12 December 2017

Unaudited results for the half year and second quarter ended 31 October 2017

	Second quarter			First half		
	2017	2016	Growth[1]	2017	2016	Growth[1]
	£m	£m	%	£m	£m	%
Underlying results[2, 3]						
Rental revenue	945.2	783.8	22%	1,774.0	1,444.6	20%
EBITDA	502.6	417.4	22%	933.7	757.4	20%
Operating profit	324.8	267.8	22%	591.3	474.4	21%
Profit before taxation	298.4	242.3	24%	536.9	425.9	23%
Earnings per share	38.7p	31.8p	23%	70.2p	56.0p	22%
Statutory results						
Revenue	1,019.0	844.6	22%	1,899.1	1,551.7	19%
Profit before taxation	264.2	235.4	13%	493.1	413.3	16%
Earnings per share	34.3p	30.9p	12%	64.5p	54.3p	16%

Highlights

- Group rental revenue up 20%[1]
- First half underlying pre-tax profit[2] of £537m (2016: £426m)
- £708m of capital invested in the business (2016: £683m)
- £38m of free cash flow generation[3] (2016: £20m outflow)
- £298m spent on bolt-on acquisitions (2016: £142m)
- Net debt to EBITDA leverage[1] of 1.8 times (2016: 1.8 times)
- Interim dividend raised 16% to 5.5p per share (2016: 4.75p per share)
- Commencing a share buy-back programme of at least £500m and up to £1bn over the next 18 months

1 Calculated at constant exchange rates applying current period exchange rates.
2 Underlying results are stated before exceptional items and intangible amortisation.
3 Throughout this announcement we refer to a number of alternative performance measures which are defined in the Glossary on page 32.

Ashtead's chief executive, Geoff Drabble, commented:

"The strong quarter was pleasing as it was based on good underlying performance, supplemented by clean-up efforts following hurricanes Harvey, Irma and Maria. As a result, Group rental revenue increased 23% for the six months and underlying pre-tax profit increased by 26% to £537m. The reported results were impacted favourably by weaker sterling but, with 20% growth in Group rental revenue at constant exchange rates, we have good momentum.

Our end markets remain strong and a wide range of metrics have shown consistent improvement. We continue to execute well on our strategy through a combination of organic growth and bolt-on acquisitions. We made significant investments in the period, spending £708m on capital expenditure and £298m on nine acquisitions.

Our strong margins ensured that, despite these levels of investment, we remain comfortably within our target range for net debt to EBITDA of 1.5 to 2 times. As we execute our 2021 plan, we expect a number of years of good earnings growth and significant free cash flow generation. Given this outlook, we have the flexibility to be operating towards the upper end of the Group's stated leverage range. We are therefore commencing a share buyback programme, of at least £500m and up to £1bn over the next 18 months.

We continue to enjoy support from good end markets, a strong balance sheet and impressive operational execution. Whilst we would anticipate that activity levels would normalise during the second half, post hurricane clean-up, we expect full year results to be ahead of our prior expectations. Our strong performance, together with the successful execution of our 2021 plan, allows the Board to continue to look to the medium term with confidence."

Contacts:

Geoff Drabble	Chief executive	+44 (0)20 7726 9700
Suzanne Wood	Finance director	
Will Shaw	Director of Investor Relations	
Neil Bennett	Maitland	+44 (0)20 7379 5151
Tom Eckersley	Maitland	

Geoff Drabble and Suzanne Wood will hold a meeting for equity analysts to discuss the results and outlook at 9am on Tuesday, 12 December 2017 at The London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. The meeting will be webcast live via the Company's website at www.ashtead-group.com and a replay will also be available via the website from shortly after the meeting concludes. A copy of this announcement and the slide presentation used for the meeting will also be available for download on the Company's website. The usual conference call for bondholders will begin at 3.30pm (10.30am EST).

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

Forward looking statements

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

First half trading results

	Revenue		EBITDA		Operating profit	
	2017	2016	2017	2016	2017	2016
Sunbelt US in $m	2,084.5	1,786.8	1,076.6	912.4	702.9	591.7
Sunbelt US in £m	1,599.6	1,331.8	826.2	680.1	539.4	441.0
A-Plant	245.1	199.3	92.7	76.2	46.8	37.9
Sunbelt Canada	54.4	20.6	22.1	8.5	12.5	3.0
Group central costs	-	-	(7.3)	(7.4)	(7.4)	(7.5)
	1,899.1	1,551.7	933.7	757.4	591.3	474.4
Net financing costs					(54.4)	(48.5)
Profit before amortisation, exceptional items and tax					**536.9**	**425.9**
Amortisation					(22.1)	(12.6)
Exceptional items					(21.7)	-
Profit before taxation					493.1	413.3
Taxation					(172.2)	(141.8)
Profit attributable to equity holders of the Company					320.9	271.5
Margins						
Sunbelt US			*51.6%*	*51.1%*	*33.7%*	*33.1%*
A-Plant			*37.8%*	*38.3%*	*19.1%*	*19.0%*
Sunbelt Canada			*40.7%*	*40.9%*	*23.0%*	*14.4%*
Group			*49.2%*	*48.8%*	*31.1%*	*30.6%*

Group revenue increased 22% to £1,899m in the first half (2016: £1,552m) with strong growth in each of our markets. Overall revenue growth reflects good performance by each division and the benefit of weaker sterling. This revenue growth, combined with strong drop-through, generated underlying profit before tax of £537m (2016: £426m).

The Group's strategy remains unchanged with growth being driven by strong same-store growth supplemented by greenfield openings and bolt-on acquisitions. As we fill out our clusters, the distinction between same-store growth and greenfields becomes blurred as we transfer fleet between locations to optimise our network. Accordingly, we have combined same-store and greenfields as organic growth this quarter and will report on this basis going forwards. Sunbelt US, A-Plant and Sunbelt Canada delivered 18%, 20% and 119% rental only revenue growth respectively.

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

		$m
2016 rental only revenue		1,333
Organic (same-store and greenfields)	+13%	175
Bolt-ons since 1 May 2016	+5%	65
2017 rental only revenue	+18%	1,573
Ancillary revenue	+19%	401
2017 rental revenue	+18%	1,974
Sales revenue	-6%	110
2017 total revenue	+17%	2,084

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. As we continue with our plan for 2021, we have made good progress on new stores with 32 added in the US in the first half, around half of which were specialty locations.

Rental only revenue growth was 18% in generally strong end markets. This growth was driven by increased fleet on rent, partially offset by yield. During the second quarter, Sunbelt US was actively involved in the clean-up efforts following hurricanes Harvey, Irma and Maria. We estimate that these events resulted in incremental rental revenue of $40-45m. Following the significant initial restoration and remediation work we expect a much lower impact throughout the second half. Average first half physical utilisation was 74% (2016: 73%). Sunbelt US's total revenue, including new and used equipment, merchandise and consumable sales, increased 17% to $2,084m (2016: $1,787m).

A-Plant continues to perform well and delivered rental only revenue of £182m, up 20% on the prior year (2016: £152m). This reflects increased fleet on rent, partially offset by yield. A-Plant's total revenue increased 23% to £245m (2016: £199m).

