-Plant underwent induction training and additional training programmes were undertaken in safety.

**Strategic priority**

### Assessment of prospects and viability

The prospects of the Group are inherently linked to the environment in which we operate. While our principal market is construction which is cyclical in nature, it represents less than 50% of our business. The balance is non-construction related activity, including, inter alia, industrial, events, maintenance and repair and facilities management which, by their nature, are typically less cyclical.

Our markets in the US and Canada are undergoing structural change. Customers are increasingly choosing to rent equipment rather than own it and the fragmented market is consolidating. The Group is well positioned to take advantage of these structural changes. The UK market is more mature and competitive than the US and Canada but A-Plant is the largest rental company in that market and, with the Group's strong financial position, is well positioned to optimise market conditions.

The Board discusses regularly the factors affecting the Group's prospects and the risks it faces in optimising the opportunity presented in its markets. The principal risks, which the Board concluded could affect the business are set out on the preceding pages.

While the Board has no reason to believe the Group will not be viable over a longer period, the period over which the Board considers it possible to form a reasonable expectation as to the Group's longer-term viability, is the three-year period to 30 April 2022. This aligns with the duration of the business plan prepared annually and reviewed by the Board. Furthermore, our committed borrowing facilities do not mature before the end of this period. We believe this provides a reasonable degree of confidence over this longer-term outlook.

The Group prepares an annual budget and three-year business plan. This plan considers the Group's cash flows and is used to review its funding arrangements and available liquidity based on expected market conditions, capital expenditure plans, used equipment values and other factors that might affect liquidity. It also considers the ability of the Group to raise finance and deploy capital.

The nature of the Group's business is such that its cash flows are countercyclical. In times of improving markets, the Group invests in its rental fleet, both to replace existing fleet and grow the overall size of the fleet, which results in improving earnings but negative cash flow from operations in times of rapid growth. However, as the cycle matures and the rate of growth slows, the Group is able to fund rental fleet growth from cash flow, so generating free cash flow from operations.

In more benign or declining markets, the Group invests less in its rental fleet and, as a result, generates significant cash flow from operations. Recognising the impact of the economic cycle on the business and its financing requirements, we undertake scenario planning based on the timing, severity and duration of any downturn and subsequent recovery. This scenario planning considers the impact of the cycle on revenue, margins, cash flows, overall debt levels and leverage. Based on this analysis, and the Board's regular monitoring and review of risk management and internal control systems, we do not believe there are any reasonably foreseeable events that could not be mitigated through the Group's ability to flex its capital expenditure plans, which would result in the Group not being able to meet its liabilities as they fall due. The nature of the business' other principal risks is such that, while they could affect the Group's ability to achieve its objectives, they are unlikely to prevent the Group from meeting its liabilities as they fall due.

Based on the foregoing, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to April 2022.

# OUR FINANCIAL PERFORMANCE

| | Revenue | | EBITDA | | Operating profit | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| Sunbelt US in $m | **4,988.9** | 4,153.1 | **2,453.5** | 2,062.9 | **1,545.0** | 1,293.4 |
| Sunbelt Canada in C$m | **344.0** | 223.4 | **124.1** | 68.1 | **54.8** | 28.4 |
| | | | | | | |
| Sunbelt US in £m | **3,824.3** | 3,103.7 | **1,880.9** | 1,541.7 | **1,184.3** | 966.6 |
| A-Plant | **475.1** | 471.7 | **168.4** | 167.3 | **62.3** | 70.2 |
| Sunbelt Canada in £m | **200.2** | 130.6 | **72.2** | 39.9 | **31.9** | 16.6 |
| Group central costs | **–** | – | **(14.9)** | (15.8) | **(14.9)** | (15.9) |
| | **4,499.6** | 3,706.0 | **2,106.6** | 1,733.1 | **1,263.6** | 1,037.5 |
| Net financing costs | | | | | **(153.4)** | (110.2) |
| **Profit before amortisation, exceptional items and tax** | | | | | **1,110.2** | 927.3 |
| Amortisation | | | | | **(50.7)** | (43.5) |
| Exceptional items | | | | | **–** | (21.7) |
| Profit before taxation | | | | | **1,059.5** | 862.1 |
| Taxation | | | | | **(262.6)** | 106.7 |
| Profit attributable to equity holders of the Company | | | | | **797.9** | 968.8 |
| | | | | | | |
| **Margins** | | | | | | |
| Sunbelt US | | | **49.2%** | 49.7% | **31.0%** | 31.1% |
| A-Plant | | | **35.5%** | 35.5% | **13.1%** | 14.9% |
| Sunbelt Canada | | | **36.1%** | 30.5% | **15.9%** | 12.7% |
| Group | | | **46.8%** | 46.8% | **28.1%** | 28.0% |

## Trading results[1]

Group revenue for the year increased 21% to £4,500m (2018: £3,706m) with strong growth in the US and Canadian markets. This revenue growth, combined with our focus on drop-through, generated underlying profit before tax of £1,110m (2018: £927m).

The Group's strategy remains unchanged with growth being driven by strong organic growth (same-store and greenfield) supplemented by bolt-on acquisitions. Sunbelt US, A-Plant and Sunbelt Canada delivered 20%, 4% and 66% rental only revenue growth respectively. The significant growth in Sunbelt Canada reflects the impact of acquisitions, most notably the acquisition of CRS in August 2017.

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

Sunbelt US's revenue growth demonstrates the successful execution of our long-term structural growth strategy. We continue to capitalise on the opportunity presented by our markets through a combination of organic growth (same-store growth and greenfields) and bolt-ons as we expand our geographic footprint and our specialty businesses. We added 123 new stores in the US in the year, the majority of which were specialty locations.

Rental only revenue growth was 20% in strong end markets. This growth was driven by increased fleet on rent year-over-year with yield flat. While revenue was impacted by our involvement in the clean-up efforts following hurricanes Florence and Michael, it was much less than last year with estimated incremental rental revenue of $30-35m (2018: c. $100m). Average physical utilisation for the year was 71% (2018: 72%). Sunbelt US's total revenue, including new and used equipment, merchandise and consumable sales, increased 20% to $4,989m (2018: $4,153m).

A-Plant generated rental only revenue of £357m, up 4% on the prior year (2018: £344m). This was driven by increased fleet on rent with a 1% improvement in yield, mainly due to product mix. The rate environment in the UK market remains competitive. A-Plant's total revenue increased 1% to £475m (2018: £472m).

In Canada, the acquisitions of CRS and Voisin's are distortive to year-over-year comparisons as they have tripled the size of the Sunbelt Canada business. On a pro forma basis, Canadian rental only revenue increased 18%. Sunbelt Canada's total revenue was C$344m (2018: C$223m).

| | | $m |
|---|---|---|
| 2018 rental only revenue | | 3,091 |
| Organic (same-stores and greenfields) | 15% | 472 |
| Bolt-ons since 1 May 2016 | 5% | 148 |
| 2019 rental only revenue | 20% | 3,711 |
| Ancillary revenue | 17% | 926 |
| 2019 rental revenue | 19% | 4,637 |
| Sales revenue | 32% | 352 |
| 2019 total revenue | 20% | 4,989 |

1 Throughout the Financial review, we use a number of alternative financial 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. Further details are provided in the Glossary of terms on page 138.

We continue to focus on operational efficiency as we look to maintain or improve margins. In Sunbelt US, 49% of revenue growth dropped through to EBITDA. The strength of our mature stores' incremental margin is reflected in the fact that this was achieved despite the drag effect of 186 greenfield openings and acquired stores in the last two years. This resulted in an EBITDA margin of 49% (2018: 50%) and contributed to a 19% increase in operating profit to $1,545m (2018: $1,293m) at a margin of 31% (2018: 31%).

The UK market remains competitive and after a period of sustained growth for the business, the focus is now on operational efficiency and improving returns. Drop-through of 52% contributed to an EBITDA margin of 35% (2018: 35%) while operating profit of £62m (2018: £70m) at a margin of 13% (2018: 15%) reflected the higher depreciation charge of a larger average fleet.

Sunbelt Canada is in a growth phase as it invests to expand its network and develop the business. Significant growth has been achieved while delivering a 36% EBITDA margin and generating an operating profit of C$55m (2018: C$28m) at a margin of 16% (2018: 13%). We continue to expect the Canadian business to generate EBITDA and operating profit margins of around 40% and 20% respectively in the near term.

Reflecting the strong performance of the divisions, Group underlying operating profit increased to £1,264m (2018: £1,037m), up 19% at constant exchange rates. Net financing costs increased to £153m (2018: £110m) reflecting a higher average interest rate and higher average debt levels. As a result, Group profit before amortisation of intangibles, exceptional items and taxation was £1,110m (2018: £927m).

Statutory profit before tax was £1,059m (2018: £862m). This is after amortisation of £51m (2018: £43m) and, in the prior year, an exceptional charge of £22m.

## Taxation

### Tax charge for the year

The underlying tax charge for the year was £275m (2018: £295m), representing an effective rate of 25% (2018: 32%) of underlying pre-tax profit of £1,110m (2018: £927m). The reduction in the Group's underlying tax charge from 32% to 25% reflects the reduction in the US federal rate of tax from 35% to 21% with effect from 1 January 2018, following the enactment of the Tax Cuts and Jobs Act of 2017. The cash tax charge was 5%. We anticipate the cash tax charge to increase to c. 10% in 2019/20.

