3 March 2020

Unaudited results for the nine months and third quarter ended 31 January 2020

	Third quarter			Nine months		
	2020[1]	2019	Growth[2]	2020[1]	2019	Growth[2]
	£m	£m	%	£m	£m	%
Underlying results[3, 4]						
Rental revenue	1,121	1,049	8%	3,568	3,124	12%
EBITDA	584	517	10%	1,911	1,616	11%
Profit before taxation	257	254	6%	947	888	6%
Earnings per share	42.3p	40.0p	11%	154.3p	138.9p	11%
Statutory results						
Revenue	1,247	1,143	11%	3,928	3,394	13%
Operating profit	297	284	6%	1,069	963	6%
Profit before taxation	225	241	-1%	885	851	4%
Earnings per share	37.0p	37.9p	3%	144.1p	133.1p	8%

Nine month highlights

- Revenue up 13%[2]; rental revenue up 12%[2]
- Operating profit of £1,069m (2019: £963m)
- Pre-tax profit[3] of £947m (2019: £888m); £969m excluding the impact of IFRS 16
- Earnings per share[3] up 11%[2] to 154.3p (2019: 138.9p)
- £1,256m of capital invested in the business (2019: £1,290m)
- Record free cash flow of £363m (2019: £72m)
- £407m spent on bolt-on acquisitions (2019: £491m)
- Net debt to EBITDA leverage[2] of 1.9 times (2019: 1.8 times)

[1] The results for the nine months and Q3 2020 are not comparable directly to the prior year due to the adoption of IFRS 16, Leases. Further details are provided in note 2 to the interim financial statements where we set out the impact of IFRS 16 on the results and present the income statement on a comparable basis to the prior year.
[2] Calculated at constant exchange rates applying current period exchange rates and excluding the impact of IFRS 16.
[3] Underlying results are stated before exceptional items and intangible amortisation.
[4] Throughout this announcement we refer to a number of alternative performance measures which are defined in the Glossary on page 38.

Ashtead's chief executive, Brendan Horgan, commented:

"We have enjoyed another quarter of industry-leading rental revenue growth, resulting in an increase in rental revenue of 12% in the nine months and an increase in underlying earnings per share of 11%, excluding the impact of IFRS 16, both at constant exchange rates.

Our North American end markets remain supportive and we continue to execute well on our strategy of organic growth supplemented by targeted bolt-on acquisitions in a moderating growth environment. This strategy reflects the structural growth opportunity we see in the business as we broaden our product offering, geographic reach and end markets. In contrast, the UK market remains challenging and we are therefore refocusing A-Plant on leveraging its platform to deliver long-term sustainable results, while generating strong cash flow.

We invested £1.3bn in capital and a further £407m on bolt-on acquisitions in the period, which added 82 locations across the Group. As discussed at the half year, we expect capital expenditure for the year to be at the lower end of our previous guidance (c. £1.4bn). Looking forward to 2020/21, we anticipate gross capital expenditure of £1.1 - £1.3bn, which should result in mid to high single digit revenue growth in the US.

We remain focused on responsible growth. Our increasing scale and strong margins are delivering growing earnings and significant free cash flow. This provides significant operational and financial flexibility, enabling us to invest in the long-term structural growth opportunity and enhance returns to shareholders, while maintaining leverage within our target range of 1.5 to 2.0 times net debt to EBITDA excluding IFRS 16. We spent £376m under our share buyback programme in the period, in line with our expectation to spend a minimum of £500m on share buybacks in 2019/20. The programme will be extended for the financial year 2020/21, with an anticipated spend of at least £500m.

In North America our business continues to perform well in supportive end markets, while in the UK we have taken decisive strategic action to refocus the business in the challenging market conditions. Although construction markets are moderating, we expect results to be in line with expectations and the Board continues to look to the medium term with confidence."

