Ashtead group

6 March 2018

Unaudited results for the nine months and third quarter ended 31 January 2018

	Third quarter			Nine months		
	2018	2017	Growth[1]	2018	2017	Growth[1]
	£m	£m	%	£m	£m	%
Underlying results[2, 3]						
Rental revenue	845.5	729.2	24%	2,619.5	2,173.8	21%
EBITDA	408.8	366.9	20%	1,342.5	1,124.3	20%
Operating profit	233.3	206.6	23%	824.6	681.0	22%
Profit before taxation	205.1	178.7	26%	742.0	604.6	24%
Earnings per share	32.2p	23.0p	52%	102.4p	79.0p	30%
Statutory results						
Revenue	916.1	804.5	22%	2,815.2	2,356.2	20%
Profit before taxation	194.3	171.2	24%	687.4	584.5	18%
Earnings per share	110.2p	22.0p	462%	174.7p	76.3p	130%

Highlights

- Group rental revenue up 21%[1]
- Nine month underlying pre-tax profit[2] of £742m (2017: £605m)
- £859m of capital invested in the business (2017: £812m)
- £179m of free cash flow generation[3] (2017: £68m)
- £315m spent on bolt-on acquisitions (2017: £196m)
- Net debt to EBITDA leverage[1] of 1.6 times (2017: 1.7 times)

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 30.

Ashtead's chief executive, Geoff Drabble, commented:

"The Group continues to perform well and delivered another strong quarter with reported rental revenue increasing 21% for the nine months and underlying pre-tax profit increasing by 24% at constant currency to £742m.

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, investing £859m by way of capital expenditure and £315m on bolt-on acquisitions in the period. With the continuing opportunity for profitable growth, we expect capital expenditure for the year to be towards the upper end of our guidance (c. £1.2bn). Looking forward to 2018/19, we anticipate a similar level of capital expenditure to this year as we execute on our strategic plan through to 2021.

All our divisions continue to perform well in supportive end markets. While currency continues to be a headwind, we expect this to be mitigated by the strong underlying performance in North America. Therefore, we anticipate full year results to be line with prior expectations."

Contacts:

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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, 6 March 2018. The call 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 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 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.

<u>Forward looking statements</u>

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

Nine months' trading results

	Revenue		EBITDA		Operating profit	
	2018	2017	2018	2017	2018	2017
Sunbelt US in $m	3,118.8	2,646.4	1,568.4	1.325.6	1,001.1	835.2
Sunbelt US in £m	2,365.7	2,021.2	1,189.8	1,012.4	759.4	637.9
A-Plant	354.0	301.7	128.5	110.5	56.8	50.4
Sunbelt Canada	95.5	33.3	35.4	12.7	19.7	4.1
Group central costs	-	-	(11.2)	(11.3)	(11.3)	(11.4)
	2,815.2	2,356.2	1,342.5	1,124.3	824.6	681.0
Net financing costs					(82.6)	(76.4)
Profit before amortisation, exceptional items and tax					**742.0**	**604.6**
Amortisation					(32.9)	(20.1)
Exceptional items					(21.7)	-
Profit before taxation					687.4	584.5
Taxation credit/(charge)					181.5	(203.7)
Profit attributable to equity holders of the Company					868.9	380.8
Margins						
Sunbelt US			*50.3%*	*50.1%*	*32.1%*	*31.6%*
A-Plant			*36.3%*	*36.6%*	*16.0%*	*16.7%*
Sunbelt Canada			*37.1%*	*38.1%*	*20.6%*	*12.2%*
Group			*47.7%*	*47.7%*	*29.3%*	*28.9%*

Group revenue increased 19% to £2,815m in the nine months (2017: £2,356m) with strong growth in each of our markets. This revenue growth, combined with our focus on drop-through, generated underlying profit before tax of £742m (2017: £605m).

The Group's strategy remains unchanged with growth being driven by strong same-store growth supplemented by greenfield openings and bolt-on acquisitions. Sunbelt US, A-Plant and Sunbelt Canada delivered 20%, 15% and 146% 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
2017 rental only revenue		1,963
Organic (same-store and greenfields)	+15%	290
Bolt-ons since 1 May 2016	+5%	96
2018 rental only revenue	+20%	2,349
Ancillary revenue	+21%	593
2018 rental revenue	+20%	2,942
Sales revenue	-9%	177
2018 total revenue	+18%	3,119

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 45 added in the US in the nine months, around half of which were specialty locations.

Rental only revenue growth was 20% in generally strong end markets. This growth was driven by increased fleet on rent, with yield flat year-over-year. Sunbelt US has continued to support the clean-up efforts following hurricanes Harvey, Irma and Maria. Whilst it is increasingly difficult to assess the revenue impact of these efforts, we estimate that these events resulted in incremental total rental revenue of $75-85m in the period. Average nine month physical utilisation was 73% (2017: 72%). Sunbelt US's total revenue, including new and used equipment, merchandise and consumable sales, increased 18% to $3,119m (2017: $2,646m).

A-Plant generated rental only revenue of £262m, up 15% on the prior year (2017: £227m). This reflects increased fleet on rent, partially offset by yield. The reduced growth rate from the first half reflects prior year acquisitions, which are now included in the comparative. A-Plant's total revenue increased 17% to £354m (2017: £302m).

The acquisition of CRS in August 2017 more than doubled the size of the Sunbelt Canada business. The underlying business performed strongly with rental revenue growth of 16% and, with the addition of CRS, Sunbelt Canada generated revenue of £96m (C$161m) (2017: £33m (C$57m)) in the period.