The exceptional tax credit of £12m (2018: £401m) relates to a tax credit of £12m (2018: £13m) in relation to the amortisation of intangibles. In addition, the prior year includes a £7m tax credit in relation to exceptional net financing costs and a £381m credit as a result of the change in the US federal tax rate.

### Tax strategy and governance

The Group believes it has a corporate responsibility to act with integrity in all tax matters. It is the Group's policy to comply with all relevant tax laws, regulations and obligations including claiming available tax incentives and exemptions in the countries in which it operates. The Group's appetite for tax risk is considered to be cautious and this policy has remained unchanged for a number of years. This approach to taxation is reviewed and approved by the Board on a periodic basis.

Whilst the Board retains ultimate responsibility for the tax affairs of the Group, we have a dedicated internal tax function which takes day-to-day responsibility for the Group's tax affairs. In addition, we seek regular professional advice to ensure that we remain in compliance with changes in tax legislation, disclosure requirements and best practice.

Tax risks are monitored on an ongoing basis and tax matters are reported to the Audit Committee as part of our routine reporting on a quarterly basis.

The Group is committed in having a transparent and constructive working relationship with the tax authorities including using tax clearances to obtain agreement in advance from tax authorities prior to undertaking transactions.

### Legislative changes

We continue to monitor developments in the OECD's work on Base Erosion and Profit Shifting ('BEPS') to ensure continued compliance in an ever changing environment. While we do not expect our tax arrangements to be materially impacted by any legislative changes arising from the BEPS recommendations, we continue to follow the developments closely.

Following its state aid investigation, the European Commission announced its decision in April 2019 that the Group Financing Exemption in the UK controlled foreign company ('CFC') legislation does constitute state aid in some circumstances. In common with other UK-based international companies, the Group may be affected by the outcome of this investigation and is therefore monitoring developments. If the decision reached by the European Commission is not successfully appealed, we have estimated the Group's maximum potential liability to be £34m as at 30 April 2019. Based on the current status of the investigation, we have concluded that no provision is required in relation to this amount.

## Earnings per share

Underlying earnings per share increased 37% to 174.2p (2018: 127.5p) while basic earnings per share decreased to 166.1p (2018: 195.3p) due to the impact of the exceptional tax credit in the prior year. Details of these calculations are included in Note 9 to the financial statements.

## Return on Investment

Sunbelt US's pre-tax return on investment (excluding goodwill and intangible assets) in the 12 months to 30 April 2019 was 24% (2018: 24%). In the UK, return on investment (excluding goodwill and intangible assets) was 9% (2018: 11%). This decline reflects the competitive nature of the UK market and the rate environment. In Canada, return on investment (excluding goodwill and intangible assets) was 12% (2018: 11%). We have made a significant investment in Canada and, as we develop the potential of the market, we expect returns to increase. For the Group as a whole, return on investment (including goodwill and intangible assets) was 18% (2018: 18%).

## 01 CAPITAL EXPENDITURE

| | Replacement | Growth | 2019 Total | 2018 Total |
|---|---|---|---|---|
| Sunbelt US in $m | **480.3** | **1,127.1** | **1,607.4** | 1,267.8 |
| Sunbelt Canada in C$m | **56.2** | **99.5** | **155.7** | 76.2 |
| | | | | |
| Sunbelt US in £m | **368.5** | **864.6** | **1,233.1** | 920.4 |
| A-Plant | **61.2** | **33.7** | **94.9** | 136.9 |
| Sunbelt Canada in £m | **32.0** | **56.8** | **88.8** | 43.1 |
| Total rental equipment | **461.7** | **955.1** | **1,416.8** | 1,100.4 |
| Delivery vehicles, property improvements and IT equipment | | | **170.4** | 138.3 |
| Total additions | | | **1,587.2** | 1,238.7 |

## 02 FLEET AND UTILISATION

| | Rental fleet at original cost | | | | | |
|---|---|---|---|---|---|---|
| | **30 April 2019** | 30 April 2018 | LTM average | LTM rental revenue | LTM dollar utilisation | LTM physical utilisation |
| Sunbelt US in $m | **9,125** | 7,552 | 8,479 | 4,637 | 55% | 71% |
| Sunbelt Canada in C$m | **660** | 394 | 589 | 288 | 49% | 61% |
| | | | | | | |
| Sunbelt US in £m | **6,999** | 5,482 | 6,500 | 3,555 | 55% | 71% |
| A-Plant | **907** | 862 | 893 | 416 | 47% | 69% |
| Sunbelt Canada in £m | **376** | 223 | 343 | 167 | 49% | 61% |
| | **8,282** | 6,567 | 7,736 | 4,138 | | |

## Balance sheet

### Fixed assets

Capital expenditure in the year totalled £1,587m (2018: £1,239m) with £1,417m invested in the rental fleet (2018: £1,100m). Expenditure on rental equipment was 89% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division is shown above in table 01.

In a strong US rental market, $1,127m of rental equipment capital expenditure was spent on growth while $480m 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 2019 was 34 months (2018: 32 months) on a net book value basis. Sunbelt US's fleet had an average age of 33 months (2018: 32 months), A-Plant's fleet had an average age of 38 months (2018: 32 months) and Sunbelt Canada's fleet had an average age of 30 months (2018: 28 months).

Capital expenditure is ahead of depreciation as we continue to grow the fleet. Replacement expenditure continues to be relatively low but increasing, as we replace assets bought when the fleet was smaller but growing. However, we continue to expect strong growth capital expenditure generating double-digit fleet growth. Our operating model, and short delivery lead times, allow us to flex our capital spend quickly. Accordingly, reflecting our desire to be watchful of broader economic trends, we have a range for 2019/20 capital expenditure of £1.4bn to £1.6bn.

The original cost of the Group's rental fleet and dollar and physical utilisation for the year ended 30 April 2019 are shown above in table 02.

Dollar utilisation was 55% at Sunbelt US (2018: 55%), 47% at A-Plant (2018: 48%) and 49% at Sunbelt Canada (2018: 60%). The Sunbelt US dollar utilisation is in line with where it was a year ago. The lower A-Plant dollar utilisation reflects the drag effect of yield while Sunbelt Canada reflects the mix of the business with a full year of CRS and the impact of the lower dollar utilisation Voisin's business. Physical utilisation at Sunbelt US was 71% (2018: 72%), 69% at A-Plant (2018: 68%) and 61% at Sunbelt Canada.

### Trade receivables

Receivable days at 30 April 2019 were 51 days (2018: 50 days). The bad debt charge for the last 12 months ended 30 April 2019 as a percentage of total turnover was 0.6% (2018: 0.6%). Trade receivables at 30 April 2019 of £756m (2018: £556m) are stated net of allowances for bad debts and credit notes of £53m (2018: £43m) with the allowance representing 7.1% (2018: 7.2%) of gross receivables.

### Trade and other payables

Group payable days were 55 days in 2019 (2018: 57 days) with capital expenditure related payables, which have longer payment terms, totalling £196m (2018: £269m). Payment periods for purchases other than rental equipment vary between seven and 60 days and for rental equipment between 30 and 120 days.

### Provisions

Provisions of £88m (2018: £60m) relate to the provision for insured risk, provisions for vacant property as well as acquisition related contingent consideration. The Group's business exposes it to the risk of claims for personal injury, death or property damage resulting from the use of the equipment it rents and from injuries caused in motor vehicle accidents in which its vehicles are involved. The Group carries insurance covering a wide range of potential claims at levels it believes are sufficient to cover existing and future claims.

## 03 CASH FLOW

| | Year to 30 April | |
|---|---|---|
| | **2019 £m** | 2018 £m |
| **EBITDA before exceptional items** | **2,106.6** | 1,733.1 |
| **Cash inflow from operations before exceptional items and changes in rental equipment** | **2,042.5** | 1,681.2 |
| Cash conversion ratio* | **97.0%** | 97.0% |
| Replacement rental capital expenditure | **(472.9)** | (375.8) |
| Payments for non-rental capital expenditure | **(168.7)** | (141.2) |
| Rental equipment disposal proceeds | **181.6** | 151.8 |
| Other property, plant and equipment disposal proceeds | **10.2** | 8.9 |
| Tax (net) | **(51.0)** | (97.6) |
| Financing costs | **(142.9)** | (110.0) |
| **Cash inflow before growth capex and payment of exceptional costs** | **1,398.8** | 1,117.3 |
| Growth rental capital expenditure | **(1,030.6)** | (705.9) |
| Exceptional costs | **–** | (25.2) |
| **Free cash flow** | **368.2** | 386.2 |
| Business acquisitions | **(591.3)** | (359.0) |
| **Total cash (absorbed)/generated** | **(223.1)** | 27.2 |
| Dividends | **(164.2)** | (140.5) |
| Purchase of own shares by the Company | **(460.4)** | (158.2) |
| Purchase of own shares by the ESOT | **(14.2)** | (10.2) |
| **Increase in net debt due to cash flow** | **(861.9)** | (281.7) |

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

Our US liability insurance programmes provide that we can recover our liability related to each and every valid claim in excess of an agreed excess amount of $1.5m in relation to general liability, workers' compensation and motor vehicle claims. In the UK our self-insured excess per claim is much lower than in the US and is typically £50,000 per claim. Our liability insurance coverage is limited to a maximum of £175m.

