

## Unaudited results for the nine months and third quarter ended 31 January 2017

	<u>Third quarter</u>			<u>Nine months</u>		
	<u>2017</u> £m	<u>2016</u> £m	<u>Growth</u> <sup>1</sup> %	<u>2017</u> £m	<u>2016</u> £m	<u>Growth</u> <sup>1</sup> %
<u>Underlying results</u> <sup>2</sup>						
Rental revenue	729.2	546.9	14%	2,173.8	1,675.5	13%
EBITDA	366.9	277.4	13%	1,124.3	869.2	13%
Operating profit	206.6	160.6	9%	681.0	542.7	9%
Profit before taxation	178.7	139.1	8%	604.6	481.8	9%
Earnings per share	23.0p	18.0p	8%	79.0p	63.1p	9%
<u>Statutory results</u>						
Revenue	804.5	612.2	13%	2,356.2	1,879.7	10%
Profit before taxation	171.2	133.5	8%	584.5	465.4	9%
Earnings per share	22.0p	17.2p	7%	76.3p	60.9p	8%

### Highlights

- Group rental revenue up 13%<sup>1</sup>
- Nine month underlying pre-tax profit<sup>2</sup> of £605m (2016: £482m)
- £812m of capital invested in the business (2016: £932m)
- Group RoI<sup>3</sup> of 18% (2016: 19%)
- Net debt to EBITDA leverage<sup>1</sup> of 1.7 times (2016: 1.9 times)

1 Calculated at constant exchange rates applying current period exchange rates.

2 Underlying results are stated before intangible amortisation.

3 Last 12-month 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.

### **Ashtead's chief executive, Geoff Drabble, commented:**

"The Group continues to perform well and delivered a strong quarter with reported rental revenue increasing 30% (13% at constant exchange rates) for the nine months and underlying pre-tax profit of £605m. In the nine months, the reported results were positively impacted by weaker sterling (£82m). The underlying performance of the business continues to benefit from a clear and consistent strategy of organic growth supplemented by bolt-on acquisitions.

We continue to grow responsibly, adhering to the capital allocation priorities we have outlined. We invested £812m by way of capital expenditure and a further £196m on bolt-on acquisitions. With the continuing opportunity for profitable growth, we expect capital expenditure this year to be towards the upper end of our guidance (c. £1.2bn). As is customary, we have given our

early guidance to growth for 2017/18. This is consistent with the strategic plan we recently outlined to the market which anticipates circa double-digit growth in the US through to 2021. Our end markets remain supportive and we continue to benefit from ongoing structural change as our customers increasingly rely on the flexibility of rental.

Both divisions continue to perform well. Accordingly, we expect full year results to be in line with our expectations and the Board continues to look to the medium term with confidence.”

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Geoff Drabble and Suzanne Wood will hold a conference call for equity analysts to discuss the results and outlook at 8am on Tuesday, 7 March 2017. The call will be webcast live via the Company’s website at [www.ashtead-group.com](http://www.ashtead-group.com) and a replay will also be available via the website from shortly after the call concludes. A copy of this announcement and the slide presentation used for the call 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 call and conference call for bondholders but any eligible person not having received dial-in details should contact the Company’s PR advisers, Maitland (Amy Fife) at +44 (0)20 7379 5151.

**Forward looking statements**

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

## Nine months' trading results

	<u>Revenue</u>		<u>EBITDA</u>		<u>Operating profit</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Sunbelt in \$m	<u>2,689.9</u>	<u>2,468.0</u>	<u>1,342.1</u>	<u>1,190.3</u>	<u>840.5</u>	<u>770.9</u>
Sunbelt in £m	2,054.5	1,615.8	1,025.1	779.3	642.0	504.7
A-Plant	301.7	263.9	110.5	98.9	50.4	47.0
Group central costs	<u>-</u>	<u>-</u>	<u>(11.3)</u>	<u>(9.0)</u>	<u>(11.4)</u>	<u>(9.0)</u>
	<u>2,356.2</u>	<u>1,879.7</u>	<u>1,124.3</u>	<u>869.2</u>	681.0	542.7
Net financing costs					<u>(76.4)</u>	<u>(60.9)</u>
<b>Profit before amortisation and tax</b>					<b>604.6</b>	<b>481.8</b>
Amortisation					<u>(20.1)</u>	<u>(16.4)</u>
Profit before taxation					584.5	465.4
Taxation					<u>(203.7)</u>	<u>(160.0)</u>
Profit attributable to equity holders of the Company					<u>380.8</u>	<u>305.4</u>
<u>Margins</u>						
<i>Sunbelt</i>			49.9%	48.2%	31.2%	31.2%
<i>A-Plant</i>			36.6%	37.5%	16.7%	17.8%
<i>Group</i>			47.7%	46.2%	28.9%	28.9%

Group revenue increased 25% to £2,356m in the nine months (2016: £1,880m) with strong growth in both Sunbelt and A-Plant. Overall revenue growth reflects the benefit of weaker sterling, partially offset as expected by a lower level of used equipment sales due to lower replacement capital expenditure. This revenue growth, combined with strong drop-through, generated underlying profit before tax of £605m (2016: £482m).

The Group's strategy remains unchanged with growth being driven by strong same-store growth supplemented by greenfield openings and bolt-on acquisitions, with Sunbelt and A-Plant delivering 14% and 17% rental only revenue growth respectively. Sunbelt's revenue growth continues to benefit from cyclical and structural trends and can be explained as follows:

		<u>\$m</u>
2016 rental only revenue		1,745
Same-stores (in existence at 1 May 2015)	+7%	122
Bolt-ons and greenfields since 1 May 2015	+7%	<u>126</u>
2017 rental only revenue	+14%	1,993
Ancillary revenue	+8%	<u>497</u>
2017 rental revenue	+13%	2,490
Sales revenue	-24%	<u>200</u>
2017 total revenue	+9%	<u>2,690</u>

The mix of our revenue growth demonstrates the successful execution of our long-term structural growth strategy. We continue to capitalise on the opportunity presented by our markets with same-store growth of 7% and bolt-ons and greenfields contributing another 7% growth as we expand our geographic footprint and our specialty businesses. As we embark on our US plan for 2021, we have made good progress on new stores with 58 added in the nine months through greenfields and bolt-ons, almost half of which were specialty locations.

Rental only revenue growth was 14% in generally strong end markets. This growth was driven by increased fleet on rent. Average nine month physical utilisation was 72% (2016: 72%). Sunbelt's total revenue, including new and used equipment, merchandise and consumable sales, increased 9% to \$2,690m (2016: \$2,468m), reflecting the lower level of used equipment sales as a result of lower replacement capital expenditure.

A-Plant continues to perform well and delivered rental only revenue of £227m, up 17% on the prior year (2016: £193m). This reflects increased fleet on rent. A-Plant's total revenue increased 14% to £302m (2016: £264m), again reflecting lower used equipment sales.

We continue to focus on operational efficiency and driving improving margins. In Sunbelt, 61% of revenue growth dropped through to EBITDA (62% US only). The strength of our mature stores' incremental margin is reflected in the fact that this was achieved despite the drag effect of greenfield openings and acquisitions. Stores open for more than one year saw 67% of revenue growth drop-through to EBITDA (68% US only). This strong drop-through drove an improved EBITDA margin of 50% (2016: 48%) and contributed to an operating profit of \$841m (2016: \$771m). Excluding the impact of gains on used equipment sales, operating profit increased 12% over the prior year.