<u>Contacts</u>:

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Brendan Horgan and Michael Pratt will hold a conference call for equity analysts to discuss the results and outlook at 8am on Tuesday, 3 March 2020. The call will be webcast live via the Company's website at www.ashtead-group.com and a replay will be available via the website shortly after the call concludes. A copy of this announcement and the slide presentation used for the call are available for download on the Company's website. The usual conference call for bondholders will begin at 3pm (10am EST).

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

<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		Profit[1]	
	2020	2019	2020	2019	2020	2019
Sunbelt US in $m	4,279.9	3,759.1	2,188.9	1,876.5	1,339.1	1,210.1
Sunbelt Canada in C$m	320.8	256.6	131.0	95.5	57.6	47.4
Sunbelt US in £m	3,372.1	2,883.4	1,724.7	1,439.3	1,055.1	928.2
A-Plant	365.1	360.4	121.2	132.1	37.8	54.7
Sunbelt Canada in £m	191.1	150.0	78.0	55.8	34.3	27.7
Group central costs	-	-	(12.6)	(11.0)	(13.2)	(11.2)
	3,928.3	3,393.8	1,911.3	1,616.2	1,114.0	999.4
Net financing costs					(167.3)	(111.7)
Profit before amortisation, exceptional items and tax					**946.7**	**887.7**
Amortisation					(45.2)	(36.8)
Exceptional items					(16.3)	-
Profit before taxation					885.2	850.9
Taxation charge					(223.7)	(208.5)
Profit attributable to equity holders of the Company					661.5	642.4
Margins as reported						
Sunbelt US			*51.1%*	*49.9%*	*31.3%*	*32.2%*
A-Plant			*33.2%*	*36.7%*	*10.4%*	*15.2%*
Sunbelt Canada			*40.8%*	*37.2%*	*17.9%*	*18.5%*
Group			*48.7%*	*47.6%*	*28.4%*	*29.4%*

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

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

Margins excluding the impact of IFRS 16	*2020*	*2019*	*2020*	*2019*
Sunbelt US	*49.2%*	*49.9%*	*31.0%*	*32.2%*
A-Plant	*31.4%*	*36.7%*	*10.2%*	*15.2%*
Sunbelt Canada	*37.8%*	*37.2%*	*17.6%*	*18.5%*
Group	*46.7%*	*47.6%*	*28.1%*	*29.4%*

Group revenue increased 13% to £3,928m in the nine months (2019: £3,394m) with good growth in the US and Canadian markets. This revenue growth, combined with a continued focus on drop-through, generated underlying profit before tax of £947m (2019: £888m) or £969m excluding the impact of IFRS 16. This performance reflects good profit growth in the US, a more moderate improvement in Canada as we invest in the business and a drag from the weakness in the UK.

The Group's strategy remains unchanged with growth being driven by organic growth (same-store and greenfield) supplemented by bolt-on acquisitions. Sunbelt US and Sunbelt Canada delivered 13% and 29% rental only revenue growth respectively, while A-Plant's rental only revenue decreased 1%, reflecting the more competitive landscape within a more uncertain UK market. The growth in Sunbelt Canada continues to reflect the impact of recent acquisitions, including William F. White acquired in December 2019.

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

		$m
2019 rental only revenue		2,802
Organic (same-store and greenfields)	8%	219
Bolt-ons since 1 May 2018	5%	139
2020 rental only revenue	13%	3,160
Ancillary revenue	10%	760
2020 rental revenue	12%	3,920
Sales revenue	35%	360
2020 total revenue	14%	4,280

Sunbelt US's revenue growth demonstrates the successful execution of our long-term structural growth strategy. This growth is against a back-drop of a construction industry, just less than half of our end markets, which did not grow in 2019 and is forecast to be again flat in 2020. In this moderating growth environment, we continue to capitalise on the market opportunity through a combination of organic growth (same-store growth and greenfields) and bolt-ons as we expand our geographic footprint and our specialty businesses. We added 64 new stores in the US in the nine months, approximately half of which were specialty locations.