### Pensions

The Group operates a number of pension plans for the benefit of employees, for which the overall charge included in the financial statements was £16m (2018: £13m). Amongst these, the Group has one defined benefit pension plan which covers approximately 70 remaining active employees in the UK and which was closed to new members in 2001. All our other pension plans are defined contribution plans.

The Group's defined benefit pension plan, measured in accordance with the accounting standard IAS 19, Employee Benefits, was £1m in deficit at 30 April 2019 (2018: £4m in surplus). The investment return on plan assets was £2m better than the expected return which was offset by an actuarial loss of £7m, predominantly arising due to a lower discount rate and higher inflation assumption applied. Overall, there was a net actuarial loss of £6m which was recognised in the statement of comprehensive income for the year.

The next triennial review of the plan's funding position by the trustees and the actuary is due as at 30 April 2019. The April 2016 valuation, which was completed in December 2016, showed a surplus of £6m.

### Contingent liabilities

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

As discussed earlier, if the findings of the European Commission's investigations into the Group Financing Exemption in the UK controlled foreign company legislation are upheld, we have estimated the Group's potential liability to be £34m. Based on the current status of the investigation, we have concluded that no provision is required in relation to this amount.

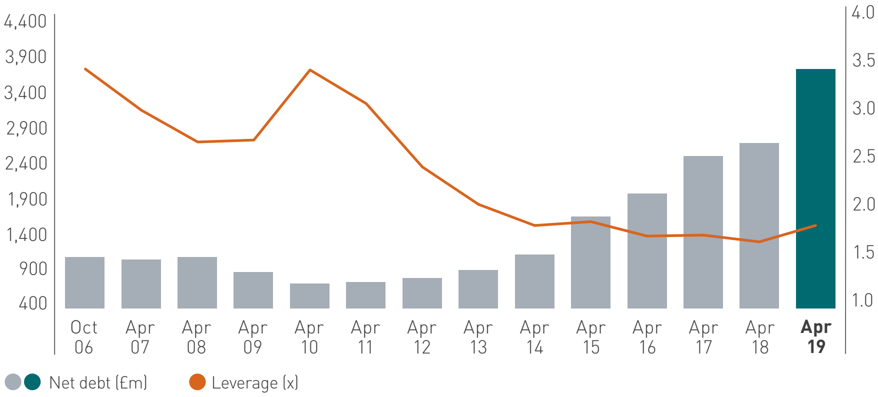
### Cash flow

Cash inflow from operations before payment of exceptional costs and the net investment in the rental fleet increased by 21% to £2,043m. The cash conversion ratio for the year was 97% (2018: 97%).

Total payments for capital expenditure (rental equipment and other PPE) during the year were £1,672m (2018: £1,223m). Disposal proceeds received totalled £192m (2018: £161m), giving net payments for capital expenditure of £1,480m in the year (2018: £1,062m). Financing costs paid totalled £143m (2018: £110m) while tax payments were £51m (2018: £98m). Financing costs paid typically differ from the charge in the income statement due to the timing of interest payments in the year and non-cash interest charges. The exceptional costs incurred in the prior year represent the amounts paid to settle the interest and call premium due on the $900m senior secured notes which were satisfied and discharged in August 2017.

Accordingly, the Group generated £1,399m (2018: £1,117m) of net cash before discretionary investments made to enlarge the size and hence earning capacity of its rental fleet and on acquisitions. After growth capital expenditure and payment of exceptional costs, there was a free cash inflow of £368m (2018: £386m) and, after acquisition expenditure of £591m (2018: £359m), a net cash outflow of £223m (2018: inflow of £27m), before returns to shareholders.

**04 NET DEBT AND LEVERAGE**




**05 NET DEBT**

| | 2019 £m | 2018 £m |
|---|---|---|
| First priority senior secured bank debt | **2,010.7** | 1,508.5 |
| Finance lease obligations | **5.0** | 5.3 |
| 5.625% second priority senior secured notes, due 2024 | **379.3** | 358.4 |
| 4.125% second priority senior secured notes, due 2025 | **454.7** | 429.5 |
| 5.250% second priority senior secured notes, due 2026 | **453.6** | – |
| 4.375% second priority senior secured notes, due 2027 | **454.4** | 429.4 |
| | **3,757.7** | 2,731.1 |
| Cash and cash equivalents | **(12.8)** | (19.1) |
| Total net debt | **3,744.9** | 2,712.0 |

## Capital structure and allocation

The Group's capital structure is kept under regular review. Our operations are financed by a combination of debt and equity. We seek to minimise the cost of capital while recognising the constraints of the debt and equity markets. At 30 April 2019 our average cost of capital was approximately 10%.

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

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

Additionally, we consider further returns to shareholders. In this regard, we assess continuously our medium-term plans which take account of investment in the business, growth prospects, cash generation, net debt and leverage. Therefore the amount allocated to buybacks is simply driven by that which is available after organic growth, bolt-on M&A and dividends, whilst allowing us to operate within our 1.5 to 2.0 times (amended to 1.9 to 2.4 times post IFRS 16) target range for net debt to EBITDA.

In line with these priorities, we have spent £675m under the share buyback programme announced in December 2017, which is now concluded, and expect to spend at least £500m in 2019/20. During the year we spent £460m on share buybacks (2018: £158m). Capital returns to shareholders will be kept under regular review reflecting the factors set out above.

## Dividends

In accordance with our progressive dividend policy, with consideration to both profitability and cash generation at a level that is sustainable across the cycle, the Board is recommending a final dividend of 33.5p per share (2018: 27.5p) making 40.0p for the year (2018: 33.0p), an increase of 21%. If approved at the forthcoming annual general meeting, the final dividend will be paid on 13 September 2019 to shareholders on the register on 16 August 2019.

In determining the level of dividend in any year, the Board considers a number of factors that influence the proposed dividend as detailed above. Ashtead Group plc, the parent company of the Group, is a non-trading investment holding company which derives its distributable reserves from dividends paid by subsidiary companies which are planned on a regular basis to maintain a suitable level of distributable reserves by the parent company.

## Net debt

Chart 04 shows how, measured at constant April 2019 exchange rates for comparability, our net debt and leverage has changed over the cycle. From a prior cycle peak in 2008, we reduced our debt significantly, paying-off around one-third of it as we lowered our capital expenditure, taking advantage of our young average fleet age, and generated significant cash flow. Since 2010, we have stepped up our capital expenditure as rental markets improved. As a result, net debt has increased in absolute terms over the period principally due to acquisitions, dividends and share buybacks with free cash flow being broadly sufficient to fund substantially all the increased capital expenditure. Since 2013 we have been operating within our net debt to EBITDA leverage target range of 1.5 to 2 times. Furthermore, our overall balance sheet strength continues to improve with the second-hand value of our fleet exceeding our total debt by £1.7bn.

In greater detail, closing net debt at 30 April 2019 is shown in table 05.

The Group has arranged its financing such that, at 30 April 2019, 93% 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.

Net debt at 30 April 2019 was £3,745m with the increase since 30 April 2018 reflecting the net cash outflow set out above and the impact of weaker sterling (£126m). The Group's EBITDA for the year ended 30 April 2019 was £2,107m and the ratio of net debt to EBITDA was 1.8 times at 30 April 2019 (2018: 1.6 times) on a constant currency basis and on a reported basis.

Our debt package is well structured for our business across the economic cycle. We retain substantial headroom on facilities which are committed for the long term, with an average of six years remaining at 30 April 2019. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is less than 5%.

## 06 MINIMUM CONTRACTED DEBT COMMITMENTS

| | Payments due by year ending 30 April | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2020 £m | 2021 £m | 2022 £m | 2023 £m | 2024 £m | Thereafter £m | Total £m |
| Bank and other debt | – | – | – | – | 2,010.7 | – | 2,010.7 |
| Finance leases | 2.3 | 1.5 | 0.9 | 0.3 | – | – | 5.0 |
| 5.625% senior secured notes | – | – | – | – | – | 383.5 | 383.5 |
| 4.125% senior secured notes | – | – | – | – | – | 460.3 | 460.3 |
| 5.250% senior secured notes | – | – | – | – | – | 460.3 | 460.3 |
| 4.375% senior secured notes | – | – | – | – | – | 460.3 | 460.3 |
| | 2.3 | 1.5 | 0.9 | 0.3 | 2,010.7 | 1,764.4 | 3,780.1 |
| Deferred costs of raising finance | – | – | – | – | – | (22.4) | (22.4) |
| Cash at bank and in hand | (12.8) | – | – | – | – | – | (12.8) |
| Net debt | (10.5) | 1.5 | 0.9 | 0.3 | 2,010.7 | 1,742.0 | 3,744.9 |
| Operating leases[1] | 95.8 | 83.6 | 73.2 | 62.4 | 46.6 | 133.6 | 495.2 |
| Total | 85.3 | 85.1 | 74.1 | 62.7 | 2,057.3 | 1,875.6 | 4,240.1 |

1 Represents the minimum payments to which we were committed under operating leases.

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

IFRS 16, Leases, is applicable to the Group from 1 May 2019. On transition, this will increase our reported debt by in the region of £900m and on a pro forma basis, the ratio of net debt to EBITDA as at 30 April 2019 would have been 2.1 times compared with the 1.8 times above. Accordingly, as a result of the application of IFRS 16, we expect our reported leverage to be 0.3 – 0.4 times higher than previously reported and so we have adjusted our target leverage range to 1.9 – 2.4 times to reflect this change. In the near term, we will continue to report leverage both pre and post the impact of IFRS 16. Further details are provided in Note 2 to the financial statements.