We continue to focus on operational efficiency and improving margins. In Sunbelt US, 51% of revenue growth dropped through to EBITDA. The strength of our mature stores' incremental margin is reflected in the fact that this was achieved despite the drag effect of greenfield openings and acquisitions. This strong drop-through resulted in an EBITDA margin of 50% (2017: 50%) and contributed to a 20% increase in operating profit to $1,001m (2017: $835m).

A-Plant's drop-through of 43% reflects its greater proportion of specialty businesses and ongoing integration of recent acquisitions. This contributed to an EBITDA margin of 36% (2017: 37%) and an operating profit of £57m (2017: £50m), a 13% increase over the prior year.

Reflecting the strong performance of the divisions, Group underlying operating profit increased 21% to £825m (2017: £681m). Net financing costs increased to £83m (2017: £76m) reflecting higher average debt. As a result, Group profit before amortisation of intangibles, exceptional items and taxation was £742m (2017: £605m). After a tax charge of 31% (2017: 35%) of the underlying pre-tax profit, underlying earnings per share increased 30% to 102.4p (2017: 79.0p). The reduction in the Group's underlying tax charge from 35% to 31% reflects the reduction in the US federal rate of tax from 35% to 21% with effect from 1 January 2018, following the enactment of the Tax Cuts and Jobs Act of 2017.

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 (2017: £nil) and amortisation of £33m (2017: £20m), statutory profit before tax was £687m (2017: £585m).

The exceptional tax credit of £414m consists of principally a credit of £397m arising from the remeasurement of the Group's US deferred tax liabilities at the newly-enacted US federal tax rate of 21% rather than the historical rate of 35%. This is an estimate based on forecasts for the full year to 30 April 2018 and as such will be reassessed at 30 April 2018. In addition, there was an exceptional tax credit of £7m in relation to the exceptional net financing costs and a £10m credit in relation to the amortisation of intangibles. As a result, basic earnings per share were 174.7p (2017: 76.3p).

The cash tax charge for the year is expected to be around 8%. This is lower than the 19% forecast at the time of preparing our results for the first half of the year, primarily due to the changes in US tax legislation, resulting in a lower federal rate of tax in the US from 1 January 2018 and full expensing of capital expenditure from 27 September 2017.

Capital expenditure and acquisitions

Capital expenditure for the nine months was £859m gross and £762m net of disposal proceeds (2017: £812m gross and £716m net). Reflecting this investment, the Group's rental fleet at 31 January 2018 at cost was £6.2bn. Our average fleet age is now 32 months (2017: 28 months).

We invested £315m, including acquired debt, (2017: £196m) in ten 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 at around £1.2bn at current exchange rates. We expect a similar level of capital expenditure next year, consistent with our strategic plan, which anticipates high single to low teen growth through to 2021.

Return on Investment

Sunbelt US's pre-tax return on investment (excluding goodwill and intangible assets) in the 12 months to 31 January 2018 was 23% (2017: 23%) and has improved sequentially during the period. In the UK, return on investment (excluding goodwill and intangible assets) was 12% (2017: 14%). In Canada, return on investment (excluding goodwill and intangible assets) was 16% (2017: 6%). For the Group as a whole, return on investment (including goodwill and intangible assets) was 18% (2017: 18%).

Cash flow and net debt

As expected, debt increased during the nine months as we continued to invest in the fleet and made a number of bolt-on acquisitions. This was partially offset by £213m of currency translation benefit as sterling has strengthened since the year end. During the nine months, we spent £51m on share buybacks.

Net debt at 31 January 2018 was £2,628m (2017: £2,588m) while, reflecting our strong earnings growth, the ratio of net debt to EBITDA reduced to 1.6 times (2017: 1.7 times) on a constant currency basis. The Group's target range for net debt to EBITDA is 1.5 to 2 times.

The Group's debt package remains well structured and flexible, enabling 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 in August 2017, the Group's debt facilities are committed for an average of six years.

At 31 January 2018, availability under the senior secured debt facility was $1,124m, with an additional $2,276m of suppressed availability – substantially above the $310m level at which the Group's entire debt package is covenant free.

Capital allocation

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

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

Additionally, we consider further returns to shareholders, 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.

In December 2017, we announced a share buyback programme of at least £500m and up to £1bn over the next 18 months. At the date of this announcement, we have spent £100m under this programme.

Current trading and outlook

All our divisions continue to perform well in supportive end markets. While currency continues to be a headwind, we expect this to be mitigated by the strong underlying performance in North America. Therefore, we anticipate full year results to be line with prior expectations.

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 JANUARY 2018

	2018			2017		
	Before exceptional items and amortisation	Exceptional items and amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Third quarter - unaudited						
Revenue						
Rental revenue	845.5	-	845.5	729.2	-	729.2
Sale of new equipment, merchandise and consumables	34.3	-	34.3	32.7	-	32.7
Sale of used rental equipment	36.3	-	36.3	42.6	-	42.6
	916.1	-	916.1	804.5	-	804.5
Operating costs						
Staff costs	(220.1)	-	(220.1)	(190.8)	-	(190.8)
Used rental equipment sold	(32.9)	-	(32.9)	(35.1)	-	(35.1)
Other operating costs	(254.3)	-	(254.3)	(211.7)	-	(211.7)
	(507.3)	-	(507.3)	(437.6)	-	(437.6)
EBITDA*	408.8	-	408.8	366.9	-	366.9
Depreciation	(175.5)	-	(175.5)	(160.3)	-	(160.3)
Amortisation of intangibles	-	(10.8)	(10.8)	-	(7.5)	(7.5)
Operating profit	233.3	(10.8)	222.5	206.6	(7.5)	199.1
Investment income	-	-	-	0.1	-	0.1
Interest expense	(28.2)	-	(28.2)	(28.0)	-	(28.0)
Profit on ordinary activities before taxation	205.1	(10.8)	194.3	178.7	(7.5)	171.2
Taxation	(45.3)	399.0	353.7	(64.3)	2.4	(61.9)
Profit attributable to equity holders of the Company	159.8	388.2	548.0	114.4	(5.1)	109.3
Basic earnings per share	32.2p	78.0p	110.2p	23.0p	(1.0p)	22.0p
Diluted earnings per share	32.0p	77.7p	109.7p	22.9p	(1.0p)	21.9p

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

All revenue and profit is generated from continuing operations.