Rental only revenue growth was 13%, driven by increased fleet on rent. This is a good performance after the last two years which were impacted favourably by significant hurricane activity, whereas the 2019 hurricane season was much quieter. Sunbelt US's total revenue, including new and used equipment, merchandise and consumable sales, increased 14% to $4,280m (2019: $3,759m).

A-Plant generated rental only revenue of £272m, down 1% on the prior year (2019: £274m). This resulted from a 1% reduction in fleet on rent. The rate environment in the UK market remains competitive. A-Plant's total revenue increased 1% to £365m (2019: £360m) reflecting higher used equipment sales as A-Plant defleeted, selling under-utilised and lower returning assets. This defleet programme combined with targeted fleet investment has contributed to improved utilisation.

Sunbelt Canada's rental only revenue increased 29%, including the benefit of recent acquisitions. On an organic basis, rental only revenue increased 11%. Sunbelt Canada's total revenue was C$321m (2019: C$257m).

We continue to focus on operational efficiency as we look to maintain or improve margins. However, while US growth continues to outpace the market, the relatively lower rate of growth compared with recent years has put some pressure on drop-through, both in some of our mature stores and from the drag effect of greenfield openings and acquired stores. In Sunbelt US, excluding the impact of IFRS 16, 48% of revenue growth dropped through to EBITDA. This contributed to a reported EBITDA margin of 51% (2019: 50%) and an 11% increase in operating profit to $1,339m (2019: $1,210m) at a margin of 31% (2019: 32%). Excluding the impact of IFRS 16, the EBITDA and operating profit margins were 49% and 31% respectively for the current period.

The UK market remains competitive and after a period of sustained growth for the business, the focus is now on operational efficiency and improving returns. The EBITDA margin of 33% (2019: 37%) reflects the drag effect of the increased fleet disposals, the challenging rate environment and investment in the infrastructure of the business. Excluding the impact of the de-fleet exercise and the adoption of IFRS 16, A-Plant generated an EBITDA margin of 34% (2019: 37%). Operating profit of £38m (2019: £55m) at a margin of 10% (2019: 15%) also reflected these impacts.

Sunbelt Canada is in a growth phase as it invests to expand its network and develop the business. Significant growth has been achieved while delivering a 41% EBITDA margin (2019: 37%) and generating an operating profit of C$58m (2019: C$47m) at a margin of 18% (2019: 18%). Excluding the impact of IFRS 16, the EBITDA and operating profit margins were 38% and 18%, respectively.

Reflecting the performance of the divisions, Group underlying operating profit increased to £1,114m (2019: £999m), up 9% at constant exchange rates. Net financing costs increased to £167m (2019: £112m) reflecting the impact of the adoption of IFRS 16, which resulted in an incremental interest charge of £33m in the nine months, and higher average debt levels. As a result, Group profit before amortisation of intangibles, exceptional items and taxation was £947m (2019: £888m). After a tax charge of 25% (2019: 24%) of the underlying pre-tax profit, underlying earnings per share increased 8% at constant currency to 154.3p (2019: 138.9p). Excluding the impact of IFRS 16, Group profit before exceptional items, amortisation of intangibles and taxation was £969m and underlying earnings per share increased 11% at constant currency. The underlying cash tax charge was 12%.

Statutory profit before tax was £885m (2019: £851m). This is after amortisation of £45m (2019: £37m) and, in the current year, an exceptional charge of £16m ($21m). The exceptional charge relates to financing costs associated with the redemption of our $500m 5.625% senior notes in November 2019. Included within the total tax charge is a tax credit of £15m (2019: £9m) which relates to the amortisation of intangibles and exceptional items. As a result, basic earnings per share were 144.1p (2019: 133.1p).

Capital expenditure and acquisitions

Capital expenditure for the nine months was £1,256m gross and £1,028m net of disposal proceeds (2019: £1,290m gross and £1,138m net). Reflecting this investment, the Group's rental fleet at 31 January 2020 at cost was £9.0bn. Our average fleet age is now 34 months (2019: 32 months).