### Debt facilities

The Group's principal debt facilities are discussed below.

#### First priority senior secured credit facility

At 30 April 2019, $4.1bn was committed by our senior lenders under the asset-based senior secured revolving credit facility ('ABL facility') until December 2023 while the amount utilised was $2,683m (including letters of credit totalling $50m). The ABL facility is secured by a first priority interest in substantially all of the Group's assets. Pricing for the revolving credit facility is based on leverage and average availability according to a grid which varies from LIBOR plus 125bp to LIBOR plus 175bp. At 30 April 2019 the Group's borrowing rate was LIBOR plus 150bp.

The only financial performance covenant under the asset-based first priority senior secured credit facility is a 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 12 months) which must be equal to or greater than 1.0 times.

This covenant does not, however, apply when availability (the difference between the borrowing base and facility utilisation) exceeds $410m. At 30 April 2019 availability under the bank facility was $1,622m ($1,115m at 30 April 2018), with an additional $2,385m of suppressed availability meaning that the covenant was not measured at 30 April 2019 and is unlikely to be measured in forthcoming quarters.

#### Second priority senior secured notes

At 30 April 2019 the Group, through its wholly owned subsidiary Ashtead Capital, Inc., had four series of second priority senior secured notes outstanding with nominal values of $500m, $600m, $600m and $600m. The $500m of notes carry an interest rate of 5.625% and are due on 1 October 2024. The $600m notes are 4.125% notes due on 15 August 2025, 5.250% notes due on 1 August 2026 and 4.375% notes due on 15 August 2027. The notes are secured by second priority interests over substantially the same assets as the ABL facility and are also guaranteed by Ashtead Group plc.

Under the terms of the 5.625%, 4.125%, 5.250% and 4.375% notes the Group is, subject to important exceptions, restricted in its ability to incur additional debt, pay dividends, make investments, sell assets, enter into sale and leaseback transactions and merge or consolidate with another company. Financial performance covenants under the 5.625%, 4.125%, 5.250% and 4.375% senior secured notes issued are only measured at the time new debt is raised.

### Minimum contracted debt commitments

Table 06 above summarises the maturity of the Group's debt and also shows the minimum annual commitments under off balance sheet operating leases at 30 April 2019 by year of expiry.

Operating leases relate to the Group's properties.

Except for the off balance sheet operating leases described above, £38m ($50m) of standby letters of credit issued at 30 April 2019 under the first priority senior debt facility relating to the Group's insurance programmes and £4m of performance bonds granted by Sunbelt, we have no material commitments that we could be obligated to pay in the future which are not included in the Group's consolidated balance sheet.

### Current trading and outlook

Our business continues to perform well in supportive end markets. Looking forward, we anticipate a similar level of capital expenditure in 2019/20, consistent with our strategic plan. So, with our business performing well and a strong balance sheet to support our plans, the Board continues to look to the medium term with confidence.

## Creating a place where people love to work

Our staff take great pride in providing the very best service to our customers. We focus on building a diverse and committed workforce, and our staff retention tops the industry. We are a national business in all three of our countries, but what customers get is local expertise and focus, with national infrastructure and capacity to back it up. Being a core part of our communities, contributing and giving back, is key.

# Our people ignite the platform

## Enabling our culture to grow

As we expand, we grow our own particular and powerful mix of staff. This includes: the experts who have been around for decades; the highly-talented entrepreneurs who join through acquisition, like what they find and choose to stay; and the young recruits who infuse the business with new ideas to bring our tried and tested strategies to the next level.

# MAINTAINING A POSITIVE CULTURE

# BEING A RESPONSIBLE BUSINESS IS KEY TO OUR SUCCESS

We take great pride in being a responsible business at Ashtead. We are often a crucial part of local communities and being able to operate responsibly within those, as well as giving back to them, is an important part of who we are.

## RESPONSIBLE BUSINESS

- Implementation
- Monitoring
- Training
- Customers and staff

- Recruitment and retention
- Career development and training
- Rewards and benefits
- Diversity and equal opportunities


- Community engagement
- Community investment
- Helping out in emergencies

- Resource efficiency
- Control of hazardous substances
- Mandatory GHG emissions reporting

Our operational mantra of delivering Availability, Reliability and Ease is backed up by taking responsibility in everything we do. Being a responsible business helps deliver the trust that makes our business function – trust that the equipment we provide will arrive on time, trust that it will do what we say it will, trust that it will be well maintained to make sure it works and trust that it is compliant with all health and safety requirements.

Prioritising responsibility in a broader context means we seek, through our sustainable business model, to improve the lives of our customers, employees, investors and the communities where we live and work. Being active, engaged members of the communities where we operate is enormously important to our staff. Our customers trust us to provide better service than our competitors. Our employees trust us to help keep them safe and reward them well for their efforts. Investors trust us to deliver good returns throughout the economic cycle.

Above are the responsible business elements that we judge to be the most material to our business and which we discuss in detail here. We assess why each matters, how we have performed and our objectives.

### Ensuring Ashtead remains a responsible business

The obligation for ensuring Ashtead prioritises being a responsible business rests with the Group's Board of directors. The Board is assisted in this function by the Group Risk Committee which is chaired by Michael Pratt, our finance director. Other members of the Committee are:

- the head of Sunbelt's central operations, the Sunbelt board member to whom the risk, environmental, health and safety teams report and one of the operational senior vice presidents;

- the head of A-Plant's risk, environmental, health and safety team and A-Plant's head of performance standards; and
- UK and US counsel.

The Group Risk Committee provides the Audit Committee, and through them the Board, with a comprehensive annual report on its activities including new legislative requirements, details of areas identified in the year as requiring improvement, and the status of actions being taken to make those improvements. It also facilitates the coordination of the environmental, health, safety and risk management activities of Sunbelt and A-Plant so that best practice and new initiatives in one business can be shared with, and adopted by, the other.

Our commitment to the highest ethical standards means that the Group Risk Committee also works to ensure these continue to be communicated and upheld throughout the business. During the year we updated the Group's modern slavery and human trafficking policy, business ethics and conduct policy and ethical sourcing policy. These are communicated directly to employees through dedicated communication and training programmes. Whistle-blowing arrangements, in place in the US, Canada and the UK, allow employees, in confidence, to raise concerns about any alleged improprieties they may encounter.

The Group Risk Committee priorities this year included:

- assessment of the Group Risk Register, including identification and prioritisation of business risks;
- health and safety, together with continuous improvement through training and awareness;
- driver safety, training and compliance;
- recruitment, development and retention plans;
- monitoring of compliance with General Data Protection Regulation ('GDPR') requirements;
- performance standards audits; and
- maintaining ISO certifications.

# HEALTH AND SAFETY

## Why it matters

Health and safety is of paramount importance to our business as we need to provide equipment that is safe to use and minimise any risks to our people and our customers. A strong reputation for excellent health and safety is a significant competitive advantage for us. In addition, an ever-changing regulatory focus on safety and more stringent requirements for all operators, continues to assist our growth. It is easier and cheaper to outsource responsibility for equipment safety to us than for customers to worry about it themselves. This has been an important factor in the shift to rental that has underpinned our growth in the US and reinforces our position in the UK. Similarly, it is a key differentiator in the Canadian market as we increase our presence there.

Our extensive health and safety programmes monitor, develop and maintain safe working practices while reminding our employees of the need to be safe at all times and look after their own health. Our continued improvement is accomplished through a combination of proactive safety and leadership training, enhanced safety programmes and timely incident response and investigation. We also help our customers ensure the safety of their own employees including providing safety training as required. In addition, we make a considerable annual investment in ensuring our rental equipment meets or exceeds the latest safety standards, as well as providing health and safety advice and materials along with each rental.

## How we monitor performance

We monitor health and safety by the number of reported incidents that occur during our work. We track and analyse all incidents to enable us to identify recurrent issues and implement preventative improvements. The importance of health and safety is reflected in the fact that the number of reportable accidents is one of our group-wide KPIs (see page 29).

At Sunbelt we continue to develop and improve our incident management system which enables us to manage incidents while allowing us to investigate, analyse root causes and track corrective/preventative actions. This year Sunbelt US had 1,520 reported incidents relative to an average workforce of 12,148 (2018: 1,434 incidents relative to an average workforce of 11,380), Sunbelt Canada had 170 incidents relative to an average workforce of 880 (2018: 111 incidents relative to an average workforce of 584) and A-Plant had 261 incidents relative to an average workforce of 3,711 (2018: 298 incidents relative to an average workforce of 3,643). For the purposes of our internal tracking, the term incident does not necessarily mean that an employee was hurt or injured. Rather it represents an event that we want to track and report for monitoring and learning purposes under our health and safety management policies. We continue to focus on timelier reporting of every incident or first aid event that occurs.

What is evident from these incidents is that less tenured employees are much more likely to suffer an injury or be involved in an accident at work than well tenured employees. Accordingly, this is a key area of focus as we look to improve our recruitment and onboarding processes and subsequent mentoring of new employees to enhance the safety environment and improve our retention levels amongst our less tenured employees.