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 2018

	2018			2017		
	Before exceptional items and amortisation	Exceptional items and amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Nine months - unaudited						
Revenue						
Rental revenue	2,619.5	-	2,619.5	2,173.8	-	2,173.8
Sale of new equipment, merchandise and consumables	105.8	-	105.8	91.0	-	91.0
Sale of used rental equipment	89.9	-	89.9	91.4	-	91.4
	2,815.2	-	2,815.2	2,356.2	-	2,356.2
Operating costs						
Staff costs	(649.4)	-	(649.4)	(542.0)	-	(542.0)
Used rental equipment sold	(81.6)	-	(81.6)	(77.1)	-	(77.1)
Other operating costs	(741.7)	-	(741.7)	(612.8)	-	(612.8)
	(1,472.7)	-	(1,472.7)	(1,231.9)	-	(1,231.9)
EBITDA*	1,342.5	-	1,342.5	1,124.3	-	1,124.3
Depreciation	(517.9)	-	(517.9)	(443.3)	-	(443.3)
Amortisation of intangibles	-	(32.9)	(32.9)	-	(20.1)	(20.1)
Operating profit	824.6	(32.9)	791.7	681.0	(20.1)	660.9
Investment income	-	-	-	0.2	-	0.2
Interest expense	(82.6)	(21.7)	(104.3)	(76.6)	-	(76.6)
Profit on ordinary activities before taxation	742.0	(54.6)	687.4	604.6	(20.1)	584.5
Taxation	(232.9)	414.4	181.5	(210.2)	6.5	(203.7)
Profit attributable to equity holders of the Company	509.1	359.8	868.9	394.4	(13.6)	380.8
Basic earnings per share	102.4p	72.3p	174.7p	79.0p	(2.7p)	76.3p
Diluted earnings per share	101.9p	72.0p	173.9p	78.7p	(2.7p)	76.0p

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

All revenue and profit is generated from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited			
	Three months to 31 January		Nine months to 31 January	
	2018	2017	2018	2017
	£m	£m	£m	£m
Profit attributable to equity holders of the Company for the period	548.0	109.3	868.9	380.8
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	(136.3)	(47.8)	(176.6)	196.0
Total comprehensive income for the period	411.7	61.5	692.3	576.8

CONSOLIDATED BALANCE SHEET AT 31 JANUARY 2018

	Unaudited		Audited
	31 January		30 April
	2018	2017	2017
	£m	£m	£m
Current assets			
Inventories	49.5	44.9	44.2
Trade and other receivables	628.1	584.8	591.9
Current tax asset	39.3	23.1	6.9
Cash and cash equivalents	8.7	8.0	6.3
	725.6	660.8	649.3
Non-current assets			
Property, plant and equipment			
- rental equipment	4,170.5	4,062.2	4,092.8
- other assets	418.8	409.7	411.8
	4,589.3	4,471.9	4,504.6
Goodwill	841.8	702.4	797.7
Other intangible assets	201.7	117.3	174.4
Net defined benefit pension plan asset	-	2.1	-
	5,632.8	5,293.7	5,476.7
Total assets	6,358.4	5,954.5	6,126.0
Current liabilities			
Trade and other payables	437.6	358.9	537.0
Current tax liability	9.2	5.8	6.5
Debt due within one year	2.6	2.7	2.6
Provisions	19.4	28.9	28.6
	468.8	396.3	574.7
Non-current liabilities			
Debt due after more than one year	2,634.6	2,593.7	2,531.4
Provisions	28.6	20.7	19.1
Deferred tax liabilities	729.2	1,023.0	1,027.0
Net defined benefit pension plan liability	4.1	-	3.7
	3,396.5	3,637.4	3,581.2
Total liabilities	3,865.3	4,033.7	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	(51.0)	(81.1)	-
Own shares held by the ESOT	(20.0)	(16.7)	(16.7)
Cumulative foreign exchange translation differences	64.4	284.4	241.0
Retained reserves	2,439.9	1,674.4	1,686.0
Equity attributable to equity holders of the Company	2,493.1	1,920.8	1,970.1
Total liabilities and equity	6,358.4	5,954.5	6,126.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 JANUARY 2018

	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	-	-	-	-	-	-	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
Profit for the period	-	-	-	-	-	-	120.2	120.2
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	(43.4)	-	(43.4)
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	-	-	-	-	-	(43.4)	115.5	72.1
Dividends paid	-	-	-	-	-	-	(23.7)	(23.7)
Share-based payments	-	-	-	-	-	-	1.4	1.4
Tax on share-based payments	-	-	-	-	-	-	(0.5)	(0.5)
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	-	-	-	-	-	-	868.9	868.9
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	(176.6)	-	(176.6)
Total comprehensive income for the period	-	-	-	-	-	(176.6)	868.9	692.3
Dividends paid	-	-	-	-	-	-	(113.2)	(113.2)
Own shares purchased by the ESOT	-	-	-	-	(10.2)	-	-	(10.2)
Own shares purchased by the Company	-	-	-	(51.0)	-	-	-	(51.0)
Share-based payments	-	-	-	-	6.9	-	(1.7)	5.2
Tax on share-based payments	-	-	-	-	-	-	(0.1)	(0.1)
At 31 January 2018	49.9	3.6	6.3	(51.0)	(20.0)	64.4	2,439.9	2,493.1

CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED 31 JANUARY 2018

	Unaudited	
	2018	2017
	£m	£m
Cash flows from operating activities		
Cash generated from operations before exceptional items and changes in rental equipment	1,280.4	1,069.0
Payments for rental property, plant and equipment	(940.2)	(909.0)
Proceeds from disposal of rental property, plant and equipment	111.8	97.8
Cash generated from operations	452.0	257.8
Financing costs paid (net)	(68.0)	(80.4)
Exceptional financing costs paid	(25.2)	-
Tax paid (net)	(86.4)	(39.9)
Net cash generated from operating activities	272.4	137.5
Cash flows from investing activities		
Acquisition of businesses	(282.1)	(180.1)
Payments for non-rental property, plant and equipment	(96.8)	(70.9)
Proceeds from disposal of non-rental property, plant and equipment	6.4	11.0
Payments for purchase of intangible assets	(2.6)	(9.1)
Net cash used in investing activities	(375.1)	(249.1)
Cash flows from financing activities		
Drawdown of loans	1,477.3	567.7
Redemption of loans	(1,200.9)	(312.6)
Capital element of finance lease payments	(1.1)	(1.5)
Dividends paid	(113.2)	(92.4)
Purchase of own shares by the ESOT	(10.2)	(7.2)
Purchase of own shares by the Company	(46.5)	(48.0)
Net cash from financing activities	105.4	106.0
Increase/(decrease) in cash and cash equivalents	2.7	(5.6)
Opening cash and cash equivalents	6.3	13.0
Effect of exchange rate difference	(0.3)	0.6
Closing cash and cash equivalents	8.7	8.0

Reconciliation of net cash flows to net debt

	2018	2017
(Increase)/decrease in cash in the period	(2.7)	5.6
Increase in debt through cash flow	275.3	253.6
Change in net debt from cash flows	272.6	259.2
Debt acquired	40.7	21.3
Exchange differences	(212.9)	303.8
Non-cash movements:		
- deferred costs of debt raising	(1.4)	1.6
- capital element of new finance leases	1.8	0.8
Increase in net debt in the period	100.8	586.7
Net debt at 1 May	2,527.7	2,001.7
Net debt at 31 January	2,628.5	2,588.4

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 2018 comprise the Company and its subsidiaries ('the Group').

The condensed consolidated interim financial statements for the nine months ended 31 January 2018 were approved by the directors on 5 March 2018.

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.

2. Basis of preparation

The condensed consolidated interim financial statements for the nine months ended 31 January 2018 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 30.

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:

	2018		2017	
	US$	C$	US$	C$
Average for the three months ended 31 January	1.35	1.71	1.24	1.65
Average for the nine months ended 31 January	1.32	1.69	1.31	1.72
At 30 April	1.29	1.77	1.47	1.83
At 31 January	1.42	1.74	1.26	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 January				
2018				
Sunbelt US	766.1	220.0	(5.9)	214.1
A-Plant	108.9	10.0	(2.9)	7.1
Sunbelt Canada	41.1	7.2	(2.0)	5.2
Corporate costs	-	(3.9)	-	(3.9)
	916.1	233.3	(10.8)	222.5
2017				
Sunbelt US	689.4	196.9	(4.3)	192.6
A-Plant	102.4	12.5	(2.5)	10.0
Sunbelt Canada	12.7	1.1	(0.7)	0.4
Corporate costs	-	(3.9)	-	(3.9)
	804.5	206.6	(7.5)	199.1
Nine months to 31 January				
2018				
Sunbelt US	2,365.7	759.4	(19.7)	739.7
A-Plant	354.0	56.8	(8.4)	48.4
Sunbelt Canada	95.5	19.7	(4.8)	14.9
Corporate costs	-	(11.3)	-	(11.3)
	2,815.2	824.6	(32.9)	791.7
2017				
Sunbelt US	2,021.2	637.9	(12.4)	625.5
A-Plant	301.7	50.4	(5.7)	44.7
Sunbelt Canada	33.3	4.1	(2.0)	2.1
Corporate costs	-	(11.4)	-	(11.4)
	2,356.2	681.0	(20.1)	660.9

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Segmental analysis (continued)

	Segment assets	Cash	Taxation assets	Total assets
	£m	£m	£m	£m
At 31 January 2018				
Sunbelt US	5,107.3	-	-	5,107.3
A-Plant	851.6	-	-	851.6
Sunbelt Canada	351.0	-	-	351.0
Corporate items	0.5	8.7	39.3	48.5
	6,310.4	8.7	39.3	6,358.4
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

	2018			2017		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Three months to 31 January						
Staff costs:						
Salaries	200.8	-	200.8	173.8	-	173.8
Social security costs	15.6	-	15.6	13.9	-	13.9
Other pension costs	3.7	-	3.7	3.1	-	3.1
	220.1	-	220.1	190.8	-	190.8
Used rental equipment sold	32.9	-	32.9	35.1	-	35.1
Other operating costs:						
Vehicle costs	52.5	-	52.5	42.9	-	42.9
Spares, consumables & external repairs	46.9	-	46.9	38.0	-	38.0
Facility costs	27.4	-	27.4	24.9	-	24.9
Other external charges	127.5	-	127.5	105.9	-	105.9
	254.3	-	254.3	211.7	-	211.7
Depreciation and amortisation:						
Depreciation	175.5	-	175.5	160.3	-	160.3
Amortisation of intangibles	-	10.8	10.8	-	7.5	7.5
	175.5	10.8	186.3	160.3	7.5	167.8
	682.8	10.8	693.6	597.9	7.5	605.4