The acquisition of CRS in August 2017 more than doubled the size of the Sunbelt Canada business. Given the increased scale of the Canadian business, we have chosen to report it as a separate segment going forward. The underlying business performed strongly with rental revenue growth of 22% and, with the addition of CRS, Sunbelt Canada generated revenue of £54m (C$91m) (2016: £21m (C$36m)) in the period.

We continue to focus on operational efficiency and improving margins. In Sunbelt US, 54% 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 yield, greenfield openings and acquisitions. This strong drop-through drove an improved EBITDA margin of 52% (2016: 51%) and contributed to a 19% increase in operating profit to $703m (2016: $592m).

A-Plant's drop-through of 44% reflects its greater proportion of specialty businesses and ongoing integration of recent acquisitions. This contributed to an EBITDA margin of 38% (2016: 38%) and an operating profit of £47m (2016: £38m), a 23% increase over the prior year.

Reflecting the strong performance of the divisions, and slightly weaker sterling, Group underlying operating profit increased 25% to £591m (2016: £474m). Net financing costs increased to £54m (2016: £49m), reflecting higher average debt partially offset by lower interest rates following the Group's successful refinancing. As a result, Group profit before amortisation of intangibles, exceptional items and taxation was £537m (2016: £426m). After a tax charge of 35% (2016: 34%) of the underlying pre-tax profit, underlying earnings per share increased 25% to 70.2p (2016: 56.0p).

Exceptional net financing costs of £22m (including cash costs of £25m) related to the redemption of our $900m 6.5% senior secured notes in August 2017. After the net exceptional charge of £22m (2016: £nil) and amortisation of £22m (2016: £13m), statutory profit before tax was £493m (2016: £413m). After a tax charge of 35% (2016: 34%), basic earnings per share were 64.5p (2016: 54.3p). The cash tax charge for the year is expected to be around 19% based on current tax legislation.

Capital expenditure and acquisitions

Capital expenditure for the first half was £708m gross and £649m net of disposal proceeds (2016: £683m gross and £631m net). This level of capital expenditure is towards the upper end of our expectations at this stage of the year for 2017/18. As a result, we have revised our capital expenditure guidance for the full year to £1.2 – 1.3bn at current exchange rates. Reflecting this investment, the Group's rental fleet at 31 October 2017 at cost was £6.4bn. Our average fleet age is now 30 months (2016: 26 months).

We invested £298m, including acquired debt, (2016: £142m) on nine bolt-on acquisitions during the first half as we continue to both expand our footprint and diversify into specialty markets.

Return on Investment

Sunbelt US's pre-tax return on investment (excluding goodwill and intangible assets) in the 12 months to 31 October 2017 was 23% (2016: 23%) and has improved sequentially during the period. In the UK, return on investment (excluding goodwill and intangible assets) was 13% (2016: 14%). This continues to be impacted adversely by the large number of acquisitions which we are in the process of integrating and optimising their potential. In Canada, return on investment (excluding goodwill and intangible assets) was 13% (2016: 6%). For the Group as a whole, return on investment (including goodwill and intangible assets) was 18% (2016: 18%).

Cash flow and net debt

As expected, debt increased during the first half as we continued to invest in the fleet and made a number of bolt-on acquisitions. This was partially offset by £65m of currency translation benefit as sterling has strengthened since the year end.

Net debt at 31 October 2017 was £2,851m (2016: £2,694m) while, reflecting our strong earnings growth, the ratio of net debt to EBITDA remained at 1.8 times (2016: 1.8 times) on a constant currency basis. This is in the middle of the Group's target range for net debt to EBITDA of 1.5 to 2 times.

The Group's debt package remains well structured to enable us to take advantage of prevailing end market conditions. Following the issue of the 4.125% $600m senior secured notes due in 2025 and the 4.375% $600m senior secured notes due in 2027, and the redemption of the 6.5% $900m senior secured notes, the Group's debt facilities are committed for an average of six years.

At 31 October 2017, availability under the senior secured debt facility was $1,067m, with an additional $2,125m of suppressed availability – substantially above the $310m level at which the Group's entire debt package is covenant free.

Dividend

In line with its policy of providing a progressive dividend, having regard to both underlying profit and cash generation and to sustainability through the economic cycle, the Board has increased the interim dividend to 5.5p per share (2016: 4.75p per share). This will be paid on 7 February 2018 to shareholders on the register on 19 January 2018.

Capital allocation

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

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

Additionally, we consider further returns to shareholders, balancing capital efficiency and security with financial flexibility in a cyclical business and an assessment of whether it would be accretive to shareholder value. 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.

As we execute our 2021 plan, we expect a number of years of good earnings growth and significant free cash flow generation. Given this outlook, we have the flexibility to be operating towards the upper end of the Group's stated leverage range of 1.5 to 2.0 times net debt to EBITDA. This, and the Group's strong balance sheet, provides it with the financial flexibility to fund fully the four key priorities listed above and have significant funds available to provide additional returns to shareholders.

We are therefore commencing a share buyback programme, of at least £500m and up to £1bn over the next 18 months, for which we will seek continued shareholder approval at the next Annual General Meeting. Capital returns to shareholders will be kept under regular review reflecting the factors set out above.

Current trading and outlook

We continue to enjoy support from good end markets, a strong balance sheet and impressive operational execution. Whilst we would anticipate that activity levels would normalise during the second half, post hurricane clean-up, we expect full year results to be ahead of our prior expectations. Our strong performance, together with the successful execution of our 2021 plan, allows the Board to continue to look to the medium term with confidence.

Directors' responsibility statement

We confirm that to the best of our knowledge:

a) the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'; and

b) the interim management report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year) and Disclosure and Transparency Rules 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Eric Watkins
Company secretary

11 December 2017

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 OCTOBER 2017

	2017			2016		
	Before exceptional items and amortisation	Exceptional items and amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Second quarter - unaudited						
Revenue						
Rental revenue	945.2	-	945.2	783.8	-	783.8
Sale of new equipment, merchandise and consumables	40.6	-	40.6	28.9	-	28.9
Sale of used rental equipment	33.2	-	33.2	31.9	-	31.9
	1,019.0	-	1,019.0	844.6	-	844.6
Operating costs						
Staff costs	(225.7)	-	(225.7)	(185.5)	-	(185.5)
Used rental equipment sold	(29.3)	-	(29.3)	(26.7)	-	(26.7)
Other operating costs	(261.4)	-	(261.4)	(215.0)	-	(215.0)
	(516.4)	-	(516.4)	(427.2)	-	(427.2)
EBITDA*	502.6	-	502.6	417.4	-	417.4
Depreciation	(177.8)	-	(177.8)	(149.6)	-	(149.6)
Amortisation of intangibles	-	(12.5)	(12.5)	-	(6.9)	(6.9)
Operating profit	324.8	(12.5)	312.3	267.8	(6.9)	260.9
Investment income	-	-	-	0.1	-	0.1
Interest expense	(26.4)	(21.7)	(48.1)	(25.6)	-	(25.6)
Profit on ordinary activities before taxation	298.4	(34.2)	264.2	242.3	(6.9)	235.4
Taxation	(105.6)	12.3	(93.3)	(83.4)	2.3	(81.1)
Profit attributable to equity holders of the Company	192.8	(21.9)	170.9	158.9	(4.6)	154.3
Basic earnings per share	38.7p	(4.4p)	34.3p	31.8p	(0.9p)	30.9p
Diluted earnings per share	38.6p	(4.4p)	34.2p	31.7p	(0.9p)	30.8p

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

All revenue and profit is generated from continuing operations.