Reportable accidents continue to be defined differently in the US, Canada and the UK. Under the different definitions which generally result in more accidents in the US being reportable than in the UK, Sunbelt US had 230 OSHA (Occupational Safety and Health Administration) recordable accidents (2018: 187 accidents) which, relative to total employee hours worked, gave a Total Incident Rate of 1.31 (2018: 1.20). Sunbelt Canada had 35 OSHA recordable accidents (2018: 15 accidents) which, relative to total employee hours worked, gave a Total Incident Rate of 3.30 (2018: 2.48). In the UK, A-Plant had 17 RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) (2018: 17), reportable incidents which, relative to total employee hours worked, gave a RIDDOR reportable rate of 0.22 (2018: 0.22). In order to compare accident rates between the US and UK, Sunbelt also applied the RIDDOR definition to its accident population which gave a figure this year of 119 RIDDOR reportable accidents in the US and a RIDDOR reportable rate of 0.34 and six RIDDOR reportable accidents in Canada and a RIDDOR reportable rate of 0.28. We remain committed to continuing to reduce these rates as much as possible.

**Safety initiatives**

Historically, Sunbelt's safety efforts have focused on reducing or eliminating all incidents, regardless of the potential severity. The thought was that this approach would be the most beneficial in preventing more serious or catastrophic incidents. We recognise that the causes of less severe incidents are often different from the causes of serious or catastrophic events; therefore, we are focusing on events that have the potential to be serious or catastrophic so that we can eliminate or control our exposure to high-risk situations.

Less serious events are not always predictive of more serious incidents. By evaluating high-risk situations and eliminating the noise will allow us to focus on the highest risks and implement more effective controls (using a hierarchy that starts with eliminating the exposure and realises that personal protective equipment is the last line of defence between our people and a hazard.)

A cross-functional team was created to develop our standards, tools and processes that will allow us to evaluate our operations and identify the tasks that have the greatest potential to lead to serious injury or event. All part of our mission to prevent serious or catastrophic events.

**EMPLOYEE SPOTLIGHT:**

Twin drivers – Charlie and Ed Smith

**Charlie and Ed Smith are twin brothers, both of whom started their driving career at Sunbelt over 20 years ago. Charlie and Ed have had exemplary careers and a bit of fun along the way – notably confusing customers and co-workers. Most recently, these twin brothers achieved the significant milestone of driving one million miles (two million collectively) without a single incident or DOT violation. Driving has been a long-time passion for these brothers and one which they bring to work – always pushing and challenging each other to see who can load a truck better or most efficiently in order to get the job done.**

**Ed attributes his one million mile achievement to his family as they are the driving force that keeps him safe. "Going home to my family, that's the goal," says Ed. For Charlie, it's the pride of doing the job the best he can. "The key to driving is paying attention to your surroundings. Other drivers aren't looking for you, so you have to look out for them."**

**Driver and vehicle safety**

Our North American transportation fleet continues to operate as one of the safest fleets in the equipment rental industry. Our commercial vehicle training programme is an ongoing initiative across the US and Canada, which ensures that all our drivers are trained in vehicle safety and compliance. We continue to be among the leaders of our industry in continuously supporting the training and education of employees in commercial vehicle compliance and safety, including core training on hours of service, truck inspections, technology enhancements, load securement and hazardous materials.

Our motor vehicle incident rate continues to decline. Our Driver Behaviour Management System ('DBMS') takes data from our onboard telematics units and communicates it directly to our motor vehicle compliance team with results shared to field operations daily. This helps us control any on-the-road unsafe behaviours and activities.

While designed to improve driving behaviour, we also benefit through cost savings due to lower fuel usage, engine and vehicle maintenance and accidents.

In addition to DBMS, employees participate in online driver risk assessments that identify safe and unsafe behaviours through interactive driving modules. By identifying the risk profiles of our drivers, we will be able to develop specific adaptive learning programmes for them. Through the use of electronic driver logs, our drivers receive real-time feedback on their hours of service and our fleet safety compliance team is able to retrieve driver data immediately. In addition to the electronic hours of service logs, we have also transitioned to an electronic pre-trip inspection that is conducted on the driver's phone. We are also implementing the DBMS and electronic drivers' logs in Canada.

In the UK, we train over 550 drivers each year. Our driver training courses are aimed at delivery drivers and cover areas such as loading and unloading of vehicles, working at height, site safety and manual handling. All general drivers at A-Plant, including delivery drivers and fitters, are required to undertake the A-Plant Driver Induction Course, which is delivered in the form of workshops and covers transport procedures, legislation, hazard perception and practical driver assessments.

### Other safety initiatives

We recognise that everyone must take responsibility for their own safety and the safety of others. Every Sunbelt employee is asked to take a safety assessment in order to become a 3-star Safety Champion. This assessment focuses on accountability for themselves, their team and their communities. By identifying the commitment to their own safety, being comfortable stopping work and identifying risks for a co-worker and finally, becoming confident enough to approach a stranger and stop their work will result in them becoming a 3-star Safety Champion.

Sunbelt has core safety processes across its stores in North America.

- The Near Miss programme provides insights into our exposures across our businesses.
- The Pre-Task Planning (Take 10 programme) programme requires everyone to take at least 10 seconds to think through the job they are about to do using a pre-task planning checklist. Examples of tasks/jobs where this is applied are loading/unloading, wash bay work, checking equipment in, and technicians repairing or conducting routine maintenance on the equipment.
- The Safety Committee Engagement programme ensures all Sunbelt's stores participate in having safety meetings and engage in topics such as near miss reporting, being more observant in looking for exposures, corrective action closure, etc.
- Incident Prevention: Through the leadership of our store managers, safety coordinators and all our associates, we are making progress toward preventing incidents from happening.
- Regional safety managers are present in our business, daily engaging with team members. Their role includes truck inspections, facility assessments, training and listening to feedback from our people during our Wellness Visits.

In addition, Sunbelt's senior leadership team's weekly safety meetings provide focus towards developing solutions that can be replicated across the Group. Sunbelt and A-Plant hold an annual safety week, designed to increase awareness of the importance of safety across the business. The senior leadership and middle management support for safety is extremely high across the business. Our focus is at a local level where the work gets done to ensure we move from good to great.

Sunbelt is a Safety Week partner. We strive to strengthen our industry's safety culture and performance by sharing best practices, tools and resources. Safety Week is sponsored by members of the Construction Industry Safety Initiative ('CISI') and the Incident & Injury Free Executive Forum. We are focused on the impact our safe choices have on our team members, their families and the communities in which they live and work. We are united in our commitment to continuously improve our safety culture and send each employee home safe each day. The 2019 theme is Safe by Choice, where we held mass safety meetings across the organisation, with the goal to encourage and inspire everyone to be leaders in safety.

For several years, A-Plant has used the 'Setting the Safety Standard' brand to promote safety within the rental industry, to our customers and staff. In addition, A-Plant runs the Work Safe Home Safe campaign to ensure staff also take responsibility for their own safety and all A-Plant managers undertake the five-day IOSH (Institution of Occupational Safety and Health) Managing Safely course. A focus this year has been on mental health and a campaign, 'don't walk by, it's OK to challenge, it's OK to be challenged', was launched to develop further the safety culture across the business by encouraging our employees to challenge others on safety matters.

WORK HOME SAFE

A-Plant also monitors near miss incidents in addition to actual incidents and uses this information to adapt our processes to reduce the risk of such events becoming incidents. Where incidents do occur, our procedures ensure we learn and improve our processes.

### Health programmes

It is crucial that our workforce is a healthy one and we work hard to look after our people and help them look after themselves. When our staff are on top form, they provide the best service to our customers. Virgin Health Miles is a programme we use to reward our US staff for healthy behaviour, which incentivises them to track their health and invest in it to reap the programme rewards that we are providing. Staff get savings on their healthcare costs if they do exercise, for example. Some 29% of US staff are currently enrolled in the scheme and 39% of those are earning health miles. Members have earned $134,000 in rewards and report that the programme makes Sunbelt a better place to work.

### Working on safety with our customers and suppliers

Being a responsible business means sharing and promoting our safety culture with our customers and suppliers whenever possible. For example, Sunbelt and A-Plant have dedicated aerial work platform, forklift and earth moving operator trainers who train customers and we offer customised training programmes to fill their needs. In the US, we work with customers' safety teams to develop customised training courses, sometimes for a specific jobsite, the passing of which becomes a requirement for the customer operator. We now offer dedicated full-time safety trainers for our customers in 50 markets across North America.

We continue to expand our customer training offerings for the following:

### Operator training:
- Aerial work platforms, boom lifts and scissor lifts
- Forklifts, warehouse and telehandler rough terrain
- Earth moving equipment, loaders, excavators, backhoes

### Train the trainer:
- Aerial work platforms
- Forklifts
- Earth moving equipment
- Fall protection

### Scaffolding:
- User hazard awareness
- Competent person
- Suspended platforms hazard user awareness
- Suspended platforms competent person
- Customised courses available

### For Canada, additional classes include:
- Working at height safely
- Propane handling
- Lock out tag out
- Working safely in confined spaces

In the UK, A-Plant regularly participates in training days for major customers, demonstrating safe use of equipment and running training seminars. This is in addition to the routine safety briefings that accompany equipment rental. We offer one of the rental industry's widest ranges of equipment for water suppression, on-tool dust extraction and personal protective equipment.

## OUR PEOPLE

### Why they matter
We endeavour to hire the best people, train them well and look after them so that they provide the best possible service for our customers. Our aim is to keep employee turnover as low as possible to enable us to build on the skill base we have established. This is core to the success of the business and our competitive position and therefore staff turnover is one of our KPIs (see page 29).