A-Plant's drop-through of 37%, 45% on a same store basis, contributed to an EBITDA margin of 37% (2016: 37%) and operating profit rose to £50m (2016: £47m). Excluding the impact of gains on used equipment sales, operating profit increased 19% over the prior year.

Reflecting the strong performance of the divisions, and with the benefit of weaker sterling, Group underlying operating profit increased 25% to £681m (2016: £543m). Net financing costs increased to £76m (2016: £61m), reflecting higher average debt and weaker sterling.

Group profit before amortisation of intangibles and taxation was £605m (2016: £482m). After a tax charge of 35% (2016: 34%) of the underlying pre-tax profit, underlying earnings per share increased 25% to 79.0p (2016: 63.1p).

With amortisation of £20m (2016: £16m), statutory profit before tax was £585m (2016: £465m). After a tax charge of 35% (2016: 34%), basic earnings per share were 76.3p (2016: 60.9p). The cash tax charge was 5%.

### **Capital expenditure and acquisitions**

Capital expenditure for the nine months was £812m gross and £716m net of disposal proceeds (2016: £932m gross and £790m net). This expenditure includes the Hewden assets acquired from the administrator for £29m. Reflecting this investment, the Group's rental fleet at 31 January 2017 at cost was £5.8bn. Our average fleet age is now 28 months (2016: 25 months).

We invested £196m, including acquired debt, (2016: £60m) on 13 bolt-on acquisitions during the nine months as we continue to both expand our footprint and diversify into specialty markets.

For the full year, we expect gross capital expenditure towards the upper end of our previous guidance, around £1.2bn at current exchange rates. We expect a similar level of capital expenditure next year, consistent with the strategic plan we recently outlined to the market, which anticipates circa double-digit growth through to 2021.

## **Return on Investment**

Sunbelt's pre-tax return on investment (excluding goodwill and intangible assets) in the 12 months to 31 January 2017 was 22% (2016: 24%). This remains well ahead of the Group's pre-tax weighted average cost of capital although it has been affected in the short term by our investment in greenfields and bolt-on acquisitions and our young fleet age. In the UK, return on investment (excluding goodwill and intangible assets) was 14% (2016: 13%). For the Group as a whole, return on investment (including goodwill and intangible assets) was 18% (2016: 19%).

## **Cash flow and net debt**

As expected, debt increased during the nine months as we invested in the fleet and made a number of bolt-on acquisitions. In addition, weaker sterling increased reported debt by £304m. During the nine months, we spent £48m on share buybacks.

Net debt at 31 January 2017 was £2,588m (2016: £2,169m) while, reflecting our strong earnings growth, the ratio of net debt to EBITDA reduced to 1.7 times (2016: 1.9 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, broadly where we expect to remain.

In December the Group increased the size of its senior credit facility ('ABL facility') to \$3.1bn, while other terms and conditions remained unchanged. This ensures the Group's debt package continues to be well structured and flexible, enabling us to optimise the opportunity presented by end market conditions. The Group's debt facilities are committed for an average of five years. At 31 January 2017, availability under the senior secured debt facility was \$1,334m, with an additional \$1,454m of suppressed availability - substantially above the \$310m level at which the Group's entire debt package is covenant free.

## **Current trading and outlook**

Both divisions continue to perform well. Accordingly, we expect full year results to be in line with our expectations and the Board continues to look to the medium term with confidence.

## CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 JANUARY 2017

	<u>2017</u>		<u>2016</u>			
	Before amortisation £m	Amortisation £m	Total £m	Before amortisation £m	Amortisation £m	Total £m
<b><u>Third quarter – unaudited</u></b>						
<b>Revenue</b>						
Rental revenue	729.2	-	729.2	546.9	-	546.9
Sale of new equipment, merchandise and consumables	32.7	-	32.7	23.2	-	23.2
Sale of used rental equipment	<u>42.6</u>	<u>-</u>	<u>42.6</u>	<u>42.1</u>	<u>-</u>	<u>42.1</u>
	<u>804.5</u>	<u>-</u>	<u>804.5</u>	<u>612.2</u>	<u>-</u>	<u>612.2</u>
<b>Operating costs</b>						
Staff costs	(190.8)	-	(190.8)	(147.6)	-	(147.6)
Used rental equipment sold	(35.1)	-	(35.1)	(31.6)	-	(31.6)
Other operating costs	<u>(211.7)</u>	<u>-</u>	<u>(211.7)</u>	<u>(155.6)</u>	<u>-</u>	<u>(155.6)</u>
	<u>(437.6)</u>	<u>-</u>	<u>(437.6)</u>	<u>(334.8)</u>	<u>-</u>	<u>(334.8)</u>
<b>EBITDA*</b>	366.9	-	366.9	277.4	-	277.4
Depreciation	(160.3)	-	(160.3)	(116.8)	-	(116.8)
Amortisation of intangibles	<u>-</u>	<u>(7.5)</u>	<u>(7.5)</u>	<u>-</u>	<u>(5.6)</u>	<u>(5.6)</u>
<b>Operating profit</b>	206.6	(7.5)	199.1	160.6	(5.6)	155.0
Investment income	0.1	-	0.1	-	-	-
Interest expense	<u>(28.0)</u>	<u>-</u>	<u>(28.0)</u>	<u>(21.5)</u>	<u>-</u>	<u>(21.5)</u>
<b>Profit on ordinary activities before taxation</b>	178.7	(7.5)	171.2	139.1	(5.6)	133.5
Taxation	<u>(64.3)</u>	<u>2.4</u>	<u>(61.9)</u>	<u>(48.8)</u>	<u>1.8</u>	<u>(47.0)</u>
<b>Profit attributable to equity holders of the Company</b>	<u>114.4</u>	<u>(5.1)</u>	<u>109.3</u>	<u>90.3</u>	<u>(3.8)</u>	<u>86.5</u>
Basic earnings per share	<u>23.0p</u>	<u>(1.0p)</u>	<u>22.0p</u>	<u>18.0p</u>	<u>(0.8p)</u>	<u>17.2p</u>
Diluted earnings per share	<u>22.9p</u>	<u>(1.0p)</u>	<u>21.9p</u>	<u>18.0p</u>	<u>(0.7p)</u>	<u>17.3p</u>

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

All revenue and profit for the period is generated from continuing operations.