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

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2017

	2017			2016		
	Before exceptional items and amortisation	Exceptional items and amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
First half - unaudited						
Revenue						
Rental revenue	1,774.0	-	1,774.0	1,444.6	-	1,444.6
Sale of new equipment, merchandise and consumables	71.5	-	71.5	58.3	-	58.3
Sale of used rental equipment	53.6	-	53.6	48.8	-	48.8
	1,899.1	-	1,899.1	1,551.7	-	1,551.7
Operating costs						
Staff costs	(429.3)	-	(429.3)	(351.2)	-	(351.2)
Used rental equipment sold	(48.7)	-	(48.7)	(42.0)	-	(42.0)
Other operating costs	(487.4)	-	(487.4)	(401.1)	-	(401.1)
	(965.4)	-	(965.4)	(794.3)	-	(794.3)
EBITDA*	933.7	-	933.7	757.4	-	757.4
Depreciation	(342.4)	-	(342.4)	(283.0)	-	(283.0)
Amortisation of intangibles	-	(22.1)	(22.1)	-	(12.6)	(12.6)
Operating profit	591.3	(22.1)	569.2	474.4	(12.6)	461.8
Investment income	-	-	-	0.1	-	0.1
Interest expense	(54.4)	(21.7)	(76.1)	(48.6)	-	(48.6)
Profit on ordinary activities before taxation	536.9	(43.8)	493.1	425.9	(12.6)	413.3
Taxation	(187.6)	15.4	(172.2)	(145.9)	4.1	(141.8)
Profit attributable to equity holders of the Company	349.3	(28.4)	320.9	280.0	(8.5)	271.5
Basic earnings per share	70.2p	(5.7p)	64.5p	56.0p	(1.7p)	54.3p
Diluted earnings per share	69.9p	(5.7p)	64.2p	55.8p	(1.7p)	54.1p

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

All revenue and profit is generated from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited			
	Three months to 31 October		Six months to 31 October	
	2017	2016	2017	2016
	£m	£m	£m	£m
Profit attributable to equity holders of the Company for the period	170.9	154.3	320.9	271.5
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	(15.5)	122.4	(40.3)	243.8
Total comprehensive income for the period	155.4	276.7	280.6	515.3

CONSOLIDATED BALANCE SHEET AT 31 OCTOBER 2017

	Unaudited 31 October 2017	Unaudited 31 October 2016	Audited 30 April 2017
	£m	£m	£m
Current assets			
Inventories	49.0	49.4	44.2
Trade and other receivables	693.1	607.8	591.9
Current tax asset	1.2	24.9	6.9
Cash and cash equivalents	11.7	10.2	6.3
	755.0	692.3	649.3
Non-current assets			
Property, plant and equipment			
- rental equipment	4,430.8	4,191.0	4,092.8
- other assets	440.6	419.1	411.8
	4,871.4	4,610.1	4,504.6
Goodwill	884.0	704.0	797.7
Other intangible assets	215.3	123.6	174.4
Net defined benefit pension plan asset	-	2.2	-
	5,970.7	5,439.9	5,476.7
Total assets	6,725.7	6,132.2	6,126.0
Current liabilities			
Trade and other payables	557.4	514.9	537.0
Current tax liability	13.0	7.5	6.5
Debt due within one year	2.6	2.7	2.6
Provisions	21.0	31.0	28.6
	594.0	556.1	574.7
Non-current liabilities			
Debt due after more than one year	2,860.0	2,702.0	2,531.4
Provisions	33.5	21.9	19.1
Deferred tax liabilities	1,103.0	996.6	1,027.0
Net defined benefit pension plan liability	3.9	-	3.7
	4,000.4	3,720.5	3,581.2
Total liabilities	4,594.4	4,276.6	4,155.9
Equity			
Share capital	49.9	55.3	49.9
Share premium account	3.6	3.6	3.6
Capital redemption reserve	6.3	0.9	6.3
Own shares held by the Company	-	(81.1)	-
Own shares held by the ESOT	(20.0)	(16.7)	(16.7)
Cumulative foreign exchange translation differences	200.7	332.2	241.0
Retained reserves	1,890.8	1,561.4	1,686.0
Equity attributable to equity holders of the Company	2,131.3	1,855.6	1,970.1
Total liabilities and equity	6,725.7	6,132.2	6,126.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 OCTOBER 2017

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares held by the Company £m	Own shares held through the ESOT £m	Cumulative foreign exchange translation differences £m	Retained reserves £m	Total £m
Unaudited								
At 1 May 2016	55.3	3.6	0.9	(33.1)	(16.2)	88.4	1,381.5	1,480.4
Profit for the period	-	-	-	-	-	-	271.5	271.5
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	243.8	-	243.8
Total comprehensive income for the period	-	-	-	-	-	243.8	271.5	515.3
Dividends paid	-	-	-	-	-	-	(92.4)	(92.4)
Own shares purchased by the ESOT	-	-	-	-	(7.1)	-	-	(7.1)
Own shares purchased by the Company	-	-	-	(48.0)	-	-	-	(48.0)
Share-based payments	-	-	-	-	6.6	-	(3.8)	2.8
Tax on share-based payments	-	-	-	-	-	-	4.6	4.6
At 31 October 2016	55.3	3.6	0.9	(81.1)	(16.7)	332.2	1,561.4	1,855.6
Profit for the period	-	-	-	-	-	-	229.5	229.5
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	(91.2)	-	(91.2)
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	(5.7)	(5.7)
Tax on defined benefit pension plan	-	-	-	-	-	-	1.0	1.0
Total comprehensive income for the period	-	-	-	-	-	(91.2)	224.8	133.6
Dividends paid	-	-	-	-	-	-	(23.7)	(23.7)
Own shares purchased by the ESOT	-	-	-	-	(0.1)	-	-	(0.1)
Share-based payments	-	-	-	-	0.1	-	2.8	2.9
Tax on share-based payments	-	-	-	-	-	-	1.8	1.8
Cancellation of own shares	(5.4)	-	5.4	81.1	-	-	(81.1)	-
At 30 April 2017	49.9	3.6	6.3	-	(16.7)	241.0	1,686.0	1,970.1
Profit for the period	-	-	-	-	-	-	320.9	320.9
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	(40.3)	-	(40.3)
Total comprehensive income for the period	-	-	-	-	-	(40.3)	320.9	280.6
Dividends paid	-	-	-	-	-	-	(113.2)	(113.2)
Own shares purchased by the ESOT	-	-	-	-	(10.2)	-	-	(10.2)
Share-based payments	-	-	-	-	6.9	-	(3.5)	3.4
Tax on share-based payments	-	-	-	-	-	-	0.6	0.6
At 31 October 2017	49.9	3.6	6.3	-	(20.0)	200.7	1,890.8	2,131.3