In general, the rental industry suffers from high staff turnover, particularly within certain job categories such as mechanics and delivery truck drivers, with turnover being particularly high within the first two years of employment. We increasingly find our staff targeted by competitors which, whilst a compliment, means we have to work harder to retain them.

In Sunbelt, our voluntary staff turnover is 15% (total staff turnover is 20%) with two-thirds of this turnover arising from people with less than two years' experience. Although staff turnover is slightly higher in A-Plant, the overall picture is similar. Voluntary staff turnover is 19% (total staff turnover is 23%) and around 60% arises from people with less than two years' experience.

Our employees are driven, conscientious and loyal and we work hard to maintain that through market-leading training and development and superior reward and benefits. Both Sunbelt and A-Plant have extensive programmes in place to ensure high standards of recruitment, training and the appraisal, review and reward of our employees. A key area of focus for improvement is the onboarding and mentoring of new recruits. As can be seen from staff turnover levels and safety statistics, employees are unlikely to leave us and much less likely to suffer an injury or accident at work if they have been with us for two years or more.

In addition, we endeavour consistently throughout the year to maintain and develop arrangements aimed at involving employees in the Group's affairs and hearing their views. Regular meetings are held at stores to discuss performance and enable employees to input into improvements as well as providing feedback on their own levels of satisfaction.

Increasingly, as we grow, we add to our employees through acquisition. When we acquire companies, we also acquire their knowledgeable and dedicated staff who have often built up a successful business. To maintain that success, we adopt a circumspect approach when it comes to integrating new staff into the Group. Employees' contracts and conditions are analysed, and if there are differences with Group terms, we phase-in any convergence over a period of time. We want new employees to be engaged with the new environment in which they find themselves, so we hold a presentation day for staff where senior management presents an overview of the Group, our plans for the acquired company and how they fit into our strategy for the future. We then further demonstrate our commitment to our new employees by investing in the business they helped build. Furthermore, integrating these new employees into our health and safety programmes contributes to enhanced health and safety within the rental industry.

### Sunbelt's Workday system
Sunbelt's online human capital management system, Workday, enables us to offer a single source for recruiting, on-boarding, payroll, time tracking, benefits, and employee self-service. Last year we launched Workday for Sunbelt Canada as well as introducing a Talent/Performance Management module, additional integration (including one with Sunbelt's Learning Management System that enables employees and managers to view transcripts in Workday) and advanced compensation functionality.

Through Workday, employees benefit by having a one-stop source where they can update their personal information, view their paystubs, update benefits information, and apply for jobs internally.

Likewise, supervisors have an invaluable tool to help manage their direct reports better. Every employee can view Sunbelt's comprehensive organisational reporting structure across all divisions to gain a better understanding of the company as a whole and better equip themselves to serve our customers. As we continue to grow, Workday is allowing us to be more efficient in how we engage with our employees, as well as work and communicate with them throughout the entire employee lifecycle experience.

**Recruitment**

With Sunbelt's rapid growth, recruiting new employees is of the utmost importance. Our recruitment efforts are not only focused on finding the right employees and communicating the benefits of working for Sunbelt, but bringing awareness and excitement about the opportunities we provide. Our focus is on improving and standardising our recruitment and onboarding processes to reduce the level of turnover in the first two years. To aid these efforts we have a number of programmes/initiatives including:

- Manager In Training ('MIT')
  - This programme identifies top talent out of college and the military and places them through an accelerated training programme.
- Partnerships with various trade schools across the US to provide a paid Co-Op programme for students approaching graduation
  - Participants work through the following stages: orientation, yard, equipment knowledge, rental counter, small tool repair, service department, scissor lifts, dispatch, road technician, book lifts, driving, diagnostics, forklifts, and rough terrain forklifts, with a final assessment.

A-Plant has a careers website which allows prospective employees to apply online and management of the whole recruitment process internally, from posting of vacancies through interviews and offer/unsuccessful letters. Users are able to sign up for job alerts in specific regions or divisions and internal reporting is both detailed and tailored. We are planning to move towards a more cost-effective and professional direct sourcing model which leverages the A-Plant and divisional brands, and promotes the opportunities that exist across our business.

**EMPLOYEE SPOTLIGHT:**
Debbie Swales

Debbie Swales is the contact centre manager for the A-Plant Accommodation division. She joined through acquisition seven years ago and now manages 18 accounts at the centre compared to one account when she joined. She says customers benefit from only having one point of contact for the whole accommodation hiring process, as her 15-strong team coordinates with other depots to meet all customers' requirements. They also process off-hires, liaise with project managers, process breakdowns, deal with damage and loss, and ensure compliance checks for rehire contracts. "It's great to see how much the contact centre and our team have grown in a relatively short space of time. From day one I've been impressed with all the personal touches at A-Plant and how everyone makes time for you. It also struck me how many employees have been with A-Plant for 25, 30, 35 years...even more."

**EMPLOYEE SPOTLIGHT:**
Santos Cazares

Santos is responsible for training service managers and others on technical and procedural processes. He spends most of his day on the road travelling from branch to branch coaching employees, helping them understand processes and influencing what support is available. The 21-year veteran of Sunbelt has shown that experience and determination pay off. Beginning as a service manager, he leveraged his skill set and, through hard work and determination, helped build one of the top-performing service centres in the company. He has been the go-to for many special projects within his region and has been called on to troubleshoot complex equipment projects.

> If you're willing to put in the work, your work will be noticed and you'll be rewarded.

## A-Plant apprenticeship programme

A-Plant's apprenticeship programme continues to win awards for being one of the most successful and highly valued schemes in the equipment rental industry. We took on 77 trainees last year and we plan to raise the number of apprentices recruited, as well as setting up an apprenticeships academy. Our apprentice programmes take between one and three years to complete and usually include outside training and a formal NVQ qualification, in addition to on-the-job training. We have six apprentice streams – plant maintenance, customer service, driver, electro technical, mechanical engineering and civil engineering at our specialist division, Leada Acrow. We are pleased that our efforts to increase diversity mean that 14% of our apprentices are female, which compares very favourably with the 7% female apprentices average for the construction industry. Our apprentice scheme also has an impressive 78% completion rate compared to the industry rate of c. 70%.

## Military recruitment

Sunbelt has a long history of being a Top 50 military-friendly employer, but we are no longer satisfied to be one in a pack. By launching a series of high-profile campaigns supporting our veterans, while still upholding our tradition of attending military job fairs, we intend to be a true leader in veteran employment. These campaigns include acknowledging veterans in our current workforce, as well as expanding our work with the Gary Sinise Foundation and participating in media events, such as 'Military Makeover'. With these combined efforts, Sunbelt is determined to be the employer of choice for military veterans.

In the UK, we work in partnership with British Forces Resettlement Services ('BFRS') – a social enterprise created to help the armed forces community with their transition into civilian life. BFRS works with service leavers to provide them with the skills and opportunities they need to successfully resettle after leaving the armed forces.

**EMPLOYEE SPOTLIGHT:**
Sam Gribbin

**Sam was recruited as a customer service apprentice at Opti-cal, which offers specialist survey equipment, but was soon identified as a star apprentice. He is now a hire controller and the main point of contact for customers, providing technical advice and instruction, having quickly picked up the necessary product knowledge. Sam goes above and beyond on a daily basis and this is one of the reasons he was awarded 'Apprentice of the Year – Specialist Light' at A-Plant's Apprentice Awards in November 2018. Sam has the ability and enthusiasm to go far, and is both a role model for others, and a shining example of what our apprentice programme enables.**

## Career development and training

Training and development continues throughout the careers of our employees and we have many programmes in place to ensure they achieve their ambitions, reach their potential and remain safe, as outlined above. Employees' welfare and job satisfaction is enormously important and we invest significant money and time in facilitating career development and evolving training to reflect the changing needs of our workforce.

Sunbelt has a number of career development and training initiatives including:

- an Executive Leadership Development programme;
- a leadership curriculum for all store managers;
- a technician-in-training programme for field service leadership to identify the most critical areas for training: electrical, hydraulics, preventive maintenance, diagnostics, and equipment-specific based on the fleet composition of any particular store;
- a paid technician Co-Op programme for trade school students approaching graduation;
- employee surveys;
- a Learning Management System (LMS) that delivers, tracks and manages all our training online;
- the Jumpstart Sales programme;
- the Jumpstart Manager In Training programme; and
- an intern programme both in stores and at the support office.

Following the success of the Jumpstart Sales programme, the Manager in Training ('MIT') programme was created to help drive fulfilment of key management roles within Sunbelt. MIT candidates are recruited from college/university, most often from a job or career fair. Once the best candidates are identified, they begin the six to 12-month programme. The first six months are comprised of a curriculum focused on how to run a branch from an operations, sales and financial perspective. Trainees use this time as on-the-job training where they assist the branch manager in all aspects of running the business. The end goal is for each MIT graduate to be placed as a manager or assistant manager at a branch; however, skillset and interests also allow graduates to be placed in other roles such as sales, operations, safety or project management.

## VETERAN SPOTLIGHT:
Ciara McFarland

**Ciara is an administrator at Sunbelt and a member of the training department where we help create the training for all employees. She is also on active duty with the Army National Guard. This is a part-time position with the military where she supports state emergencies such as hurricanes, tornadoes, floods or other natural disasters. Ciara is the supply sergeant responsible for providing all the equipment and materials needed to get projects done. She orders the materials the Army needs, the food they are going to eat, the clothing they might need. It's her job to make sure everything is ready to complete the mission. Ciara was inspired to join the military when she was 17.**

> I was actually in high school Army, and enjoyed learning how it works and the culture of the military. I realised, as I got older, I wanted to be a part of it and joined the North Carolina Army National Guard.