We invested £407m (2019: £491m), including acquired borrowings, in 17 bolt-on acquisitions during the period as we continue to expand our footprint and look to diversify our specialty markets.

For the full year, we now expect gross capital expenditure to be at the lower end of our previous guidance (c. £1.4bn at a $1.30 sterling exchange rate). For 2020/21, we expect gross capital expenditure to be in the range of £1.1 - £1.3bn which should result in mid to high single digit rental revenue growth in the US next year.

Return on Investment

Sunbelt US's pre-tax return on investment (excluding goodwill and intangible assets) in the 12 months to 31 January 2020 was 23% (2019: 24%). In the UK, return on investment (excluding goodwill and intangible assets) was 7% (2019: 10%). This decline reflects the competitive nature of the UK market and the rate environment and the weaker performance of the business. In Canada, return on investment (excluding goodwill and intangible assets) was 12% (2019: 11%). We have made a significant investment in Canada including the recent acquisition of William F. White and, as we develop the potential of the market, we expect returns to increase. For the Group as a whole, return on investment (including goodwill and intangible assets) was 17% (2019: 18%). For comparability, return on investment excludes the impact of IFRS 16.

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 but also due to the adoption of IFRS 16, which added £883m to debt as at 1 May 2019. During the period, we spent £376m on share buybacks.

In November, the Group took advantage of good debt markets and refinanced its debt facilities by issuing $600m 4.0% senior notes maturing in May 2028 and $600m 4.25% senior notes maturing in November 2029. The net proceeds of the issues were used to repurchase the Group's $500m 5.625% senior notes which would have matured in 2024, pay related fees and expenses and repay an element of the amount outstanding under the ABL facility. These actions ensure 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 borrowing facilities are now committed for an average of six years at a weighted average cost of 4%.

Net debt at 31 January 2020 was £5,443m (2019: £3,725m), resulting in a net debt to EBITDA ratio of 2.3 times on a pro forma basis. The Group's target range for net debt to EBITDA is 1.9 to 2.4 times following the adoption of IFRS 16. Excluding the effect of IFRS 16, net debt at 31 January 2020 was £4,359m, while the ratio of net debt to EBITDA was 1.9 times (2019: 1.8 times) on a constant currency basis.

At 31 January 2020, availability under the senior secured debt facility was $1,446m, with an additional $2,949m of suppressed availability – substantially above the $410m 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. In this regard, we assess continuously our medium term plans which take account of investment in the business, growth prospects, cash generation, net debt and leverage. Therefore the amount allocated to buybacks is simply driven by that which is available after organic growth, bolt-on M&A and dividends, whilst allowing us to operate within our 1.9 to 2.4 times target range for net debt to EBITDA (1.5 to 2.0 times pre IFRS 16).

In line with these priorities, our share buyback programme will continue through the 2020/21 financial year, with an anticipated spend of at least £500m.

Current trading and outlook

In North America our business continues to perform well in supportive end markets, while in the UK we have taken decisive strategic action to refocus the business in the challenging market conditions. Although construction markets are moderating, we expect results to be in line with expectations and the Board continues to look to the medium term with confidence.