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2017

	Unaudited	
	2017	2016
	£m	£m
Cash flows from operating activities		
Cash generated from operations before exceptional items and changes in rental equipment	840.2	703.5
Payments for rental property, plant and equipment	(661.2)	(657.8)
Proceeds from disposal of rental property, plant and equipment	84.0	68.8
Cash generated from operations	263.0	114.5
Financing costs paid (net)	(56.4)	(46.7)
Exceptional financing costs paid	(25.2)	-
Tax paid (net)	(77.4)	(35.3)
Net cash generated from operating activities	104.0	32.5
Cash flows from investing activities		
Acquisition of businesses	(261.8)	(125.4)
Payments for non-rental property, plant and equipment	(71.1)	(51.6)
Proceeds from disposal of non-rental property, plant and equipment	4.8	8.6
Payments for purchase of intangible assets	-	(9.1)
Net cash used in investing activities	(328.1)	(177.5)
Cash flows from financing activities		
Drawdown of loans	1,401.4	419.0
Redemption of loans	(1,046.7)	(128.9)
Capital element of finance lease payments	(1.7)	(1.1)
Dividends paid	(113.2)	(92.4)
Purchase of own shares by the ESOT	(10.2)	(7.1)
Purchase of own shares by the Company	-	(48.0)
Net cash from financing activities	229.6	141.5
Increase/(decrease) in cash and cash equivalents	5.5	(3.5)
Opening cash and cash equivalents	6.3	13.0
Effect of exchange rate difference	(0.1)	0.7
Closing cash and cash equivalents	11.7	10.2

Reconciliation of net cash flows to net debt

	2017	2016
(Increase)/decrease in cash in the period	(5.5)	3.5
Increase in debt through cash flow	353.0	289.0
Change in net debt from cash flows	347.5	292.5
Debt acquired	40.7	21.3
Exchange differences	(65.0)	377.4
Non-cash movements:		
- deferred costs of debt raising	(2.2)	1.0
- capital element of new finance leases	2.2	0.6
Increase in net debt in the period	323.2	692.8
Net debt at 1 May	2,527.7	2,001.7
Net debt at 31 October	2,850.9	2,694.5

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

Ashtead Group plc ('the Company') is a company incorporated and domiciled in England and Wales and listed on the London Stock Exchange. The condensed consolidated interim financial statements as at, and for the six months ended, 31 October 2017 comprise the Company and its subsidiaries ('the Group').

The condensed consolidated interim financial statements for the six months ended 31 October 2017 were approved by the directors on 11 December 2017.

The condensed consolidated interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 April 2017 were approved by the directors on 12 June 2017 and have been mailed to shareholders and filed with the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include a reference to any matter by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

The condensed consolidated interim financial statements are unaudited but have been reviewed by the Group's auditors. Their report is on page 31.

2. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 31 October 2017 have been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and relevant International Financial Reporting Standards ('IFRS') as adopted by the European Union (including IAS 34, Interim Financial Reporting). The condensed consolidated interim financial statements should be read in conjunction with the Group's Annual Report and Accounts for the year ended 30 April 2017. There are no new IFRS and IFRIC Interpretations that are effective for the first time for this interim period which have a material impact on the Group.

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

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

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

	2017		2016	
	US$	C$	US$	C$
Average for the three months ended 31 October	1.32	1.64	1.29	1.69
Average for the six months ended 31 October	1.30	1.68	1.34	1.75
At 30 April	1.29	1.77	1.47	1.83
At 31 October	1.33	1.71	1.22	1.64

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Segmental analysis

Following the acquisition of CRS Contractors Rental Supply Limited Partnership by Sunbelt Canada on 1 August 2017 (see note 14), the Group has reassessed its reportable operating segments and concluded that it is now appropriate to disclose Sunbelt Canada separately from the Sunbelt US business. The revised operating segments provide greater clarity as to the operating performance in each territory and align with other reporting by the Group.

Prior period disclosures have been restated to reflect this change in reportable segments.

	Revenue	Operating profit before amortisation	Amortisation	Operating profit
	£m	£m	£m	£m
Three months to 31 October				
2017				
Sunbelt US	849.9	294.2	(7.5)	286.7
A-Plant	126.3	24.4	(2.9)	21.5
Sunbelt Canada	42.8	10.1	(2.1)	8.0
Corporate costs	-	(3.9)	-	(3.9)
	1,019.0	324.8	(12.5)	312.3
2016				
Sunbelt US	729.8	249.6	(4.3)	245.3
A-Plant	102.9	20.3	(1.9)	18.4
Sunbelt Canada	11.9	2.0	(0.7)	1.3
Corporate costs	-	(4.1)	-	(4.1)
	844.6	267.8	(6.9)	260.9
Six months to 31 October				
2017				
Sunbelt US	1,599.6	539.4	(13.8)	525.6
A-Plant	245.1	46.8	(5.5)	41.3
Sunbelt Canada	54.4	12.5	(2.8)	9.7
Corporate costs	-	(7.4)	-	(7.4)
	1,899.1	591.3	(22.1)	569.2
2016				
Sunbelt US	1,331.8	441.0	(8.1)	432.9
A-Plant	199.3	37.9	(3.2)	34.7
Sunbelt Canada	20.6	3.0	(1.3)	1.7
Corporate costs	-	(7.5)	-	(7.5)
	1,551.7	474.4	(12.6)	461.8

3. Segment analysis (continued)

	Segment assets	Cash	Taxation assets	Total assets
	£m	£m	£m	£m
At 31 October 2017				
Sunbelt US	5,505.0	-	-	5,505.0
A-Plant	858.7	-	-	858.7
Sunbelt Canada	348.5	-	-	348.5
Corporate items	0.6	11.7	1.2	13.5
	6,712.8	11.7	1.2	6,725.7
At 30 April 2017				
Sunbelt US	5,218.5	-	-	5,218.5
A-Plant	775.3	-	-	775.3
Sunbelt Canada	118.6	-	-	118.6
Corporate items	0.4	6.3	6.9	13.6
	6,112.8	6.3	6.9	6,126.0

4. Operating costs and other income

	2017			2016		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Three months to 31 October						
Staff costs:						
Salaries	207.0	-	207.0	170.3	-	170.3
Social security costs	14.9	-	14.9	12.2	-	12.2
Other pension costs	3.8	-	3.8	3.0	-	3.0
	225.7	-	225.7	185.5	-	185.5
Used rental equipment sold	29.3	-	29.3	26.7	-	26.7
Other operating costs:						
Vehicle costs	59.8	-	59.8	44.9	-	44.9
Spares, consumables & external repairs	48.2	-	48.2	40.4	-	40.4
Facility costs	26.6	-	26.6	23.1	-	23.1
Other external charges	126.8	-	126.8	106.6	-	106.6
	261.4	-	261.4	215.0	-	215.0
Depreciation and amortisation:						
Depreciation	177.8	-	177.8	149.6	-	149.6
Amortisation of intangibles	-	12.5	12.5	-	6.9	6.9
	177.8	12.5	190.3	149.6	6.9	156.5
	694.2	12.5	706.7	576.8	6.9	583.7