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

## CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTHS ENDED 31 JANUARY 2017

	<u>2017</u>			<u>2016</u>		
	Before amortisation £m	Amortisation £m	Total £m	Before amortisation £m	Amortisation £m	Total £m
<b><u>Nine months - unaudited</u></b>						
<b>Revenue</b>						
Rental revenue	2,173.8	-	2,173.8	1,675.5	-	1,675.5
Sale of new equipment, merchandise and consumables	91.0	-	91.0	68.1	-	68.1
Sale of used rental equipment	<u>91.4</u>	<u>-</u>	<u>91.4</u>	<u>136.1</u>	<u>-</u>	<u>136.1</u>
	<u>2,356.2</u>	<u>-</u>	<u>2,356.2</u>	<u>1,879.7</u>	<u>-</u>	<u>1,879.7</u>
<b>Operating costs</b>						
Staff costs	(542.0)	-	(542.0)	(432.3)	-	(432.3)
Used rental equipment sold	(77.1)	-	(77.1)	(105.3)	-	(105.3)
Other operating costs	<u>(612.8)</u>	<u>-</u>	<u>(612.8)</u>	<u>(472.9)</u>	<u>-</u>	<u>(472.9)</u>
	<u>(1,231.9)</u>	<u>-</u>	<u>(1,231.9)</u>	<u>(1,010.5)</u>	<u>-</u>	<u>(1,010.5)</u>
<b>EBITDA*</b>	1,124.3	-	1,124.3	869.2	-	869.2
Depreciation	(443.3)	-	(443.3)	(326.5)	-	(326.5)
Amortisation of intangibles	<u>-</u>	<u>(20.1)</u>	<u>(20.1)</u>	<u>-</u>	<u>(16.4)</u>	<u>(16.4)</u>
<b>Operating profit</b>	681.0	(20.1)	660.9	542.7	(16.4)	526.3
Investment income	0.2	-	0.2	0.1	-	0.1
Interest expense	<u>(76.6)</u>	<u>-</u>	<u>(76.6)</u>	<u>(61.0)</u>	<u>-</u>	<u>(61.0)</u>
<b>Profit on ordinary activities before taxation</b>	604.6	(20.1)	584.5	481.8	(16.4)	465.4
Taxation	<u>(210.2)</u>	<u>6.5</u>	<u>(203.7)</u>	<u>(165.3)</u>	<u>5.3</u>	<u>(160.0)</u>
<b>Profit attributable to equity holders of the Company</b>	<u>394.4</u>	<u>(13.6)</u>	<u>380.8</u>	<u>316.5</u>	<u>(11.1)</u>	<u>305.4</u>
Basic earnings per share	<u>79.0p</u>	<u>(2.7p)</u>	<u>76.3p</u>	<u>63.1p</u>	<u>(2.2p)</u>	<u>60.9p</u>
Diluted earnings per share	<u>78.7p</u>	<u>(2.7p)</u>	<u>76.0p</u>	<u>62.9p</u>	<u>(2.2p)</u>	<u>60.7p</u>

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

All revenue and profit for the period is generated from continuing operations.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>Unaudited</u>			
	Three months to 31 January		Nine months to 31 January	
	<u>2017</u> £m	<u>2016</u> £m	<u>2017</u> £m	<u>2016</u> £m
Profit attributable to equity holders of the Company for the period	109.3	86.5	380.8	305.4
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Foreign currency translation differences	<u>(47.8)</u>	<u>84.4</u>	<u>196.0</u>	<u>80.4</u>
<b>Total comprehensive income for the period</b>	<u>61.5</u>	<u>170.9</u>	<u>576.8</u>	<u>385.8</u>

## CONSOLIDATED BALANCE SHEET AT 31 JANUARY 2017

	<u>Unaudited</u>		<u>Audited</u>
	31 January		30 April
	<u>2017</u>	<u>2016</u>	<u>2016</u>
	£m	£m	£m
<b>Current assets</b>			
Inventories	44.9	36.8	41.3
Trade and other receivables	584.8	458.2	455.7
Current tax asset	23.1	8.1	7.5
Cash and cash equivalents	<u>8.0</u>	<u>10.0</u>	<u>13.0</u>
	<u>660.8</u>	<u>513.1</u>	<u>517.5</u>
<b>Non-current assets</b>			
Property, plant and equipment			
- rental equipment	4,062.2	3,157.3	3,246.9
- other assets	<u>409.7</u>	<u>341.8</u>	<u>341.9</u>
	4,471.9	3,499.1	3,588.8
Goodwill	702.4	573.3	556.7
Other intangible assets	117.3	102.9	83.8
Net defined benefit pension plan asset	<u>2.1</u>	<u>3.0</u>	<u>2.2</u>
	<u>5,293.7</u>	<u>4,178.3</u>	<u>4,231.5</u>
<b>Total assets</b>	<u>5,954.5</u>	<u>4,691.4</u>	<u>4,749.0</u>
<b>Current liabilities</b>			
Trade and other payables	358.9	324.5	480.5
Current tax liability	5.8	6.0	3.6
Debt due within one year	2.7	2.4	2.5
Provisions	<u>28.9</u>	<u>32.5</u>	<u>28.9</u>
	<u>396.3</u>	<u>365.4</u>	<u>515.5</u>
<b>Non-current liabilities</b>			
Debt due after more than one year	2,593.7	2,176.4	2,012.2
Provisions	20.7	22.9	17.6
Deferred tax liabilities	<u>1,023.0</u>	<u>698.3</u>	<u>723.3</u>
	<u>3,637.4</u>	<u>2,897.6</u>	<u>2,753.1</u>
<b>Total liabilities</b>	<u>4,033.7</u>	<u>3,263.0</u>	<u>3,268.6</u>
<b>Equity</b>			
Share capital	55.3	55.3	55.3
Share premium account	3.6	3.6	3.6
Capital redemption reserve	0.9	0.9	0.9
Own shares held by the Company	(81.1)	(33.1)	(33.1)
Own shares held through the ESOT	(16.7)	(16.4)	(16.2)
Cumulative foreign exchange translation differences	284.4	119.1	88.4
Retained reserves	<u>1,674.4</u>	<u>1,299.0</u>	<u>1,381.5</u>
<b>Equity attributable to equity holders of the Company</b>	<u>1,920.8</u>	<u>1,428.4</u>	<u>1,480.4</u>
<b>Total liabilities and equity</b>	<u>5,954.5</u>	<u>4,691.4</u>	<u>4,749.0</u>



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED 31 JANUARY 2017**

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Non- distributable 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
<u>Unaudited</u>									
At 1 May 2015	55.3	3.6	0.9	90.7	(33.1)	(15.5)	38.7	970.9	1,111.5
Profit for the period	-	-	-	-	-	-	-	305.4	305.4
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	80.4	-	80.4
Total comprehensive income for the period	-	-	-	-	-	-	80.4	305.4	385.8
Dividends paid	-	-	-	-	-	-	-	(61.4)	(61.4)
Own shares purchased by the ESOT	-	-	-	-	-	(11.8)	-	-	(11.8)
Share-based payments	-	-	-	-	-	10.9	-	(7.3)	3.6
Tax on share-based payments	-	-	-	-	-	-	-	0.7	0.7
Transfer of non-distributable reserve	-	-	-	(90.7)	-	-	-	90.7	-
At 31 January 2016	55.3	3.6	0.9	-	(33.1)	(16.4)	119.1	1,299.0	1,428.4
Profit for the period	-	-	-	-	-	-	-	102.2	102.2
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	(30.7)	-	(30.7)
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	-	(0.6)	(0.6)
Tax on defined benefit pension plan	-	-	-	-	-	-	-	0.1	0.1
Total comprehensive income for the period	-	-	-	-	-	-	(30.7)	101.7	71.0
Dividends paid	-	-	-	-	-	-	-	(20.1)	(20.1)
Own shares purchased by the ESOT	-	-	-	-	-	(0.2)	-	-	(0.2)
Share-based payments	-	-	-	-	-	0.4	-	0.7	1.1
Tax on share-based payments	-	-	-	-	-	-	-	0.2	0.2
At 30 April 2016	55.3	3.6	0.9	-	(33.1)	(16.2)	88.4	1,381.5	1,480.4
Profit for the period	-	-	-	-	-	-	-	380.8	380.8
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	196.0	-	196.0
Total comprehensive income for the period	-	-	-	-	-	-	196.0	380.8	576.8
Dividends paid	-	-	-	-	-	-	-	(92.4)	(92.4)
Own shares purchased by the ESOT	-	-	-	-	-	(7.2)	-	-	(7.2)
Own shares purchased by the Company	-	-	-	-	(48.0)	-	-	-	(48.0)
Share-based payments	-	-	-	-	-	6.7	-	(2.4)	4.3
Tax on share-based payments	-	-	-	-	-	-	-	6.9	6.9
At 31 January 2017	55.3	3.6	0.9	-	(81.1)	(16.7)	284.4	1,674.4	1,920.8

The non-distributable reserve related to the reserve created on the cancellation of the then share premium account in August 2005. This reserve became distributable in August 2015 and was transferred to distributable reserves in the year ended 30 April 2016.

## CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED 31 JANUARY 2017

	<u>Unaudited</u>	
	<u>2017</u>	<u>2016</u>
	£m	£m
<b>Cash flows from operating activities</b>		
Cash generated from operations before exceptional items and changes in rental equipment	1,069.0	763.9
Payments for rental property, plant and equipment	(909.0)	(942.7)
Proceeds from disposal of rental property, plant and equipment	<u>97.8</u>	<u>123.7</u>
Cash generated from/(used in) operations	257.8	(55.1)
Financing costs paid (net)	(80.4)	(62.6)
Tax paid (net)	<u>(39.9)</u>	<u>(0.1)</u>
<b>Net cash generated from/(used in) operating activities</b>	<u>137.5</u>	<u>(117.8)</u>
<b>Cash flows from investing activities</b>		
Acquisition of businesses	(180.1)	(62.9)
Payments for non-rental property, plant and equipment	(70.9)	(85.9)
Proceeds from disposal of non-rental property, plant and equipment	11.0	6.1
Payments for purchase of intangible assets	<u>(9.1)</u>	<u>-</u>
<b>Net cash used in investing activities</b>	<u>(249.1)</u>	<u>(142.7)</u>
<b>Cash flows from financing activities</b>		
Drawdown of loans	567.7	449.1
Redemption of loans	(312.6)	(115.4)
Capital element of finance lease payments	(1.5)	(1.0)
Dividends paid	(92.4)	(61.4)
Purchase of own shares by the ESOT	(7.2)	(11.8)
Purchase of own shares by the Company	<u>(48.0)</u>	<u>-</u>
<b>Net cash from financing activities</b>	<u>106.0</u>	<u>259.5</u>
<b>Decrease in cash and cash equivalents</b>	(5.6)	(1.0)
Opening cash and cash equivalents	13.0	10.5
Effect of exchange rate difference	<u>0.6</u>	<u>0.5</u>
<b>Closing cash and cash equivalents</b>	<u>8.0</u>	<u>10.0</u>
 <u>Reconciliation of net cash flows to net debt</u>		
Decrease in cash in the period	5.6	1.0
Increase in debt through cash flow	<u>253.6</u>	<u>332.7</u>
Change in net debt from cash flows	259.2	333.7
Debt acquired	21.3	0.3
Exchange differences	303.8	145.6
Non-cash movements:		
- deferred costs of debt raising	1.6	1.3
- capital element of new finance leases	<u>0.8</u>	<u>0.8</u>
Increase in net debt in the period	586.7	481.7
Net debt at 1 May	<u>2,001.7</u>	<u>1,687.1</u>
Net debt at 31 January	<u>2,588.4</u>	<u>2,168.8</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. General information

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

The condensed consolidated interim financial statements for the nine months ended 31 January 2017 were approved by the directors on 6 March 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 2016 were approved by the directors on 13 June 2016 and have been mailed to shareholders and filed with the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include a reference to any matter by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

### 2. Basis of preparation

The condensed consolidated interim financial statements for the nine months ended 31 January 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 accounting policies applied in 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 2016. 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 interim financial statements.

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 are:

	<u>2017</u>	<u>2016</u>
Average for the three months ended 31 January	1.24	1.49
Average for the nine months ended 31 January	1.31	1.53
At 30 April	1.47	1.54
At 31 January	1.26	1.42

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 3. Segmental analysis

	<u>Revenue</u> £m	<u>Operating profit before amortisation</u> £m	<u>Amortisation</u> £m	<u>Operating profit</u> £m
<b>Three months to 31 January</b>				
<b><u>2017</u></b>				
Sunbelt	702.1	198.0	(5.0)	193.0
A-Plant	102.4	12.5	(2.5)	10.0
Corporate costs	<u>-</u>	<u>(3.9)</u>	<u>-</u>	<u>(3.9)</u>
	<u>804.5</u>	<u>206.6</u>	<u>(7.5)</u>	<u>199.1</u>
<b><u>2016</u></b>				
Sunbelt	526.6	150.9	(4.3)	146.6
A-Plant	85.6	12.0	(1.3)	10.7
Corporate costs	<u>-</u>	<u>(2.3)</u>	<u>-</u>	<u>(2.3)</u>
	<u>612.2</u>	<u>160.6</u>	<u>(5.6)</u>	<u>155.0</u>
<b>Nine months to 31 January</b>				
<b><u>2017</u></b>				
Sunbelt	2,054.5	642.0	(14.4)	627.6
A-Plant	301.7	50.4	(5.7)	44.7
Corporate costs	<u>-</u>	<u>(11.4)</u>	<u>-</u>	<u>(11.4)</u>
	<u>2,356.2</u>	<u>681.0</u>	<u>(20.1)</u>	<u>660.9</u>
<b><u>2016</u></b>				
Sunbelt	1,615.8	504.7	(12.7)	492.0
A-Plant	263.9	47.0	(3.7)	43.3
Corporate costs	<u>-</u>	<u>(9.0)</u>	<u>-</u>	<u>(9.0)</u>
	<u>1,879.7</u>	<u>542.7</u>	<u>(16.4)</u>	<u>526.3</u>
	<u>Segment assets</u> £m	<u>Cash</u> £m	<u>Taxation assets</u> £m	<u>Total assets</u> £m
<b>At 31 January 2017</b>				
Sunbelt	5,156.7	-	-	5,156.7
A-Plant	766.1	-	-	766.1
Corporate items	<u>0.6</u>	<u>8.0</u>	<u>23.1</u>	<u>31.7</u>
	<u>5,923.4</u>	<u>8.0</u>	<u>23.1</u>	<u>5,954.5</u>
<b>At 30 April 2016</b>				
Sunbelt	4,117.9	-	-	4,117.9
A-Plant	610.1	-	-	610.1
Corporate items	<u>0.5</u>	<u>13.0</u>	<u>7.5</u>	<u>21.0</u>
	<u>4,728.5</u>	<u>13.0</u>	<u>7.5</u>	<u>4,749.0</u>

Sunbelt includes Sunbelt Rentals of Canada Inc..