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. Operating costs and other income (continued)

	2018			2017		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Nine months to 31 January						
Staff costs:						
Salaries	593.9	-	593.9	494.8	-	494.8
Social security costs	44.6	-	44.6	37.9	-	37.9
Other pension costs	10.9	-	10.9	9.3	-	9.3
	649.4	-	649.4	542.0	-	542.0
Used rental equipment sold	81.6	-	81.6	77.1	-	77.1
Other operating costs:						
Vehicle costs	161.5	-	161.5	126.0	-	126.0
Spares, consumables & external repairs	139.3	-	139.3	113.3	-	113.3
Facility costs	79.8	-	79.8	68.6	-	68.6
Other external charges	361.1	-	361.1	304.9	-	304.9
	741.7	-	741.7	612.8	-	612.8
Depreciation and amortisation:						
Depreciation	517.9	-	517.9	443.3	-	443.3
Amortisation of intangibles	-	32.9	32.9	-	20.1	20.1
	517.9	32.9	550.8	443.3	20.1	463.4
	1,990.6	32.9	2,023.5	1,675.2	20.1	1,695.3

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 January		Nine months to 31 January	
	2018	2017	2018	2017
	£m	£m	£m	£m
Amortisation of intangibles	10.8	7.5	32.9	20.1
Write-off of deferred financing costs	-	-	8.1	-
Release of premium	-	-	(11.6)	-
Early redemption fee	-	-	23.7	-
Call period interest	-	-	1.5	-
Taxation:				
- tax on exceptional items and amortisation	(1.5)	(2.4)	(16.9)	(6.5)
- reduction in US deferred tax liability due to change in US federal tax rate	(397.5)	-	(397.5)	-
	(388.2)	5.1	(359.8)	13.6

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. Exceptional items and amortisation (continued)

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.

The US Tax Cuts and Jobs Act of 2017 was enacted in December 2017 and, amongst other things, reduced the US federal tax rate from 35% to 21%. The exceptional tax credit of £397m ($537m) arises from the remeasurement of the Group's US deferred tax liabilities at the new rate of 21% rather than the historical rate of 35%. This is an estimate based on forecasts for the full year to 30 April 2018 and, as such, will be reassessed at 30 April 2018.

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

	Three months to 31 January		Nine months to 31 January	
	2018	2017	2018	2017
	£m	£m	£m	£m
Amortisation of intangibles	10.8	7.5	32.9	20.1
Charged in arriving at operating profit	10.8	7.5	32.9	20.1
Net financing costs	-	-	21.7	-
Charged in arriving at profit before tax	10.8	7.5	54.6	20.1
Taxation	(399.0)	(2.4)	(414.4)	(6.5)
	(388.2)	5.1	(359.8)	13.6

6. Net financing costs

	Three months to 31 January		Nine months to 31 January	
	2018	2017	2018	2017
	£m	£m	£m	£m
Investment income:				
Net interest on the net defined benefit asset	-	(0.1)	-	(0.2)
Interest expense:				
Bank interest payable	11.7	9.7	33.2	24.5
Interest payable on second priority senior secured notes	15.3	17.3	46.4	49.6
Interest payable on finance leases	0.1	0.1	0.3	0.2
Non-cash unwind of discount on provisions	0.4	0.3	0.6	0.7
Amortisation of deferred debt raising costs	0.7	0.6	2.1	1.6
Total interest expense	28.2	28.0	82.6	76.6
Net financing costs before exceptional items	28.2	27.9	82.6	76.4
Exceptional items	-	-	21.7	-
Net financing costs	28.2	27.9	104.3	76.4

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. Taxation

The tax charge for the period has been computed using a tax rate of 34% in the US (2017: 39%), 19% in the UK (2017: 20%) and 27% in Canada (2017: 27%). The blended rate for the Group as a whole on underlying profit is 31% (2017: 35%).

The tax charge of £233m (2017: £210m) on the underlying profit before taxation of £742m (2017: £605m) can be explained as follows:

	Nine months to 31 January	
	2018	2017
	£m	£m
Current tax		
- current tax on income for the period	61.7	29.2
- adjustments to prior year	0.1	(0.8)
	61.8	28.4
Deferred tax		
- origination and reversal of temporary differences	170.1	181.5
- adjustments to prior year	1.0	0.3
	171.1	181.8
Tax on underlying activities	232.9	210.2
Comprising:		
- UK	13.6	12.1
- US and Canada	219.3	198.1
	232.9	210.2

In addition, the exceptional tax credit of £414m (2017: £6m) includes a US deferred tax credit of £397m (2017: £nil) as a result of the reduction in the US federal tax rate and the associated re-measurement of deferred tax liabilities, and a tax credit of £17m (2017: £6m) on exceptional items and amortisation of £55m (2017: £20m) consisting of a current tax credit of £7m (2017: £nil) relating to the US and Canada, a deferred tax credit of £2m (2017: £1m) relating to the UK and a deferred tax credit of £8m (2017: £5m) relating to the US and Canada.