4. Operating costs and other income (continued)

	2017			2016		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Six months to 31 October						
Staff costs:						
Salaries	393.1	-	393.1	321.0	-	321.0
Social security costs	29.0	-	29.0	24.0	-	24.0
Other pension costs	7.2	-	7.2	6.2	-	6.2
	429.3	-	429.3	351.2	-	351.2
Used rental equipment sold	48.7	-	48.7	42.0	-	42.0
Other operating costs:						
Vehicle costs	109.0	-	109.0	83.1	-	83.1
Spares, consumables & external repairs	92.4	-	92.4	75.3	-	75.3
Facility costs	52.4	-	52.4	43.7	-	43.7
Other external charges	233.6	-	233.6	199.0	-	199.0
	487.4	-	487.4	401.1	-	401.1
Depreciation and amortisation:						
Depreciation	342.4	-	342.4	283.0	-	283.0
Amortisation of intangibles	-	22.1	22.1	-	12.6	12.6
	342.4	22.1	364.5	283.0	12.6	295.6
	1,307.8	22.1	1,329.9	1,077.3	12.6	1,089.9

5. Exceptional items and amortisation

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

	Three months to 31 October		Six months to 31 October	
	2017	2016	2017	2016
	£m	£m	£m	£m
Amortisation of intangibles	12.5	6.9	22.1	12.6
Write-off of deferred financing costs	8.1	-	8.1	-
Release of premium	(11.6)	-	(11.6)	-
Early redemption fee	23.7	-	23.7	-
Call period interest	1.5	-	1.5	-
Taxation	(12.3)	(2.3)	(15.4)	(4.1)
	21.9	4.6	28.4	8.5

The costs associated with the redemption of the $900m 6.5% senior secured notes in August 2017 have been classified as exceptional items. The write-off of deferred financing costs consists of the unamortised balance of the costs relating to the notes, whilst the release of premium related to the unamortised element of the premium which arose at the time of issuance of the $400m add-on to the initial $500m 6.5% senior secured notes. In addition, an early redemption fee of £24m ($31m) was paid to redeem the notes prior to their scheduled maturity. The call period interest represents the interest charge on the $900m notes for the period from the issue of the new $1.2bn notes to the date the $900m notes were redeemed. Of these items, total cash costs were £25m, whilst £3.5m (net income) were non-cash items and credited to the income statement.

5. Exceptional items and amortisation (continued)

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

	Three months to 31 October		Six months to 31 October	
	2017	2016	2017	2016
	£m	£m	£m	£m
Amortisation of intangibles	12.5	6.9	22.1	12.6
Charged in arriving at operating profit	12.5	6.9	22.1	12.6
Net financing costs	21.7	-	21.7	-
Charged in arriving at profit before tax	34.2	6.9	43.8	12.6
Taxation	(12.3)	(2.3)	(15.4)	(4.1)
	21.9	4.6	28.4	8.5

6. Net financing costs

	Three months to 31 October		Six months to 31 October	
	2017	2016	2017	2016
	£m	£m	£m	£m
Investment income:				
Net interest on the net defined benefit asset	-	(0.1)	-	(0.1)
Interest expense:				
Bank interest payable	11.1	8.1	21.5	14.8
Interest payable on second priority senior secured notes	14.3	16.8	31.1	32.3
Interest payable on finance leases	0.1	-	0.2	0.1
Non-cash unwind of discount on provisions	0.1	0.2	0.2	0.4
Amortisation of deferred debt raising costs	0.8	0.5	1.4	1.0
Total interest expense	26.4	25.6	54.4	48.6
Net financing costs before exceptional items	26.4	25.5	54.4	48.5
Exceptional items	21.7	-	21.7	-
Net financing costs	48.1	25.5	76.1	48.5

7. Taxation

The tax charge for the period has been computed using a tax rate of 38% in the US (2016: 39%), 19% in the UK (2016: 20%) and 27% in Canada (2016: 27%). The blended rate for the Group as a whole is 35% (2016: 34%).

7. Taxation (continued)

The tax charge of £188m (2016: £146m) on the underlying profit before taxation of £537m (2016: £426m) can be explained as follows:

	Six months to 31 October 2017 £m	Six months to 31 October 2016 £m
Current tax		
- current tax on income for the period	98.3	25.6
Deferred tax		
- origination and reversal of temporary differences	88.4	121.0
- adjustments to prior year	0.9	(0.7)
	89.3	120.3
Tax on underlying activities	187.6	145.9
Comprising:		
- UK	10.2	7.8
- US and Canada	177.4	138.1
	187.6	145.9

In addition, the tax credit of £15m (2016: £4m) on exceptional items and amortisation of £44m (2016: £13m) consists of a current tax credit of £8m (2016: £nil) relating to the US and Canada, a deferred tax credit of £1m (2016: £1m) relating to the UK and a deferred tax credit of £6m (2016: £3m) relating to the US and Canada.

8. Earnings per share

Basic and diluted earnings per share for the three and six months ended 31 October 2017 have been calculated based on the profit for the relevant period and the weighted average number of ordinary shares in issue during that period (excluding shares held by the Company and the ESOT over which dividends have been waived). Diluted earnings per share is computed using the result for the relevant period and the diluted number of shares (ignoring any potential issue of ordinary shares which would be anti-dilutive). These are calculated as follows:

	Three months to 31 October 2017	Three months to 31 October 2016	Six months to 31 October 2017	Six months to 31 October 2016
Profit for the financial period (£m)	170.9	154.3	320.9	271.5
Weighted average number of shares (m) - basic	497.5	498.8	497.5	499.9
- diluted	499.7	500.9	499.7	502.0
Basic earnings per share	34.3p	30.9p	64.5p	54.3p
Diluted earnings per share	34.2p	30.8p	64.2p	54.1p

8. Earnings per share (continued)

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

	Three months to 31 October		Six months to 31 October	
	2017	2016	2017	2016
Basic earnings per share	34.3p	30.9p	64.5p	54.3p
Amortisation of intangibles	2.5p	1.3p	4.4p	2.5p
Exceptional items	4.4p	-	4.4p	-
Tax on exceptional items and amortisation	(2.5p)	(0.4p)	(3.1p)	(0.8p)
Underlying earnings per share	38.7p	31.8p	70.2p	56.0p

9. Dividends

During the period, a final dividend in respect of the year ended 30 April 2017 of 22.75p (2016: 18.5p) per share was paid to shareholders costing £113.2m (2016: £92.4m). In addition, the directors are proposing an interim dividend in respect of the year ending 30 April 2018 of 5.5p (2017: 4.75p) per share to be paid on 7 February 2018 to shareholders who are on the register of members on 19 January 2018.

10. Property, plant and equipment

	2017		2016	
Net book value	Rental equipment £m	Total £m	Rental equipment £m	Total £m
At 1 May	4,092.8	4,504.6	3,246.9	3,588.8
Exchange difference	(86.7)	(94.6)	547.4	599.5
Reclassifications	(0.6)	-	(1.5)	-
Additions	635.8	707.6	626.3	682.5
Acquisitions	138.7	147.1	70.2	74.7
Disposals	(47.0)	(50.9)	(49.2)	(52.4)
Depreciation	(302.2)	(342.4)	(249.1)	(283.0)
At 31 October	4,430.8	4,871.4	4,191.0	4,610.1

11. Borrowings

	31 October 2017 £m	30 April 2017 £m
Current		
Finance lease obligations	2.6	2.6
Non-current		
First priority senior secured bank debt	1,595.7	1,449.2
Finance lease obligations	2.5	1.8
6.5% second priority senior secured notes, due 2022	-	699.4
5.625% second priority senior secured notes, due 2024	371.4	381.0
4.125% second priority senior secured notes, due 2025	445.2	-
4.375% second priority senior secured notes, due 2027	445.2	-
	2,860.0	2,531.4

11. Borrowings (continued)

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.