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4. Operating costs and other income

	<u>2017</u>			<u>2016</u>		
	Before amortisation £m	Amortisation £m	Total £m	Before amortisation £m	Amortisation £m	Total £m
<b>Three months to 31 January</b>						
<i>Staff costs:</i>						
Salaries	173.8	-	173.8	134.2	-	134.2
Social security costs	13.9	-	13.9	10.8	-	10.8
Other pension costs	<u>3.1</u>	<u>-</u>	<u>3.1</u>	<u>2.6</u>	<u>-</u>	<u>2.6</u>
	<u>190.8</u>	<u>-</u>	<u>190.8</u>	<u>147.6</u>	<u>-</u>	<u>147.6</u>
<i>Used rental equipment sold</i>	<u>35.1</u>	<u>-</u>	<u>35.1</u>	<u>31.6</u>	<u>-</u>	<u>31.6</u>
<i>Other operating costs:</i>						
Vehicle costs	42.9	-	42.9	31.0	-	31.0
Spares, consumables & external repairs	38.0	-	38.0	30.5	-	30.5
Facility costs	24.9	-	24.9	18.6	-	18.6
Other external charges	<u>105.9</u>	<u>-</u>	<u>105.9</u>	<u>75.5</u>	<u>-</u>	<u>75.5</u>
	<u>211.7</u>	<u>-</u>	<u>211.7</u>	<u>155.6</u>	<u>-</u>	<u>155.6</u>
<i>Depreciation and amortisation:</i>						
Depreciation	160.3	-	160.3	116.8	-	116.8
Amortisation of intangibles	<u>-</u>	<u>7.5</u>	<u>7.5</u>	<u>-</u>	<u>5.6</u>	<u>5.6</u>
	<u>160.3</u>	<u>7.5</u>	<u>167.8</u>	<u>116.8</u>	<u>5.6</u>	<u>122.4</u>
	<u>597.9</u>	<u>7.5</u>	<u>605.4</u>	<u>451.6</u>	<u>5.6</u>	<u>457.2</u>
<b>Nine months to 31 January</b>						
<i>Staff costs:</i>						
Salaries	494.8	-	494.8	394.4	-	394.4
Social security costs	37.9	-	37.9	30.5	-	30.5
Other pension costs	<u>9.3</u>	<u>-</u>	<u>9.3</u>	<u>7.4</u>	<u>-</u>	<u>7.4</u>
	<u>542.0</u>	<u>-</u>	<u>542.0</u>	<u>432.3</u>	<u>-</u>	<u>432.3</u>
<i>Used rental equipment sold</i>	<u>77.1</u>	<u>-</u>	<u>77.1</u>	<u>105.3</u>	<u>-</u>	<u>105.3</u>
<i>Other operating costs:</i>						
Vehicle costs	126.0	-	126.0	100.2	-	100.2
Spares, consumables & external repairs	113.3	-	113.3	90.5	-	90.5
Facility costs	68.6	-	68.6	53.9	-	53.9
Other external charges	<u>304.9</u>	<u>-</u>	<u>304.9</u>	<u>228.3</u>	<u>-</u>	<u>228.3</u>
	<u>612.8</u>	<u>-</u>	<u>612.8</u>	<u>472.9</u>	<u>-</u>	<u>472.9</u>
<i>Depreciation and amortisation:</i>						
Depreciation	443.3	-	443.3	326.5	-	326.5
Amortisation of intangibles	<u>-</u>	<u>20.1</u>	<u>20.1</u>	<u>-</u>	<u>16.4</u>	<u>16.4</u>
	<u>443.3</u>	<u>20.1</u>	<u>463.4</u>	<u>326.5</u>	<u>16.4</u>	<u>342.9</u>
	<u>1,675.2</u>	<u>20.1</u>	<u>1,695.3</u>	<u>1,337.0</u>	<u>16.4</u>	<u>1,353.4</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 5. Amortisation

Amortisation relates to the periodic write-off of intangible assets. The Group believes this item 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 amortisation of intangibles.

	Three months to 31 January		Nine months to 31 January	
	<u>2017</u> £m	<u>2016</u> £m	<u>2017</u> £m	<u>2016</u> £m
Amortisation of intangibles	7.5	5.6	20.1	16.4
Taxation	<u>(2.4)</u>	<u>(1.8)</u>	<u>(6.5)</u>	<u>(5.3)</u>
	<u>5.1</u>	<u>3.8</u>	<u>13.6</u>	<u>11.1</u>

### 6. Net financing costs

	Three months to 31 January		Nine months to 31 January	
	<u>2017</u> £m	<u>2016</u> £m	<u>2017</u> £m	<u>2016</u> £m
<i>Investment income:</i>				
Net interest on the net defined benefit asset	<u>(0.1)</u>	<u>-</u>	<u>(0.2)</u>	<u>(0.1)</u>
<i>Interest expense:</i>				
Bank interest payable	9.7	6.1	24.5	16.1
Interest payable on second priority senior secured notes	17.3	14.5	49.6	42.5
Interest payable on finance leases	0.1	0.1	0.2	0.3
Non-cash unwind of discount on provisions	0.3	0.3	0.7	0.8
Amortisation of deferred debt raising costs	<u>0.6</u>	<u>0.5</u>	<u>1.6</u>	<u>1.3</u>
Total interest expense	<u>28.0</u>	<u>21.5</u>	<u>76.6</u>	<u>61.0</u>
Net financing costs	<u>27.9</u>	<u>21.5</u>	<u>76.4</u>	<u>60.9</u>

### 7. Taxation

The tax charge for the period has been computed using a tax rate of 39% in North America (2016: 39%) and 20% in the UK (2016: 20%). The blended rate for the Group as a whole is 35% (2016: 34%).

The tax charge of £210.2m (2016: £165.3m) on the underlying profit before taxation of £604.6m (2016: £481.8m) can be explained as follows:

	Nine months to 31 January	
	<u>2017</u> £m	<u>2016</u> £m
Current tax		
- current tax on income for the period	29.2	18.8
- adjustments to prior year	<u>(0.8)</u>	<u>0.5</u>
	<u>28.4</u>	<u>19.3</u>
Deferred tax		
- origination and reversal of temporary differences	181.5	145.9
- adjustments to prior year	<u>0.3</u>	<u>0.1</u>
	<u>181.8</u>	<u>146.0</u>
Tax on underlying activities	<u>210.2</u>	<u>165.3</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 7. Taxation (continued)

	Nine months to 31 January	
	<u>2017</u>	<u>2016</u>
	£m	£m
Comprising:		
- UK	12.1	11.6
- North America	<u>198.1</u>	<u>153.7</u>
	<u>210.2</u>	<u>165.3</u>

In addition, the tax credit of £6.5m (2016: £5.3m) on amortisation of £20.1m (2016: £16.4m) consists of a deferred tax credit of £1.1m relating to the UK (2016: £0.5m) and £5.4m (2016: £4.8m) relating to North America.

### 8. Earnings per share

Basic and diluted earnings per share for the three and nine months ended 31 January 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 January		Nine months to 31 January	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Profit for the financial period (£m)	<u>109.3</u>	<u>86.5</u>	<u>380.8</u>	<u>305.4</u>
Weighted average number of shares (m) - basic	<u>497.5</u>	<u>501.5</u>	<u>499.1</u>	<u>501.5</u>
- diluted	<u>499.6</u>	<u>503.0</u>	<u>501.2</u>	<u>503.5</u>
Basic earnings per share	<u>22.0p</u>	<u>17.2p</u>	<u>76.3p</u>	<u>60.9p</u>
Diluted earnings per share	<u>21.9p</u>	<u>17.3p</u>	<u>76.0p</u>	<u>60.7p</u>

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

	Three months to 31 January		Nine months to 31 January	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Basic earnings per share	22.0p	17.2p	76.3p	60.9p
Amortisation of intangibles	1.5p	1.2p	4.0p	3.3p
Tax on amortisation	<u>(0.5p)</u>	<u>(0.4p)</u>	<u>(1.3p)</u>	<u>(1.1p)</u>
Underlying earnings per share	<u>23.0p</u>	<u>18.0p</u>	<u>79.0p</u>	<u>63.1p</u>