8. Earnings per share

Basic and diluted earnings per share for the three and nine months ended 31 January 2018 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	
	2018	2017	2018	2017
Profit for the financial period (£m)	548.0	109.3	868.9	380.8
Weighted average number of shares (m) - basic	497.0	497.5	497.3	499.1
- diluted	500.2	499.6	499.6	501.2
Basic earnings per share	110.2p	22.0p	174.7p	76.3p
Diluted earnings per share	109.7p	21.9p	173.9p	76.0p

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 January		Nine months to 31 January	
	2018	2017	2018	2017
Basic earnings per share	110.2p	22.0p	174.7p	76.3p
Amortisation of intangibles	2.2p	1.5p	6.6p	4.0p
Exceptional items	-	-	4.4p	-
Tax on exceptional items and amortisation	(0.3p)	(0.5p)	(3.4p)	(1.3p)
Exceptional tax credit (US tax reforms)	(79.9p)	-	(79.9p)	-
Underlying earnings per share	32.2p	23.0p	102.4p	79.0p

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). The interim dividend in respect of the year ending 30 April 2018 of 5.5p (2017: 4.75p) per share announced on 12 December 2017 was paid on 7 February 2018.

10. Property, plant and equipment

	2018		2017	
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	(296.5)	(323.3)	453.7	497.0
Reclassifications	(1.2)	-	(2.0)	-
Additions	765.6	859.3	738.3	812.2
Acquisitions	142.6	148.2	97.7	104.1
Disposals	(75.6)	(81.6)	(81.8)	(86.9)
Depreciation	(457.2)	(517.9)	(390.6)	(443.3)
At 31 January	4,170.5	4,589.3	4,062.2	4,471.9

11. Borrowings

	31 January 2018 £m	30 April 2017 £m
Current		
Finance lease obligations	2.6	2.6
Non-current		
First priority senior secured bank debt	1,453.3	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	347.0	381.0
4.125% second priority senior secured notes, due 2025	415.9	-
4.375% second priority senior secured notes, due 2027	415.9	-
	2,634.6	2,531.4

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 $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 January 2018, the fixed charge ratio exceeded the covenant requirement.

At 31 January 2018, availability under the senior secured bank facility was $1,124m ($1,305m at 30 April 2017), with an additional $2,276m of suppressed availability, meaning that the covenant did not apply at 31 January 2018 and is unlikely to apply in forthcoming quarters.

Fair value of financial instruments

At 31 January 2018, 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 £352m at 31 January 2018 (£386m at 30 April 2017) while the fair value was £371m (£414m at 30 April 2017). The carrying value of the second priority senior secured notes, due 2025, excluding deferred debt raising costs, was £422m at 31 January 2018 while the fair value was £417m. The carrying value of the second priority senior secured notes, due 2027, excluding deferred debt raising costs, was £422m at 31 January 2018 while the fair value was £417m. The fair value of the second priority senior secured notes has been calculated using quoted market prices at 31 January 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. Share capital

Ordinary shares of 10p each:

	31 January 2018 Number	30 April 2017 Number	31 January 2018 £m	30 April 2017 £m
Issued and fully paid	499,225,712	499,225,712	49.9	49.9

During the period, the Company purchased 2.5m ordinary shares at a total cost of £51m under the share buyback programme announced in December 2017, which are held in treasury. At 31 January 2018, 2.5m (April 2017: nil) shares were held by the Company and a further 1.7m (April 2017: 1.7m) shares were held by the Company's Employee Share Ownership Trust.

13. Notes to the cash flow statement

	Nine months to 31 January 2018 £m	2017 £m
a) Cash flow from operating activities		
Operating profit before exceptional items and amortisation	824.6	681.0
Depreciation	517.9	443.3
EBITDA before exceptional items	1,342.5	1,124.3
Profit on disposal of rental equipment	(8.3)	(14.3)
(Profit)/loss on disposal of other property, plant and equipment	(0.9)	0.1
(Increase)/decrease in inventories	(1.2)	6.0
Increase in trade and other receivables	(79.0)	(60.8)
Increase in trade and other payables	21.9	9.4
Exchange differences	0.2	-
Other non-cash movements	5.2	4.3
Cash generated from operations before exceptional items and changes in rental equipment	1,280.4	1,069.0

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 January 2018 £m
Cash	(6.3)	0.3	(2.7)	-	-	(8.7)
Debt due within one year	2.6	-	(41.8)	40.7	1.1	2.6
Debt due after one year	2,531.4	(213.2)	317.1	-	(0.7)	2,634.6
Total net debt	2,527.7	(212.9)	272.6	40.7	0.4	2,628.5

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. Notes to the cash flow statement (continued)

c) Acquisitions

	Nine months to 31 January	
	2018	2017
	£m	£m
Cash consideration paid:		
- acquisitions in the period	274.3	173.0
- contingent consideration	7.8	7.1
	282.1	180.1

During the period, ten businesses were acquired with cash paid of £274m (2017: £173m), after taking account of net cash acquired of £0.5m. Further details are provided in Note 14.

Contingent consideration of £8m (2017: £7m) was paid relating to prior year acquisitions.

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 £24m. 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.

14. Acquisitions (continued)

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.

x) 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 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	29.4
Inventory	7.6
Property, plant and equipment	
- rental equipment	142.6
- other assets	5.6
Creditors	(18.0)
Debt	(40.7)
Current tax	(0.4)
Deferred tax	(22.0)
Intangible assets (non-compete agreements, brand names and customer relationships)	71.0
	175.1
Consideration:	
- cash paid and due to be paid (net of cash acquired)	274.3
- contingent consideration payable in cash	16.6
	290.9
Goodwill	115.8

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. £37m of the goodwill is expected to be deductible for income tax purposes.