Under the terms of our asset-based senior bank facility, $3.1bn is committed until July 2022. The $500m 5.625% senior secured notes mature in October 2024, the new $600m 4.125% senior secured notes mature in August 2025 and the $600m 4.375% senior secured notes mature in August 2027. Our debt facilities therefore remain committed for the long term, with an average maturity of six years remaining. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is approximately 4%. The terms of the senior secured notes are such that financial performance covenants are only measured at the time new debt is raised.

There is one financial performance covenant under the first priority senior bank facility. That is, the fixed charge ratio (comprising LTM EBITDA before exceptional items less LTM net capital expenditure paid in cash over the sum of scheduled debt repayments plus cash interest, cash tax payments and dividends paid in the last twelve months) which must be equal to, or greater than, 1.0. This covenant does not apply when availability exceeds $310m. As a matter of good practice, we calculate the covenant ratio each quarter. At 31 October 2017, the fixed charge ratio exceeded the covenant requirement.

At 31 October 2017, availability under the senior secured bank facility was $1,067m ($1,305m at 30 April 2017), with an additional $2,125m of suppressed availability, meaning that the covenant did not apply at 31 October 2017 and is unlikely to apply in forthcoming quarters.

Fair value of financial instruments

At 31 October 2017, the Group had no derivative financial instruments.

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

The carrying value of the second priority senior secured notes due 2024, excluding deferred debt raising costs, was £377m at 31 October 2017 (£386m at 30 April 2017) while the fair value was £401m (£414m at 30 April 2017). The carrying value of the second priority senior secured notes, due 2025, excluding deferred debt raising costs, was £452m at 31 October 2017 while the fair value was £457m. The carrying value of the second priority senior secured notes, due 2027, excluding deferred debt raising costs, was £452m at 31 October 2017 while the fair value was £457m. The fair value of the second priority senior secured notes has been calculated using quoted market prices at 31 October 2017.

12. Share capital

Ordinary shares of 10p each:

	31 October 2017 Number	30 April 2017 Number	31 October 2017 £m	30 April 2017 £m
Issued and fully paid	499,225,712	499,225,712	49.9	49.9

At 31 October 2017, 1.7m (April 2017: 1.7m) shares were held by the Company's Employee Share Ownership Trust.

13. Notes to the cash flow statement

a) Cash flow from operating activities

	Six months to 31 October 2017 £m	2016 £m
Operating profit before exceptional items and amortisation	591.3	474.4
Depreciation	342.4	283.0
EBITDA before exceptional items	933.7	757.4
Profit on disposal of rental equipment	(4.9)	(6.8)
Profit on disposal of other property, plant and equipment	(0.6)	(0.1)
Decrease in inventories	0.5	2.8
Increase in trade and other receivables	(120.1)	(82.0)
Increase in trade and other payables	28.2	29.4
Other non-cash movements	3.4	2.8
Cash generated from operations before exceptional items and changes in rental equipment	840.2	703.5

b) Analysis of net debt

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

	1 May 2017 £m	Exchange movement £m	Cash flow £m	Debt acquired £m	Non-cash movements £m	31 October 2017 £m
Cash	(6.3)	0.1	(5.5)	-	-	(11.7)
Debt due within one year	2.6	-	(42.4)	40.7	1.7	2.6
Debt due after one year	2,531.4	(65.1)	395.4	-	(1.7)	2,860.0
Total net debt	2,527.7	(65.0)	347.5	40.7	-	2,850.9

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

c) Acquisitions

	Six months to 31 October 2017 £m	2016 £m
Cash consideration paid:		
- acquisitions in the period	257.0	119.2
- contingent consideration	4.8	6.2
	261.8	125.4

During the period, nine acquisitions were made with cash paid of £257m (2016: £119m), after taking account of net cash acquired of £0.5m. Further details are provided in Note 14.

Contingent consideration of £5m (2016: £6m) was paid relating to prior year acquisitions.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. Acquisitions

During the period, the following acquisitions were completed:

i) On 5 May 2017, Sunbelt US acquired the business and assets of Noble Rents, Inc. ('Noble') for a cash consideration of £26m ($34m). Noble is a general equipment rental business in California.

ii) On 22 May 2017, Sunbelt US acquired the business and assets of RGR Equipment, LLC ('RGR') for a cash consideration of £45m ($58m), with contingent consideration of up to £5m ($7m), payable over the next two years, depending on revenue meeting or exceeding certain thresholds. RGR is an aerial work platform rental business in Missouri.

iii) On 31 May 2017, A-Plant acquired the entire share capital of Plantfinder (Scotland) Limited and the business and assets of Clyde Security Containers Limited (together 'Plantfinder') for a cash consideration of £23m. Plantfinder is an aerial work platform rental business.

iv) On 1 June 2017, Sunbelt US acquired the business and assets of MSP Equipment Rentals, Inc. ('MSP') for a cash consideration of £18m ($23m). MSP is an aerial work platform rental business in Delaware.

v) On 29 June 2017, Sunbelt US acquired certain business and assets of Green Acres Equipment Rental, Inc. and Texas Agri-Capital, LLC (together 'Green Acres') for a cash consideration of £4m ($5m). Green Acres is a general equipment rental business in Texas.

vi) On 1 August 2017, Sunbelt Canada acquired all partnership interests of CRS Contractors Rental Supply Limited Partnership and the entire share capital of CRS Contractors Rental Supply General Partner, Inc. (together 'CRS') for an initial cash consideration of £133m (C$220m), with contingent consideration of up to £12m (C$20m), payable over the next three years, depending on EBITDA meeting or exceeding certain thresholds. Including acquired debt, the total initial cash consideration was £174m (C$287m). CRS is a general equipment rental business in Ontario, Canada.

vii) On 29 September 2017, A-Plant acquired the business and assets of Chanton Hire ('Chanton') for a cash consideration of £1m. Chanton is a survey equipment business.

viii) On 2 October 2017, Sunbelt US acquired the business and assets of the aerial division of Lift, Inc. ('Lift') for a cash consideration of £7m ($9m). Lift is an aerial work platform rental business in Pennsylvania.

ix) On 31 October 2017, Sunbelt US acquired the business and assets of The Rental Company of Cenla, LLC ('RentalCo') for a cash consideration of £1m ($1m). RentalCo is a general equipment rental business in Louisiana.

14. Acquisitions (continued)

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

	Fair value to Group £m
Net assets acquired	
Trade and other receivables	26.7
Inventory	6.4
Property, plant and equipment	
- rental equipment	138.7
- other assets	8.4
Creditors	(18.1)
Debt	(40.7)
Current tax	(0.4)
Deferred tax	(22.0)
Intangible assets (non-compete agreements, brand names and customer relationships)	67.5
	166.5
Consideration:	
- cash paid and due to be paid (net of cash acquired)	257.5
- contingent consideration payable in cash	16.6
	274.1
Goodwill	107.6

The goodwill arising can be attributed to the key management personnel and workforce of the acquired businesses and to the synergies and other benefits the Group expects to derive from the acquisitions. The synergies and other benefits include elimination of duplicate costs, improving utilisation of the acquired rental fleet, using the Group's financial strength to invest in the acquired business and drive improved returns through a semi-fixed cost base and the application of the Group's proprietary software to optimise revenue opportunities. £29m of the goodwill is expected to be deductible for income tax purposes.