A-Plant's Undergraduate Placement Programme offers university students the opportunity to spend a year in our business under the mentorship of one of our directors. Students gain an excellent insight into managing a business area at a strategic level and work on a project supporting a real business need, with a direct link to our products and customers.

### Reward and benefits

We believe in treating our staff well and rewarding them for the effort they put in on our behalf. We use a combination of competitive fixed pay and attractive incentive programmes to reward and motivate staff and these drive our profits and return on investment. All eligible A-Plant employees are paid the Living Wage (as recommended by The Living Wage Foundation) and A-Plant is an accredited Living Wage Employer. Sunbelt has adopted a Leading Wage to ensure all employees are paid an hourly rate in excess of the state and federal recommended rates. The Leading Wage programme was adopted initially in the US and rolled out to Canada this year.

At Sunbelt we provide a comprehensive package of benefits ensuring they represent affordable and smart choices for employees.

Last year, A-Plant held over 6,100 employee training days through a wide range of courses. In order to identify training needs when recruiting, A-Plant has developed a series of competence forms and adopted the OSAT (On Site Assessment and Training) programme. Each employee has their skills mapped against the qualification framework through assessment and any skill-gaps are filled through training. Through this process we can be sure of developing the skills and qualifying the experience of our workforce. To evaluate the effectiveness of our training, we issue all delegates with feedback forms and these are evaluated and actioned as required. We have also conducted our first all-employee survey 'Your Voice – make a difference', the results of which will be available shortly.

As well as classroom based training, all employees in the UK have access to an online learning zone called The Green Café (A-Plant's e-learning portal) and we plan to launch a new version of this based on an advanced learning management system to raise our capability to train, offer courses, manage mandatory training, and increase our external training revenue.

## JUMPSTART SALES PROGRAMME

**Jumpstart Sales is a 36-week programme through which targeted sales trainees learn all aspects of the business through education, job shadowing, mentoring, and one-to-one coaching by team members at any store. Participants engage with one another through online communities in the learning management system, responding weekly to assigned courses, readings and discussion topics. So far we have had two cohorts graduate with 100% retention in sales-focused roles. The third cohort began its experience in October 2018 and the fourth in February 2019. Through the four cohorts, trainees have been placed in all territories across North America.**

Each benefit offering has been designed to work with another, providing a financial safety net that serves those employees in need, as well as providing us all with a proper sense of security. Last year we continued to offer robust and comprehensive medical coverage without a rate increase, despite the growing costs of healthcare. By continuing to promote wellness, we intend to maintain a fair and balanced health plan that is considered one of the best in our industry. The Sunbelt Rentals, Inc., 401(k) Retirement Savings Plan also continues to lead the way in employee participation, with an astounding 94% enrolment rate. In the UK, 96% of employees participate in the Group's pension arrangements. Our employees are excited to be here, and we want to help them prepare for their future, whatever it holds.

Our sales force is incentivised through our commission plans which are based on sales, both volume and price achieved, and a broad measure of return on investment determined by reference to equipment type and discount level. We flex our incentive plans to reflect the stage of the cycle in which we operate, which we believe is an important element in retaining the confidence of our workforce through the economic cycle.

In addition to their core benefits, including pension and life assurance arrangements, we have an employee assistance helpline which offers free confidential support and advice to those in need. We also have other benefits such as Virgin Health Miles to promote good health amongst our employees. A-Plant has introduced a flexible holiday arrangement enabling employees to purchase additional holiday entitlement or sell unused or unwanted holiday days back to the company, giving them the opportunity to exchange some of their holiday entitlement for additional pay and allow the employee more flexibility and choice in how they use their contractual benefits.

**Diversity and equal opportunities**

Providing equal opportunities for all our staff and employment diversity are priorities for Ashtead. Our recruitment comes predominantly from the areas immediately around our facilities thereby providing opportunities for local people. We make every reasonable effort to give disabled applicants and existing employees who become disabled, opportunities for work, training and career development in keeping with their aptitudes and abilities. We do not discriminate against any individual on the basis of a protected status, such as sex, colour, race, religion, native origin or age.

In the US we are required by law to monitor ethnicity in our workforce every year and we maintain a diverse workforce. We also gather ethnicity data as part of the recruitment process in the UK and through an Equality and Inclusion Survey to monitor our diversity. Increasingly, many local authority and public sector tenders request this kind of information. We are committed to providing opportunities for people from all ethnic groups and in both geographies we have good representation from ethnic minorities across the organisation. A-Plant began a company-wide focus on Equality, Diversity and Inclusion, in order to make sure its workforce represents society as best as it can and is representative of the communities in which it works.

We aim to attract a broad and diverse mix of candidates and employees to our businesses at all levels. Nevertheless,

**EMPLOYEE SPOTLIGHT:**
Eddie Nguyen

Eddie works as an outside sales representative for Sunbelt and has been with the business since 2015. He started out in the industry at Value Rentals where he was a small engine mechanic, a driver and yard technician, then doing inside sales and eventually outside sales in 2002. Eddie came to the US with his brother as a refugee from Vietnam in 1984 when he was just 15. Sponsored by an American couple, he graduated college in 1988. Wanting to give back to the country that had given him a home, he joined the US Navy working as an electrician and completing two tours of the Persian Gulf. Eddie values how family-oriented Sunbelt is and the quality of leadership which makes him confident to go out, sell and do his job.

> "My travel and experiences make me so appreciative of what I have. I live in a country where the opportunities are endless. The more I put in, the more I get out. I have an amazing career.

our workforce reflects the nature of our business, the industry we operate in, and the markets we serve. A significant proportion of our workforce are mechanics, drivers and, in the UK, traffic management operatives, and these roles are predominantly held by men. However, we also have areas of our business which attract more women, such as professional functions, sales and customer service. As a result our industry has traditionally had many more men than women; however, we do have women at all levels within the business including on the Board, within the senior management teams and as store managers, sales executives and apprentices. While we prioritise recruiting the best people for every role, we are working to make it easier for more women to join the organisation, particularly as we grow.

### WORKFORCE BY GENDER

| Number of employees | Male | Female | Female % |
|---|---|---|---|
| Board directors | 5 | 2 | 29% |
| Senior management | 25 | 4 | 14% |
| All staff | 16,099 | 1,708 | 10% |

Ashtead pays men and women the same for the same role with the actual remuneration being based on their skills, experience and performance. As a result of our mix of employees and the roles they undertake, the average pay of men and women differs across the business. Summarised below is the amount by which average pay of men exceeds women:

| | Pay gap |
|---|---|
| Sunbelt US | 3% |
| A-Plant | 5% |
| Sunbelt Canada | 12% |


### INSPIRING YOUNG WOMEN TO CONSIDER CONSTRUCTION AS A CAREER

**A-Plant is heavily involved in supplying equipment for the A14 Cambridge to Huntingdon Improvement Scheme – currently the UK's biggest road construction project. On the A14 site we have an on-site hire facility offering A-Plant equipment across multiple divisions. As part of overall efforts to encourage more girls into construction, we participated in a Women in Engineering event as part of International Women in Engineering Day. A total of 260 girls from 25 schools and colleges in the East Anglian region interacted with supply chain partners involved in the A14 project to celebrate the achievements of women in engineering and to encourage young women to enter the industry.**

### Anti-corruption and bribery

Anti-corruption and bribery policies are maintained and reviewed on a regular basis with relevant guidance incorporated into the Sunbelt and A-Plant Employee Handbooks and available on the Sunbelt and A-Plant intranet pages.

To ensure compliance, all senior employees at A-Plant undertake an e-learning module on The Green Café to ensure they understand their obligations and responsibilities with regard to competing fairly and the UK Bribery Act 2010. The module must be completed every 12 months, and only a 100% score on the module is acceptable. Employees must repeat the module until they achieve 100%.

Similar anti-bribery training is required by senior Sunbelt employees to ensure compliance with the UK Bribery Act and the US Foreign Corrupt Practices Act as part of an e-learning ethics training course. The training is undertaken biennially in Sunbelt and was undertaken during 2018/19. Last year was also our 'Ethics Year' with a special course created for staff. We have had a 100% completion rate for the course by all customer-facing roles in the field and our support office.

In addition, our whistle-blowing procedures enable employees to raise any concerns they may have regarding anti-corruption and bribery or any other part of the business, with details provided to the Board on a regular basis.

### Human rights

At Ashtead we believe in the rights of individuals and take our responsibilities seriously to all our employees and those who may be affected by our activities. We have policies in place, such as Modern slavery and human trafficking, Business ethics and conduct and Ethical sourcing and whistle-blowing procedures, all of which protect our employees as they go about their work. These policies form part of our way of doing business and are embedded in our operations. Thus, while we do not manage human rights matters separately, we continue to assess potential risks and do not believe they raise particular issues for the business.

## COMMUNITIES

### Why they matter

Playing a big role in our local communities is crucial to our work in the US and the UK, and increasingly in Canada. As we expand our market share, particularly in the US and Canada, we have ever more impact and influence over the communities where we hire staff and make an economic contribution. Our responsibility to those communities increases likewise. In addition, our staff feel great pride in providing a service for the community.