### 9. Dividends

During the period, a final dividend in respect of the year ended 30 April 2016 of 18.5p (2015: 12.25p) per share was paid to shareholders costing £92.4m (2015: £61.4m). The interim dividend in respect of the year ending 30 April 2017 of 4.75p per share (2016: 4.0p) announced on 6 December 2016 was paid on 8 February 2017.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 10. Property, plant and equipment

<u>Net book value</u>	<u>2017</u>		<u>2016</u>	
	<u>Rental equipment</u> £m	<u>Total</u> £m	<u>Rental equipment</u> £m	<u>Total</u> £m
At 1 May	3,246.9	3,588.8	2,534.2	2,811.1
Exchange difference	453.7	497.0	162.4	178.2
Reclassifications	(2.0)	-	(1.2)	-
Additions	738.3	812.2	840.2	932.0
Acquisitions	97.7	104.1	18.2	19.9
Disposals	(81.8)	(86.9)	(110.8)	(115.6)
Depreciation	<u>(390.6)</u>	<u>(443.3)</u>	<u>(285.7)</u>	<u>(326.5)</u>
At 31 January	<u>4,062.2</u>	<u>4,471.9</u>	<u>3,157.3</u>	<u>3,499.1</u>

### 11. Borrowings

	31 January <u>2017</u> £m	30 April <u>2016</u> £m
<b>Current</b>		
Finance lease obligations	<u>2.7</u>	<u>2.5</u>
<b>Non-current</b>		
First priority senior secured bank debt	1,481.5	1,055.2
Finance lease obligations	1.9	2.9
6.5% second priority senior secured notes, due 2022	718.9	618.2
5.625% second priority senior secured notes, due 2024	<u>391.4</u>	<u>335.9</u>
	<u>2,593.7</u>	<u>2,012.2</u>

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.

Our asset-based senior bank facility was increased to \$3.1bn in December 2016 and remains committed until July 2020. Other terms and conditions remained unchanged. The \$900m 6.5% senior secured notes mature in July 2022, whilst the \$500m 5.625% senior secured notes mature in October 2024. Our debt facilities therefore remain committed for the long term, with an average of five 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 \$900m and \$500m 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 January 2017, the fixed charge ratio exceeded the covenant requirement.

At 31 January 2017, availability under the senior secured bank facility was \$1,334m (\$1,126m at 30 April 2016), with an additional \$1,454m of suppressed availability, meaning that the covenant was not measured at 31 January 2017 and is unlikely to be measured in forthcoming quarters.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 11. Borrowings (continued)

#### Fair value of financial instruments

At 31 January 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 2022, excluding deferred debt-raising costs, was £728m at 31 January 2017 (£627m at 30 April 2016), while the fair value was £761m (£661m at 30 April 2016). The carrying value of the second priority senior secured notes due 2024, excluding deferred debt raising costs, was £397m at 31 January 2017 (£341m at 30 April 2016) while the fair value was £418m (£353m at 30 April 2016). The fair value of the second priority senior secured notes has been calculated using quoted market prices at 31 January 2017.

### 12. Share capital

Ordinary shares of 10p each:

	31 January <u>2017</u> Number	30 April <u>2016</u> Number	31 January <u>2017</u> £m	30 April <u>2016</u> £m
Authorised	<u>900,000,000</u>	<u>900,000,000</u>	<u>90.0</u>	<u>90.0</u>
Allotted, called up and fully paid	<u>553,325,554</u>	<u>553,325,554</u>	<u>55.3</u>	<u>55.3</u>

During the period, the Company purchased 4.1m ordinary shares at a total cost of £48m under the share buyback programme announced in June 2016, which are held in treasury. At 31 January 2017, 54m shares (April 2016: 50m) were held by the Company and a further 1.7m shares (April 2016: 1.8m) were held by the Company's Employee Share Ownership Trust.

### 13. Notes to the cash flow statement

	Nine months to 31 January	
	<u>2017</u> £m	<u>2016</u> £m
a) <u>Cash flow from operating activities</u>		
Operating profit before amortisation	681.0	542.7
Depreciation	<u>443.3</u>	<u>326.5</u>
EBITDA before exceptional items	1,124.3	869.2
Profit on disposal of rental equipment	(14.3)	(30.8)
Loss/(profit) on disposal of other property, plant and equipment	0.1	(0.9)
Decrease/(increase) in inventories	6.0	(9.6)
Increase in trade and other receivables	(60.8)	(34.6)
Increase/(decrease) in trade and other payables	9.4	(33.0)
Other non-cash movements	<u>4.3</u>	<u>3.6</u>
Cash generated from operations before exceptional items and changes in rental equipment	<u>1,069.0</u>	<u>763.9</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 13. Notes to the cash flow statement (continued)

#### 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 <u>2016</u> £m	Exchange <u>movement</u> £m	Debt <u>acquired</u> £m	Cash <u>flow</u> £m	Non-cash <u>movements</u> £m	31 January <u>2017</u> £m
Cash	(13.0)	(0.6)	-	5.6	-	(8.0)
Debt due within one year	2.5	-	7.2	(8.7)	1.7	2.7
Debt due after one year	<u>2,012.2</u>	<u>304.4</u>	<u>14.1</u>	<u>262.3</u>	<u>0.7</u>	<u>2,593.7</u>
Total net debt	<u>2,001.7</u>	<u>303.8</u>	<u>21.3</u>	<u>259.2</u>	<u>2.4</u>	<u>2,588.4</u>

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

#### c) Acquisitions

	Nine months to 31 January	
	<u>2017</u> £m	<u>2016</u> £m
Cash consideration paid:		
- acquisitions in the period	173.0	59.5
- contingent consideration	<u>7.1</u>	<u>3.4</u>
	<u>180.1</u>	<u>62.9</u>

During the period, 13 acquisitions were made with cash paid of £173m (2016: £59m), after taking account of net cash acquired of £1.9m. Further details are provided in note 14.

Contingent consideration of £7m (2016: £3m) was paid related to prior year acquisitions.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 14. Acquisitions

During the period, the following acquisitions were completed:

- (i) On 2 May 2016 Sunbelt acquired the business and assets of I & L Rentals, LLC ('I & L') for a cash consideration of £46m (\$67m). I & L is a general equipment rental business in Hawaii.
- (ii) On 20 May 2016 Sunbelt acquired the business and assets of LoadBanks of America ('LBA'), a division of Austin Welder & Generator Services, Inc. for a cash consideration of £4m (\$6m). LBA provides testing solutions for power systems.
- (iii) On 20 May 2016 A-Plant acquired the entire issued share capital of Mather & Stuart Limited ('Mather & Stuart') for a cash consideration of £11m and acquired debt of £3m. Mather & Stuart is a temporary power rental business.
- (iv) On 6 June 2016 Sunbelt acquired the business and assets of Portable Rental Solutions, Inc. and One Source Cooling, LLC (collectively 'PRS') for a cash consideration of £7m (\$11m). PRS is a temporary heating and cooling business in Texas.
- (v) On 12 August 2016 Sunbelt acquired certain business and assets of CanSource Direct Inc. and CSL Safety Training Ltd. (together 'CSD') for an aggregate cash consideration of £5m (C\$9m). CSD is an aerial work platform rental business in Alberta, Canada.
- (vi) On 24 August 2016 Sunbelt acquired the rental business and assets of Tower Tech, Inc. ('Tower Tech') for a cash consideration of £10m (\$13m). Tower Tech provides cooling solutions.
- (vii) On 27 September 2016 A-Plant acquired the entire issued share capital of Tool and Engineering Services Limited ('TES') for a cash consideration of £1m. TES is a welding equipment rental business.
- (viii) On 6 October 2016 Sunbelt acquired certain business and assets of the Post Falls branch of BlueLine Rental, LLC ('Post Falls') for a cash consideration of £3m (\$4m). Post Falls is a general equipment rental business in Idaho.
- (ix) On 12 October 2016 A-Plant acquired the entire issued share capital of Lion Trackhire Limited ('Lion') for a cash consideration of £22m. Including acquired debt, the total consideration was £38m. Lion provides temporary access solutions to the events and industrial sectors.
- (x) On 12 October 2016 Sunbelt acquired the business and assets of Rick's Action Rental, LLC ('RAR') for a cash consideration of £0.3m (\$0.4m). RAR is a general equipment rental business in Michigan.
- (xi) On 31 October 2016 A-Plant acquired the entire issued share capital of Opti-cal Survey Equipment Limited ('Opti-cal') for an initial cash consideration of £11m, with contingent consideration of up to £3m payable over the next two years. Opti-cal is a survey equipment business.
- (xii) On 18 November 2016 Sunbelt acquired the business and assets of four branches of BlueLine Rental, LLC in New Mexico and El Paso, Texas for a cash consideration of £22m (\$27m). These are general equipment rental businesses.
- (xiii) On 17 January 2017 Sunbelt acquired the business and assets of Arsenal Equipment Rentals, LLC ('Arsenal') for a cash consideration of £31m (\$39m). Arsenal is a general equipment rental business in California.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 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
<b>Net assets acquired</b>	
Trade and other receivables	16.4
Inventory	3.2
Property, plant and equipment	
- rental equipment	97.7
- other assets	6.4
Creditors	(10.5)
Debt	(21.3)
Current tax	(0.9)
Deferred tax	(4.9)
Intangible assets (non-compete agreements and customer relationships)	<u>32.4</u>
	<u>118.5</u>
Consideration:	
- cash paid and due to be paid (net of cash acquired)	174.9
- contingent consideration payable in cash	<u>2.8</u>
	<u>177.7</u>
Goodwill	<u>59.2</u>

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. £39m of the goodwill is expected to be deductible for income tax purposes.

The gross value and fair value of trade receivables at acquisition was £16m.

Due to the operational integration of acquired businesses with Sunbelt 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 2016 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 2016.

## REVIEW OF THIRD QUARTER, BALANCE SHEET AND CASH FLOW

### Third quarter

	Revenue		EBITDA		Operating profit	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Sunbelt in \$m	<u>875.5</u>	<u>782.9</u>	<u>418.3</u>	<u>371.0</u>	<u>244.8</u>	<u>223.5</u>
Sunbelt in £m	702.1	526.6	336.5	249.7	198.0	150.9
A-Plant	102.4	85.6	34.3	30.0	12.5	12.0
Group central costs	<u>-</u>	<u>-</u>	<u>(3.9)</u>	<u>(2.3)</u>	<u>(3.9)</u>	<u>(2.3)</u>
	<u>804.5</u>	<u>612.2</u>	<u>366.9</u>	<u>277.4</u>	206.6	160.6
Net financing costs					<u>(27.9)</u>	<u>(21.5)</u>
<b>Profit before amortisation and tax</b>					<b>178.7</b>	<b>139.1</b>
Amortisation					<u>(7.5)</u>	<u>(5.6)</u>
Profit before taxation					<u>171.2</u>	<u>133.5</u>
<i>Margins</i>						
<i>Sunbelt</i>			47.8%	47.4%	28.0%	28.5%
<i>A-Plant</i>			33.4%	35.1%	12.2%	14.0%
<i>Group</i>			45.6%	45.3%	25.7%	26.2%

Group revenue increased 31% to £804m in the third quarter (2016: £612m) with strong growth in both businesses, and the benefit of weaker sterling. This revenue growth, combined with continued focus on operational efficiency, generated underlying profit before tax of £179m (2016: £139m).

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

		<u>\$m</u>
2016 rental only revenue		558
Same-stores (in existence at 1 November 2015)	+8%	42
Bolt-ons and greenfields since 1 November 2015	+7%	<u>40</u>
2017 rental only revenue	+15%	640
Ancillary revenue	+9%	<u>156</u>
2017 rental revenue	+13%	796
Sales revenue	-3%	<u>80</u>
2017 total revenue	+12%	<u>876</u>

Our same-store growth of 8% is double that of the rental market as we continue to take market share. In addition, bolt-ons and greenfields have contributed a further 7% 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 15% was driven by an increase in fleet on rent.

A-Plant continues to perform well and delivered rental only revenue up 20% at £75m (2016: £63m) in the quarter. This reflected increased fleet on rent.

Group operating profit increased 29% to £207m (2016: £161m). Net financing costs increased to £28m (2016: £21m) reflecting the higher level of debt in the period and the impact of weaker sterling. As a result, Group profit before amortisation and taxation was £179m (2016: £139m). After amortisation of £8m, the statutory profit before taxation was £171m (2016: £133m).

## Balance sheet

### Fixed assets

Capital expenditure in the nine months totalled £812m (2016: £932m) with £738m invested in the rental fleet (2016: £840m). Expenditure on rental equipment was 91% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment.

Capital expenditure by division was:

	<u>Replacement</u>	<u>2017 Growth</u>	<u>Total</u>	<u>2016 Total</u>
Sunbelt in \$m	<u>246.2</u>	<u>524.1</u>	<u>770.3</u>	<u>1,032.4</u>
Sunbelt in £m	195.6	416.2	611.8	727.7
A-Plant	<u>19.1</u>	<u>107.4</u>	<u>126.5</u>	<u>112.5</u>
Total rental equipment	<u>214.7</u>	<u>523.6</u>	738.3	840.2
Delivery vehicles, property improvements & IT equipment			<u>73.9</u>	<u>91.8</u>
Total additions			<u>812.2</u>	<u>932.0</u>

In a strong North American rental market, \$524m of rental equipment capital expenditure was spent on growth while, with a lower replacement need, only \$246m was invested in replacement of existing fleet. The growth proportion is estimated on the basis of the assumption that replacement capital expenditure in any period is equal to the original cost of equipment sold.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 31 January 2017 was 28 months (2016: 25 months) on a net book value basis. Sunbelt's fleet had an average age of 28 months (2016: 25 months) while A-Plant's fleet had an average age of 29 months (2016: 27 months).

	<u>Rental fleet at original cost</u>			<u>LTM rental revenue</u>	<u>LTM dollar utilisation</u>	<u>LTM physical utilisation</u>
	<u>31 Jan 2017</u>	<u>30 April 2016</u>	<u>LTM average</u>			
Sunbelt in \$m	<u>6,309</u>	<u>5,663</u>	<u>5,940</u>	<u>3,209</u>	<u>54%</u>	<u>70%</u>
Sunbelt in £m	5,012	3,866	4,719	2,396	54%	70%
A-Plant	<u>772</u>	<u>615</u>	<u>676</u>	<u>354</u>	<u>52%</u>	<u>69%</u>
	<u>5,784</u>	<u>4,481</u>	<u>5,395</u>	<u>2,750</u>		

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 January 2017, was 54% at Sunbelt (2016: 57%) and 52% at A-Plant (2016: 52%). The reduction in Sunbelt reflects the drag effect of 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 January 2017, average physical utilisation at Sunbelt was 70% (2016: 70%) and 69% at A-Plant (2016: 68%). At Sunbelt, physical utilisation is measured for equipment with an original cost in excess of \$7,500 which comprised approximately 86% of its fleet at 31 January 2017.