The gross value and fair value of trade receivables at acquisition was £27m.

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

The revenue and operating profit of these acquisitions from 1 May 2017 to their date of acquisition was not material.

15. Contingent liabilities

There have been no significant changes in contingent liabilities from those reported in the financial statements for the year ended 30 April 2017.

16. Events after the balance sheet date

Since the balance sheet date, the Group has completed one acquisition as follows:

i) On 1 November 2017, Sunbelt US acquired the business and assets of Maverick Pump Services, LLC and Maverick Rehab, LLC (together 'Maverick') for a cash consideration of £16m ($22m). Maverick is a pump solutions business in Texas and Colorado.

The initial accounting for this acquisition is incomplete. Had the acquisition taken place on 1 May 2017, its contribution to revenue and operating profit would not have been material.

REVIEW OF SECOND QUARTER, BALANCE SHEET AND CASH FLOW

Second quarter

	Revenue		EBITDA		Operating profit	
	2017	2016	2017	2016	2017	2016
Sunbelt US in $m	1,116.5	945.8	580.2	488.4	386.3	324.2
Sunbelt US in £m	849.9	729.8	441.7	376.6	294.2	249.6
A-Plant	126.3	102.9	48.0	39.8	24.4	20.3
Sunbelt Canada	42.8	11.9	16.7	5.0	10.1	2.0
Group central costs	-	-	(3.8)	(4.0)	(3.9)	(4.1)
	1,019.0	844.6	502.6	417.4	324.8	267.8
Net financing costs					(26.4)	(25.5)
Profit before amortisation, exceptional items and tax					**298.4**	**242.3**
Amortisation					(12.5)	(6.9)
Exceptional items					(21.7)	-
Profit before taxation					264.2	235.4
Margins						
Sunbelt US			*52.0%*	*51.6%*	*34.6%*	*34.3%*
A-Plant			*38.0%*	*38.7%*	*19.3%*	*19.8%*
Sunbelt Canada			*40.7%*	*40.9%*	*23.0%*	*14.4%*
Group			*49.3%*	*49.4%*	*31.9%*	*31.7%*

Group revenue increased 21% to £1,019m in the second quarter (2016: £845m) with strong growth in each of our markets. This revenue growth, combined with continued focus on operational efficiency, generated underlying profit before tax of £298m (2016: £242m).

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

		$m
2016 rental only revenue		703
Organic (same-store and greenfields)	+14%	100
Bolt-ons (since 1 August 2016)	+5%	36
2017 rental only revenue	+19%	839
Ancillary revenue	+22%	216
2017 rental revenue	+20%	1,055
Sales revenue	-7%	62
2017 total revenue	+18%	1,117

Sunbelt US's organic growth of 14% is well in excess of that of the rental market as we continue to take market share. In addition, bolt-ons have contributed a further 5% growth as we execute our long-term structural growth strategy of expanding our geographic footprint and our specialty businesses. Total rental only revenue growth of 19% was driven by an increase in fleet on rent.

The quarter was enhanced by the impact of hurricanes Harvey, Irma and Maria and we estimate that these events contributed incremental rental revenue of $40-45m.

A-Plant continues to perform well and delivered rental only revenue up 19% at £92m (2016: £77m) in the quarter. This reflected increased fleet on rent.

Following the acquisition of CRS, Sunbelt Canada delivered rental only revenue of £27m (2016: £9m) in the quarter.

Group operating profit increased 21% to £325m (2016: £268m). Net financing costs were £26m (2016: £26m), reflecting higher average debt partially offset by lower interest rates following the Group's refinancing. As a result, Group profit before amortisation of intangibles, exceptional items and taxation was £298m (2016: £242m). After amortisation of £12m and exceptional financing costs of £22m, the statutory profit before taxation was £264m (2016: £235m).

Balance sheet

Fixed assets

Capital expenditure in the first half totalled £708m (2016: £683m) with £636m invested in the rental fleet (2016: £626m). Expenditure on rental equipment was 90% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division was:

		2017		2016
	Replacement	Growth	Total	Total
Sunbelt US in $m	127.3	572.6	699.9	652.4
Sunbelt US in £m	95.9	431.2	527.1	534.1
A-Plant	31.1	56.2	87.3	77.9
Sunbelt Canada	5.2	16.2	21.4	14.3
Total rental equipment	132.2	503.6	635.8	626.3
Delivery vehicles, property improvements & IT equipment			71.8	56.2
Total additions			707.6	682.5

In a strong US rental market, $573m of rental equipment capital expenditure was spent on growth while, with a lower replacement need, only $127m was invested in replacement of existing fleet. The growth proportion is estimated on the basis of the assumption that replacement capital expenditure in any period is equal to the original cost of equipment sold.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 31 October 2017 was 30 months (2016: 26 months) on a net book value basis. Sunbelt US's fleet had an average age of 30 months (2016: 27 months), while A-Plant's fleet had an average age of 30 months (2016: 28 months).

	Rental fleet at original cost			LTM rental	LTM dollar	LTM physical
	31 October 2017	30 April 2017	LTM average	revenue	utilisation	utilisation
Sunbelt US in $m	7,135	6,439	6,534	3,536	54%	71%
Sunbelt US in £m	5,373	4,977	4,920	2,774	54%	71%
A-Plant	858	774	799	398	50%	69%
Sunbelt Canada	211	95	124	65	51%	n/a
	6,442	5,846	5,843	3,237		

Dollar utilisation is defined as rental revenue divided by average fleet at original (or 'first') cost and, measured over the last twelve months to 31 October 2017, was 54% at Sunbelt US (2016: 55%), 51% at Sunbelt Canada (2016: 39%) and 50% at A-Plant (2016: 53%). The reduction in Sunbelt US reflects the drag effect of yield, greenfield openings and acquisitions and the increased cost of fleet. Physical utilisation is time based utilisation, which is calculated as the daily average of the original cost of equipment on rent as a percentage of the total value of equipment in the fleet at the measurement date. Measured over the last twelve months to 31 October 2017, average physical utilisation at Sunbelt US was 71% (2016: 70%) and 69% at A-Plant (2016: 69%). At Sunbelt US, physical utilisation is measured for equipment with an original cost in excess of $7,500 which comprised approximately 88% of its fleet at 31 October 2017.

Trade receivables

Receivable days at 31 October 2017 were 50 days (2016: 50 days). The bad debt charge for the last twelve months ended 31 October 2017 as a percentage of total turnover was 0.7% (2016: 0.8%). Trade receivables at 31 October 2017 of £591m (2016: £517m) are stated net of allowances for bad debts and credit notes of £45m (2016: £38m) with the allowance representing 7.1% (2016: 6.8%) of gross receivables.