The fair value of trade receivables at acquisition was £29m. The gross contractual amount for trade receivables due was £30m, net of a £1m provision for debts which may not be collected.

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

The revenue and operating profit of these acquisitions from 1 May 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 three acquisitions as follows:

i) On 14 February 2018, Sunbelt US acquired the business and assets of Nickell Equipment Rental & Sales, Inc. ('Nickell') for a cash consideration of £11m ($15m). Nickell is a general equipment rental business in Georgia.

ii) On 23 February 2018, Sunbelt US acquired the business and assets of Beaupre Aerial Equipment, Inc. and Beaupre Equipment Services, Inc. (together 'Beaupre') for a cash consideration of £41m ($57m). Beaupre is an aerial work platform rental business in Minnesota.

iii) On 27 February 2018, Sunbelt US acquired certain business and assets of West Georgia Equipment & Party Rental, LLC ('WGE') for a cash consideration of £2m ($3m). WGE is a general equipment rental business in Georgia.

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

REVIEW OF THIRD QUARTER, BALANCE SHEET AND CASH FLOW

Third quarter

	Revenue		EBITDA		Operating profit	
	2018	2017	2018	2017	2018	2017
Sunbelt US in $m	1,034.3	859.6	491.8	413.2	298.2	243.5
Sunbelt US in £m	766.1	689.4	363.6	332.3	220.0	196.9
A-Plant	108.9	102.4	35.8	34.3	10.0	12.5
Sunbelt Canada	41.1	12.7	13.3	4.2	7.2	1.1
Group central costs	-	-	(3.9)	(3.9)	(3.9)	(3.9)
	916.1	804.5	408.8	366.9	233.3	206.6
Net financing costs					(28.2)	(27.9)
Profit before amortisation and tax					**205.1**	**178.7**
Amortisation					(10.8)	(7.5)
Profit before taxation					194.3	171.2
Margins						
Sunbelt US			*47.6%*	*48.1%*	*28.8%*	*28.3%*
A-Plant			*32.9%*	*33.4%*	*9.2%*	*12.2%*
Sunbelt Canada			*32.3%*	*33.2%*	*17.6%*	*8.6%*
Group			*44.6%*	*45.6%*	*25.5%*	*25.7%*

Group revenue increased 14% to £916m in the third quarter (2017: £804m) with strong growth in each of our markets. This revenue growth, combined with continued focus on operational efficiency, generated underlying profit before tax of £205m (2017: £179m).

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

		$m
2017 rental only revenue		630
Organic (same-store and greenfields)	+18%	114
Bolt-ons (since 1 November 2016)	+5%	31
2018 rental only revenue	+23%	775
Ancillary revenue	+27%	193
2018 rental revenue	+24%	968
Sales revenue	-14%	66
2018 total revenue	+20%	1,034

Sunbelt US's organic growth of 18% 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 23% was driven by an increase in fleet on rent.

A-Plant generated rental only revenue up 6% at £80m (2017: £75m) in the quarter. This reflected increased fleet on rent, partially offset by yield. The lower growth rate from prior quarters reflects prior year acquisitions which are now included in the comparatives.

Following the acquisition of CRS in August, Sunbelt Canada delivered rental only revenue of £23m (2016: £8m) in the quarter.

Group operating profit increased 13% to £233m (2017: £207m). Net financing costs were £28m (2017: £28m), reflecting higher average debt offset by lower interest rates following the Group's refinancing in August and the impact of stronger sterling in the quarter. As a result, Group profit before amortisation of intangibles and taxation was £205m (2017: £179m). After amortisation of £11m, the statutory profit before taxation was £194m (2017: £171m).

Balance sheet

Fixed assets

Capital expenditure in the nine months totalled £859m (2017: £812m) with £766m invested in the rental fleet (2017: £738m). Expenditure on rental equipment was 89% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division was:

	2018			2017
	Replacement	Growth	Total	Total
Sunbelt US in $m	208.1	666.7	874.8	750.1
Sunbelt US in £m	146.3	468.9	615.2	595.8
A-Plant	44.7	72.1	116.8	126.5
Sunbelt Canada	7.9	25.7	33.6	16.0
Total rental equipment	198.9	566.7	765.6	738.3
Delivery vehicles, property improvements & IT equipment			93.7	73.9
Total additions			859.3	812.2

In a strong US rental market, $667m of rental equipment capital expenditure was spent on growth while, with a lower replacement need, only $208m 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 2018 was 32 months (2017: 28 months) on a net book value basis. Sunbelt US's fleet had an average age of 32 months (2017: 29 months), while A-Plant's fleet had an average age of 31 months (2017: 29 months).

	Rental fleet at original cost				LTM	LTM
	31 Jan 2018	30 April 2017	LTM average	LTM rental revenue	dollar utilisation	physical utilisation
Sunbelt US in $m	7,229	6,439	6,774	3,722	55%	72%
Sunbelt US in £m	5,083	4,977	4,763	2,859	55%	72%
A-Plant	874	774	825	402	49%	68%
Sunbelt Canada	220	95	149	90	58%	n/a
	6,177	5,846	5,737	3,351		

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 2018, was 55% at Sunbelt US (2017: 54%), 49% at A-Plant (2017: 52%) and 58% at Sunbelt Canada (2017: 41%). The

Sunbelt US dollar utilisation is ahead of where it was a year ago as the drag effect of yield, greenfield openings and acquisitions and the increased cost of fleet moderates. The lower A-Plant dollar utilisation reflects the adverse yield effect while Sunbelt Canada has benefitted from the seasonally strong performance of CRS, post acquisition. 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 2018, average physical utilisation at Sunbelt US was 72% (2017: 70%) and 68% at A-Plant (2017: 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 January 2018.