### Trade receivables

Receivable days at 31 January 2017 were 54 days (2016: 53 days). The bad debt charge for the last twelve months ended 31 January 2017 as a percentage of total turnover was 0.8% (2016: 0.7%). Trade receivables at 31 January 2017 of £495m (2016: £394m) are stated net of allowances for bad debts and credit notes of £37m (2016: £29m) with the allowance representing 7.0% (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 £79m (2016: £115m). Payment periods for purchases other than rental equipment vary between seven and 60 days and for rental equipment between 30 and 120 days.

## Cash flow and net debt

	Nine months to 31 January		LTM to 31 January	Year to 30 April
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	£m	£m	£m	£m
<b>EBITDA before exceptional items</b>	<b><u>1,124.3</u></b>	<b><u>869.2</u></b>	<b><u>1,432.7</u></b>	<b><u>1,177.6</u></b>
<b>Cash inflow from operations before exceptional items and changes in rental equipment</b>	1,069.0	763.9	1,375.7	1,070.6
<i>Cash conversion ratio*</i>	95.1%	87.9%	96.0%	90.9%
Replacement rental capital expenditure	(316.1)	(381.2)	(387.5)	(452.6)
Payments for non-rental capital expenditure	(80.0)	(85.9)	(103.6)	(109.5)
Rental equipment disposal proceeds	97.8	123.7	146.2	172.1
Other property, plant and equipment disposal proceeds	11.0	6.1	13.1	8.2
Tax (net)	(39.9)	(0.1)	(45.1)	(5.3)
Financing costs	<u>(80.4)</u>	<u>(62.6)</u>	<u>(97.2)</u>	<u>(79.4)</u>
<b>Cash inflow before growth capex and payment of exceptional costs</b>	<b>661.4</b>	<b>363.9</b>	<b>901.6</b>	<b>604.1</b>
Growth rental capital expenditure	<u>(592.9)</u>	<u>(561.5)</u>	<u>(703.5)</u>	<u>(672.1)</u>
<b>Total cash generated from/(used in) operations</b>	<b>68.5</b>	<b>(197.6)</b>	<b>198.1</b>	<b>(68.0)</b>
Business acquisitions	<u>(180.1)</u>	<u>(62.9)</u>	<u>(185.6)</u>	<u>(68.4)</u>
<b>Total cash (absorbed)/generated</b>	<b>(111.6)</b>	<b>(260.5)</b>	<b>12.5</b>	<b>(136.4)</b>
Dividends	(92.4)	(61.4)	(112.5)	(81.5)
Purchase of own shares by the Company	(48.0)	-	(48.0)	-
Purchase of own shares by the ESOT	<u>(7.2)</u>	<u>(11.8)</u>	<u>(7.4)</u>	<u>(12.0)</u>
<b>Increase in net debt due to cash flow</b>	<b><u>(259.2)</u></b>	<b><u>(333.7)</u></b>	<b><u>(155.4)</u></b>	<b><u>(229.9)</u></b>

\* 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 40% to £1,069m. The nine month cash conversion ratio improved to 95% (2016: 88%) reflecting a slightly lower increase in working capital and lower gains on disposal of rental equipment than in the prior year.

Total payments for capital expenditure (rental equipment, other PPE and purchased intangibles) in the nine months were £989m (2016: £1,029m). Disposal proceeds received totalled £109m (2016: £130m), giving net payments for capital expenditure of £880m in the period (2016: £899m). Financing costs paid totalled £80m (2016: £63m) while tax payments were £40m (2016: £nil). Financing costs paid typically differ from the charge in the income statement due to the timing of interest payments in the year and non-cash interest charges.

Accordingly, in the nine months the Group generated £661m (2016: £364m) of net cash before discretionary investments made to enlarge the size and hence earning capacity of its rental fleet and on acquisitions. After growth investment, there was a free cash inflow of £68m (2016: outflow of £198m).

## Net debt

	31 January		30 April
	<u>2017</u>	<u>2016</u>	<u>2016</u>
	£m	£m	£m
First priority senior secured bank debt	1,481.5	1,188.1	1,055.2
Finance lease obligations	4.6	5.4	5.4
6.5% second priority senior secured notes, due 2022	718.9	638.5	618.2
5.625% second priority senior secured notes, due 2024	<u>391.4</u>	<u>346.8</u>	<u>335.9</u>
	2,596.4	2,178.8	2,014.7
Cash and cash equivalents	(8.0)	(10.0)	(13.0)
Total net debt	<u>2,588.4</u>	<u>2,168.8</u>	<u>2,001.7</u>

Net debt at 31 January 2017 was £2,588m with the increase since 30 April 2016 reflecting the net cash outflow set out above and the significant impact of weaker sterling (£304m). The Group's EBITDA for the twelve months ended 31 January 2017 was £1,433m and the ratio of net debt to EBITDA was 1.7 times at 31 January 2017 (2016: 1.9 times) on a constant currency basis and 1.8 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 2016 Annual Report and Accounts on pages 30 to 32 and page 39 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 2016 Annual Report and Accounts.

We are cognisant of the result of the referendum in favour of the UK leaving the European Union. Whilst we do not believe the impact of the UK leaving the European Union will have a material impact on the Group, we continue to monitor developments in this area and the impact on our UK business, which contributed 14% of Group revenue and 10% of Group underlying profit before taxation in 2015/16. The risk of the macro-economic effects of the UK leaving the EU is addressed through the Group's existing 'economic conditions' risk. In the period since the referendum, the principal impact on the Group has been due to weaker sterling which has increased the sterling value of our US dollar denominated revenue, profits and net assets. Our borrowing facilities are US dollar denominated, with the majority of our debt drawn in US dollars, weaker sterling has had minimal impact on our availability.

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 January 2017, 84% of its debt was denominated in US (and Canadian) dollars so that there is a natural partial offset between its dollar-denominated net assets and earnings and its dollar-denominated debt and interest expense. At 31 January 2017, dollar-denominated debt represented approximately 57% of the value of dollar-denominated net assets (other than debt). Based on the current currency mix of our profits and on dollar debt levels, interest and exchange rates at 31 January 2017, a 1% change in the US dollar exchange rate would impact underlying pre-tax profit by approximately £7m.

## OPERATING STATISTICS

	<u>Number of rental stores</u>			<u>Staff numbers</u>		
	31 January		30 April	31 January		30 April
	<u>2017</u>	<u>2016</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
Sunbelt	614	556	559	10,152	10,021	10,125
A-Plant	173	153	156	3,602	3,009	2,968
Corporate office	<u>-</u>	<u>-</u>	<u>-</u>	<u>13</u>	<u>12</u>	<u>13</u>
Group	<u>787</u>	<u>709</u>	<u>715</u>	<u>13,767</u>	<u>13,042</u>	<u>13,106</u>

Sunbelt's rental store number includes 21 Sunbelt at Lowes stores at 31 January 2017 (2016: 29).