Trade and other payables

Group payable days were 58 days in 2017 (2016: 62 days) with capital expenditure related payables, which have longer payment terms, totalling £217m (2016: £202m). Payment periods for purchases other than rental equipment vary between seven and 60 days and for rental equipment between 30 and 120 days.

Cash flow and net debt

	Six months to 31 October		LTM to 31 October	Year to 30 April
	2017	2016	2017	2017
	£m	£m	£m	£m
EBITDA before exceptional items	933.7	757.4	1,680.7	1,504.4
Cash inflow from operations before exceptional items and changes in rental equipment	840.2	703.5	1,580.9	1,444.2
*Cash conversion ratio**	*90.0%*	*92.9%*	*94.1%*	*96.0%*
Replacement rental capital expenditure	(208.5)	(194.9)	(427.5)	(413.9)
Payments for non-rental capital expenditure	(71.1)	(60.7)	(123.2)	(112.8)
Rental equipment disposal proceeds	84.0	68.8	168.6	153.4
Other property, plant and equipment disposal proceeds	4.8	8.6	3.6	7.4
Tax (net)	(77.4)	(35.3)	(91.6)	(49.5)
Financing costs	(56.4)	(46.7)	(111.2)	(101.5)
Cash inflow before growth capex and payment of exceptional costs	**515.6**	**443.3**	**999.6**	**927.3**
Growth rental capital expenditure	(452.7)	(462.9)	(597.7)	(607.9)
Exceptional costs	(25.2)	-	(25.2)	-
Free cash flow	**37.7**	**(19.6)**	**376.7**	**319.4**
Business acquisitions	(261.8)	(125.4)	(557.5)	(421.1)
Total cash absorbed	**(224.1)**	**(145.0)**	**(180.8)**	**(101.7)**
Dividends	(113.2)	(92.4)	(136.9)	(116.1)
Purchase of own shares by the Company	-	(48.0)	-	(48.0)
Purchase of own shares by the ESOT	(10.2)	(7.1)	(10.3)	(7.2)
Increase in net debt due to cash flow	**(347.5)**	**(292.5)**	**(328.0)**	**(273.0)**

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

Cash inflow from operations before payment of exceptional costs and the net investment in the rental fleet increased by 19% to £840m. The first half cash conversion ratio was 90% (2016: 93%).

Total payments for capital expenditure (rental equipment, other PPE and purchased intangibles) in the first half were £732m (2016: £718m). Disposal proceeds received totalled £89m (2016: £77m), giving net payments for capital expenditure of £643m in the period (2016: £641m). Financing costs paid totalled £56m (2016: £47m) while tax payments were £77m (2016: £35m).

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. In addition, the exceptional costs incurred represent the amounts paid to settle the interest and call premium due on the $900m senior secured notes which were satisfied and discharged in August 2017.

Accordingly, in the first half the Group generated £516m (2016: £443m) 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 £38m (2016: outflow of £20m) and, after acquisition expenditure of £262m (2016: £125m), a net cash outflow of £224m (2016: £145m).

Net debt

	31 October		30 April
	2017	2016	2017
	£m	£m	£m
First priority senior secured bank debt	1,595.7	1,555.4	1,449.2
Finance lease obligations	5.1	5.0	4.4
6.5% second priority senior secured notes, due 2022	-	741.1	699.4
5.625% second priority senior secured notes, due 2024	371.4	403.2	381.0
4.125% second priority senior secured notes, due 2025	445.2	-	-
4.375% second priority senior secured notes, due 2027	445.2	-	-
	2,862.6	2,704.7	2,534.0
Cash and cash equivalents	(11.7)	(10.2)	(6.3)
Total net debt	2,850.9	2,694.5	2,527.7

Net debt at 31 October 2017 was £2,851m with the increase since 30 April 2017 reflecting the net cash outflow set out above, partially offset by £65m of currency translation benefit. The Group's EBITDA for the twelve months ended 31 October 2017 was £1,681m and the ratio of net debt to EBITDA was 1.8 times at 31 October 2017 (2016: 1.8 times) on a constant currency basis and 1.7 times (2016: 2.0 times) on a reported basis.

Principal risks and uncertainties

Risks and uncertainties in achieving the Group's objectives for the remainder of the financial year, together with assumptions, estimates, judgements and critical accounting policies used in preparing financial information remain broadly unchanged from those detailed in the 2017 Annual Report and Accounts on pages 34 to 37 and pages 44 to 45 respectively.

The principal risks and uncertainties facing the Group are:

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

Further details, including actions taken to mitigate these risks, are provided within the 2017 Annual Report and Accounts.

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

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

Fluctuations in the value of the US dollar with respect to the pound sterling have had, and may continue to have, a significant impact on our financial condition and results of operations as reported in pounds due to the majority of our assets, liabilities, revenues and costs being denominated in US dollars. The Group has arranged its financing such that, at 31 October 2017, 89% of its debt was denominated in US (and Canadian) dollars so that there is a natural partial offset between its dollar-denominated assets and earnings and its dollar-denominated debt and interest expense. At 31 October 2017, dollar-denominated debt represented approximately 60% of the value of dollar-denominated net assets (other than debt). Based on the current currency mix of our profits and on dollar debt levels, interest and exchange rates at 31 October 2017, a 1% change in the US dollar exchange rate would impact underlying pre-tax profit by approximately £8m.

OPERATING STATISTICS

	Number of rental stores			Staff numbers		
	31 October		30 April	31 October		30 April
	2017	2016	2017	2017	2016	2017
Sunbelt US	637	579	612	11,368	9,862	10,514
A-Plant	187	168	179	3,622	3,284	3,473
Sunbelt Canada	52	17	17	717	240	220
Corporate office	-	-	-	13	13	13
Group	876	764	808	15,720	13,399	14,220

Sunbelt US's rental store number includes 23 Sunbelt at Lowes stores at 31 October 2017 (2016: 23).

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF ASHTEAD GROUP PLC

We have been engaged by the Company to review the condensed consolidated interim financial statements for the six months ended 31 October 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

The report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union and issued by the IASB. The condensed consolidated interim financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated interim financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements for the six months ended 31 October 2017 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
11 December 2017

GLOSSARY OF TERMS

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

Availability: represents the amount on a given date that can be borrowed in addition to any current borrowings under the terms of our $3.1bn asset-backed senior bank facility.

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

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

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

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

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

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

Exceptional items: those items that are material and non-recurring in nature that the Group believes should be disclosed separately to assist in the understanding of the financial performance of the Group.

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

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

Free cash flow: cash generated from operating activities less net capital expenditure, interest and tax paid. Net capital expenditure comprises payments for capital expenditure less disposal proceeds received in relation to rental equipment and other asset disposals.

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

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

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

Physical utilisation: physical utilisation is measured as the daily average of the amount of itemised fleet at cost on rent as a percentage of the total fleet at cost and for Sunbelt is measured only for equipment whose cost is over $7,500.

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

Underlying operating profit (£m):	
- For the six months ended 31/10/17	591.3
- For the year ended 30/04/17	897.6
- For the six months ended 31/10/16	(474.4)
LTM underlying operating profit	1,014.5
Average net assets (£m)	5,708.3
Return on Investment	**18%**

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

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

Suppressed availability: represents the amount on a given date that the asset base exceeds the facility size under the terms of our $3.1bn asset-backed senior bank facility.

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

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