Trade receivables

Receivable days at 31 January 2018 were 54 days (2017: 54 days). The bad debt charge for the last twelve months ended 31 January 2018 as a percentage of total turnover was 0.7% (2017: 0.8%). Trade receivables at 31 January 2018 of £539m (2017: £495m) are stated net of allowances for bad debts and credit notes of £47m (2017: £37m) with the allowance representing 8.1% (2017: 7.0%) of gross receivables.

Trade and other payables

Group payable days were 53 days in 2018 (2017: 58 days) with capital expenditure related payables, which have longer payment terms, totalling £99m (2017: £79m). 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
	2018	2017	2018	2017
	£m	£m	£m	£m
EBITDA before exceptional items	1,342.5	1,124.3	1,722.6	1,504.4
Cash inflow from operations before exceptional items and changes in rental equipment	1,280.4	1,069.0	1,655.6	1,444.2
*Cash conversion ratio**	*95.4%*	*95.1%*	*96.1%*	*96.0%*
Replacement rental capital expenditure	(300.5)	(316.1)	(398.3)	(413.9)
Payments for non-rental capital expenditure	(99.4)	(80.0)	(132.2)	(112.8)
Rental equipment disposal proceeds	111.8	97.8	167.4	153.4
Other property, plant and equipment disposal proceeds	6.4	11.0	2.8	7.4
Tax (net)	(86.4)	(39.9)	(96.0)	(49.5)
Financing costs	(68.0)	(80.4)	(89.1)	(101.5)
Cash inflow before growth capex and payment of exceptional costs	**844.3**	**661.4**	**1,110.2**	**927.3**
Growth rental capital expenditure	(639.7)	(592.9)	(654.7)	(607.9)
Exceptional costs	(25.2)	-	(25.2)	-
Free cash flow	**179.4**	**68.5**	**430.3**	**319.4**
Business acquisitions	(282.1)	(180.1)	(523.1)	(421.1)
Total cash absorbed	**(102.7)**	**(111.6)**	**(92.8)**	**(101.7)**
Dividends	(113.2)	(92.4)	(136.9)	(116.1)
Purchase of own shares by the Company	(46.5)	(48.0)	(46.5)	(48.0)
Purchase of own shares by the ESOT	(10.2)	(7.2)	(10.2)	(7.2)
Increase in net debt due to cash flow	**(272.6)**	**(259.2)**	**(286.4)**	**(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 20% to £1,280m. The nine month cash conversion ratio was 95% (2017: 95%).

Total payments for capital expenditure (rental equipment, other PPE and purchased intangibles) in the nine months were £1,040m (2017: £989m). Disposal proceeds received totalled £118m (2017: £109m), giving net payments for capital expenditure of £922m in the period (2017: £880m). Financing costs paid totalled £68m (2017: £80m) while tax payments were £86m (2017: £40m).

Financing costs paid typically differ from the charge in the income statement due to the timing of interest payments in the year and non-cash interest charges. The reduction in the amounts paid from last year reflects the timing of interest payments on the new second priority senior secured notes issued in August 2017. 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 nine months the Group generated £844m (2017: £661m) 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 £179m (2017: £68m) and, after acquisition expenditure of £282m (2017: £180m), a net cash outflow of £103m (2017: £112m).

Net debt

	31 January		30 April
	2018	2017	2017
	£m	£m	£m
First priority senior secured bank debt	1,453.3	1,481.5	1,449.2
Finance lease obligations	5.1	4.6	4.4
6.5% second priority senior secured notes, due 2022	-	718.9	699.4
5.625% second priority senior secured notes, due 2024	347.0	391.4	381.0
4.125% second priority senior secured notes, due 2025	415.9	-	-
4.375% second priority senior secured notes, due 2027	415.9	-	-
	2,637.2	2,596.4	2,534.0
Cash and cash equivalents	(8.7)	(8.0)	(6.3)
Total net debt	2,628.5	2,588.4	2,527.7

Net debt at 31 January 2018 was £2,628m with the increase since 30 April 2017 reflecting the net cash outflow set out above, partially offset by £213m of currency translation benefit. The Group's EBITDA for the twelve months ended 31 January 2018 was £1,723m and the ratio of net debt to EBITDA was 1.6 times at 31 January 2018 (2017: 1.7 times) on a constant currency basis and 1.5 times (2017: 1.8 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 January 2018, 86% 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 January 2018, dollar-denominated debt represented approximately 52% 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 2018, a 1% change in the US dollar exchange rate would impact underlying pre-tax profit by approximately £9m.

OPERATING STATISTICS

	Number of rental stores			Staff numbers		
	31 January		30 April	31 January		30 April
	2018	2017	2017	2018	2017	2017
Sunbelt US	648	597	612	11,463	9,921	10,514
A-Plant	185	173	179	3,623	3,480	3,473
Sunbelt Canada	53	17	17	707	231	220
Corporate office	-	-	-	16	13	13
Group	886	787	808	15,809	13,645	14,220

Sunbelt US's rental store number includes 23 Sunbelt at Lowes stores at 31 January 2018 (2017: 23).

GLOSSARY OF TERMS

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

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 Third Quarter, Balance Sheet and Cash Flow section.

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

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

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

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

Exceptional items: those items 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 nine months ended 31/01/18	824.6
- For the year ended 30/04/17	897.6
- For the nine months ended 31/01/17	(681.0)
LTM underlying operating profit	1,041.2
Average net assets (£m)	5,813.6
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.