Our business is about helping people and getting things done. It is about finding solutions, especially when there has been an emergency or a disaster like a major flood or a hurricane. Contributing to the communities where we operate is an important differentiating factor for Ashtead staff, as well as being attractive to new recruits.

### Community initiatives

In the locations where we work, we have multiple community-based programmes which often tie in well with what we do and how we do it. Raising our profile in the community in this way is completely consistent with our desire to do more in terms of the quality of life of our staff and their families.

Our stores regularly support and participate in local charity events and community service. For example, we provide support to many community sporting events. We also continue to work closely with our designated charitable partner, the American Red Cross and its affiliates such as the Second Harvest Food Bank for which we have a food drive every November. We allow employees to make payroll deductions to contribute to the American Red Cross or the Sunbelt Employee Relief Fund.

In the UK, A-Plant has chosen The Prince's Trust as its primary charity partner and will be looking to raise funds and engage in volunteer work. The Prince's Trust supports 11-30 year olds who are unemployed, struggling at school and at risk of exclusion, in or leaving care, facing issues such as homelessness or mental health problems, or who have been in trouble with the law. In addition we have also committed to working with Teach First which recruits and trains teachers, placing them in schools in low-income communities. Not only are we providing valuable funding to Teach First, the charity's teachers and pupils in partner schools also have the chance to work with A-Plant volunteers across our business.


### GARY SINISE FOUNDATION

We are now in our fourth year of supporting the Gary Sinise Foundation which honours military veterans and their families through the implementation of unique programmes designed to entertain, educate, inspire, strengthen and build communities. One of the Foundation's core programmes is R.I.S.E. (Restoring Independence, Supporting Empowerment), which builds specially-adapted custom smart homes for severely wounded heroes and their families so they may gain more independence in their daily lives. Sunbelt's commitment to community and veteran support led to a partnership with the Foundation and R.I.S.E.. Through this partnership, Sunbelt supplies tools and equipment to the contractors on each of the home builds, at no charge. Last year we contributed $1 million to the Foundation. This year we plan to expand further our fundraising and community outreach efforts through new tactics and initiatives. The ultimate goal is to bring heightened awareness to the Foundation's work and raise funds to help positively impact the lives of even more veterans.

# THE ENVIRONMENT

### Why it matters

As we expand our territory and service offering, we necessarily have more of an impact on the environments around our stores. We make every effort to ensure that our impact is a positive one and to limit any negative impact we may have in the course of our work. This helps us save on costs, on any potential damage to our reputation and also helps build that level of trust our customers require. It also helps our staff feel good about where they work and helps to build good relationships with the communities around our stores.

At Sunbelt, the Safety, Health and Environmental department works to improve organisational awareness and focus on our environmental initiatives with regional safety managers who are also responsible for bringing awareness and compliance to environmental initiatives. Regional safety managers are fully trained and capable of identifying risks associated with safety and environmental issues.

We conduct environmental reviews for all our newly acquired stores and plans are then developed to bring them up to Sunbelt's tough standards. Our environmental team provides input into the process for building new sites that often results in stores that exceed local environmental requirements.

In the UK, we maintained our ISO 50001 energy management certification, our significant impacts for which include electricity, natural gas for heating and diesel for our transport fleet. Our commitment to improving energy performance is intended to reduce our impact on the environment and could deliver significant cost savings.

## GO GREEN OC

**Go Green OC (Ocean City) launched a month-long pilot programme to measure composting practices at a resort restaurant dedicated to initiating zero waste goals. Restaurant waste in Ocean City is being transported to a nearby farm for composting. We have donated earthmoving equipment to help move the soil and to enable the organic matter to fully decompose. This is a new programme for an area that uses waste incinerators currently. The goal is to remove 50% of the rubbish from the waste stream. The compost will not be sent off to the waste incinerator, which will reduce the amount of weight being put into the waste stream. It is also less expensive to move compost locally to a farm, than to send it three hours north to be burned.**

## AMERICAN RED CROSS

**Sunbelt and the American Red Cross share a passion for assisting with relief efforts in times of need. On top of financial donations to the Red Cross, Sunbelt often sends equipment to affected areas from locations across the US, to aid in relief efforts and to help communities rebuild.**

We continue to make fleet efficiency gains in the UK. The Fleet Operator Recognition Scheme ('FORS') is an accreditation scheme that aims to improve vehicle fleet activity throughout the UK and beyond. The overarching scheme encompasses all aspects of safety, fuel efficiency, economical operations and vehicle emissions. All A-Plant locations, except for recently acquired ones, are FORS accredited with 162 locations accredited to Gold level. We expect all locations to be accredited to ensure we meet all legislative requirements, as well as helping to increase environmental and operational efficiencies.

We seek to minimise our environmental impact in everything we do. One way of measuring how well we are doing is through our carbon footprint and the monitoring of waste and other environmental KPIs. Two elements of our business which have a significant impact on the environment are our rental fleet and delivery fleet. Our significant investment in the rental fleet in recent years has resulted in one of the largest Tier IV engine fleets in the US with older, pre-Tier IV fleet being disposed, while our cooling equipment uses environment and ozone-friendly refrigerants.

Driving over 250 million miles a year delivering and servicing equipment and serving customers means that any steps we take to reduce the environmental impact of our vehicle fleet is important. These steps include the use of:

- telematics to monitor vehicle idling and driving efficiency;
- speed limiting devices on all three-axle vehicles in the US, resulting in fuel savings and increased safety;

- technology to optimise delivery routes;
- tyre pressure monitors to optimise fuel efficiency;
- fuel efficient tyres and tyre inflation systems to reduce rolling resistance in the US;
- improved design to increase fuel efficiency of the delivery and service fleet; and
- in the US providing environmental education reminders to field and service personnel through TechConnect newsletter delivered to their homes.

We continue to invest in 'greener' equipment whenever we can and where it makes economic sense, sometimes also driven by customer demand. In addition to the Tier IV engine requirements in the US, where we can, we purchase other more environmentally efficient equipment for a wide range of different applications. Customers can also opt to use less toxic biodegradable hydraulic oil for use in equipment operated in sensitive areas, for example. We also have industry-leading availability of natural gas generators and hybrid light towers. In the UK, A-Plant also continues to invest in eco-friendly equipment as our customers demand eco-friendly equipment such as power and hydraulic oil-free platforms, and bio-fuel powered equipment.

Environmental assessments and impact management are an important aspect of our business every day. We make extensive use of environmental information databases to ensure we comply with any requirements and have the appropriate permits to conduct business. When we open new locations or acquire businesses we undertake thorough environmental assessments to ensure they meet our environmental standards and do not pose an unacceptable risk to the business.

An important part of minimising our environmental impact is continuing education. We provide environmental education reminders to field and service personnel on a regular basis in the US; this is through TechConnect, a newsletter delivered to their homes.

### Greenhouse gas emissions

As we are a growing business with aggressive expansion plans, our absolute greenhouse gas ('GHG') emissions will necessarily increase. However, we continue to evaluate how best we can limit that increase and mitigate the impact.

Our Scope 1 (fuel combustion and operation of facilities) and 2 (purchased electricity) GHG emissions are reported below. We have opted not to report Scope 3 emissions due to the difficulty in gathering accurate and reliable information. The majority of these arise through our customers' use of our equipment on their sites and projects.

**GHG EMISSION BY GHG PROTOCOL SCOPE ($tCO_2e$/YEAR*)**

| | **2019** | 2018 |
|---|---|---|
| Scope 1 | **265,319** | 234,053 |
| Scope 2 | **38,415** | 34,261 |
| Total | **303,734** | 268,314 |

* $tCO_2e$/year defined as tonnes of $CO_2$ equivalent per year.

In order to calculate the GHG emissions, we have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), together with emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2018, as well as the US Environmental Protection Agency.

In the UK, we collect data from all Scope 1 and 2 vendors and hence, there is no estimation involved. In the US, due to the size of our operation, we collect data from the significant vendors and then use this to estimate emissions attributable to the balance. At April 2019, approximately 9% of the Sunbelt emissions balance was estimated.

We are also required to give an intensity ratio as appropriate for our business. Our level of GHG emissions vary with our activity levels and we have concluded that the most appropriate intensity ratio for Ashtead is revenue intensity. Our intensity metric is therefore an indication of emissions per £1m of revenue ($tCO_2e$/£m).

| | **2019** | 2018 |
|---|---|---|
| Revenue intensity ratio | **67.5** | 72.4 |

The majority of our revenue is in US dollars and so the reported ratio is affected by the exchange rate. On a constant currency basis (using this year's average exchange rate) our intensity ratio has reduced from 70.9 last year to 67.5 this year.

### Non-financial information statement

In December 2016, the UK Government published new regulations implementing the European Union Directive on disclosure of non-financial and diversity information (the 'Non-Financial Reporting Directive'), amending the Companies Act 2006 requirements for the Strategic Report and the Disclosure and Transparency Rules.

The information required by the Non-Financial Reporting Directive is included as follows:

| | **Location** |
|---|---|
| Environmental matters (including the impact of the company's business on the environment) | Page 55 |
| The Company's employees | Page 48 |
| Social matters | Page 54 |
| Respect for human rights | Page 53 |
| Anti-corruption and anti-bribery matters | Page 53 |

In addition, pages 10 to 35 contains information on the Group's business model, principal risks, including those relating to the matters identified above, and key performance indicators.

**BRENDAN HORGAN**
Chief executive
17 June 2019

**MICHAEL PRATT**
Finance director
17 June 2019