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 JANUARY 2020

	2020			2019		
	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	1,120.9	-	1,120.9	1,049.1	-	1,049.1
Sale of new equipment, merchandise and consumables	45.4	-	45.4	46.9	-	46.9
Sale of used rental equipment	80.7	-	80.7	47.4	-	47.4
	1,247.0	-	1,247.0	1,143.4	-	1,143.4
Operating costs						
Staff costs	(290.0)	-	(290.0)	(265.8)	-	(265.8)
Used rental equipment sold	(65.7)	-	(65.7)	(42.2)	-	(42.2)
Other operating costs	(307.1)	-	(307.1)	(318.0)	-	(318.0)
	(662.8)	-	(662.8)	(626.0)	-	(626.0)
EBITDA*	584.2	-	584.2	517.4	-	517.4
Depreciation	(271.2)	-	(271.2)	(220.2)	-	(220.2)
Amortisation of intangibles	-	(15.5)	(15.5)	-	(13.4)	(13.4)
Operating profit	313.0	(15.5)	297.5	297.2	(13.4)	283.8
Interest expense	(56.2)	(16.3)	(72.5)	(42.9)	-	(42.9)
Profit on ordinary activities before taxation	256.8	(31.8)	225.0	254.3	(13.4)	240.9
Taxation	(65.2)	7.8	(57.4)	(63.5)	3.5	(60.0)
Profit attributable to equity holders of the Company	191.6	(24.0)	167.6	190.8	(9.9)	180.9
Basic earnings per share	42.3p	(5.3p)	37.0p	40.0p	(2.1p)	37.9p
Diluted earnings per share	42.1p	(5.3p)	36.8p	39.8p	(2.0p)	37.8p

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

All revenue and profit is generated from continuing operations.

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

CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTHS ENDED 31 JANUARY 2020

	2020			2019		
	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	3,567.8	-	3,567.8	3,123.6	-	3,123.6
Sale of new equipment, merchandise and consumables	141.4	-	141.4	126.6	-	126.6
Sale of used rental equipment	219.1	-	219.1	143.6	-	143.6
	3,928.3	-	3,928.3	3,393.8	-	3,393.8
Operating costs						
Staff costs	(880.9)	-	(880.9)	(754.6)	-	(754.6)
Used rental equipment sold	(184.6)	-	(184.6)	(121.8)	-	(121.8)
Other operating costs	(951.5)	-	(951.5)	(901.2)	-	(901.2)
	(2,017.0)	-	(2,017.0)	(1,777.6)	-	(1,777.6)
EBITDA*	1,911.3	-	1,911.3	1,616.2	-	1,616.2
Depreciation	(797.3)	-	(797.3)	(616.8)	-	(616.8)
Amortisation of intangibles	-	(45.2)	(45.2)	-	(36.8)	(36.8)
Operating profit	1,114.0	(45.2)	1,068.8	999.4	(36.8)	962.6
Investment income	-	-	-	0.1	-	0.1
Interest expense	(167.3)	(16.3)	(183.6)	(111.8)	-	(111.8)
Profit on ordinary activities before taxation	946.7	(61.5)	885.2	887.7	(36.8)	850.9
Taxation	(238.7)	15.0	(223.7)	(217.4)	8.9	(208.5)
Profit attributable to equity holders of the Company	708.0	(46.5)	661.5	670.3	(27.9)	642.4
Basic earnings per share	154.3p	(10.2p)	144.1p	138.9p	(5.8p)	133.1p
Diluted earnings per share	153.7p	(10.1p)	143.6p	138.3p	(5.8p)	132.5p

***** 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	
	2020	2019	2020	2019
	£m	£m	£m	£m
Profit attributable to equity holders of the Company for the period	167.6	180.9	661.5	642.4
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	(44.5)	(71.8)	(34.6)	88.3
Total comprehensive income for the period	123.1	109.1	626.9	730.7

CONSOLIDATED BALANCE SHEET AT 31 JANUARY 2020

	Unaudited 31 January 2020	Unaudited 31 January 2019	Audited 30 April 2019
	£m	£m	£m
Current assets			
Inventories	85.1	68.9	83.5
Trade and other receivables	934.5	872.8	843.6
Current tax asset	6.2	24.4	25.3
Cash and cash equivalents	17.9	16.7	12.8
	1,043.7	982.8	965.2
Non-current assets			
Property, plant and equipment			
- rental equipment	5,781.5	5,316.2	5,413.3
- other assets	687.1	543.9	573.7
	6,468.6	5,860.1	5,987.0
Right-of-use asset	1,074.3	-	-
Goodwill	1,291.2	1,101.0	1,144.7
Other intangible assets	306.9	253.0	260.6
Net defined benefit pension plan asset	-	4.3	-
	9,141.0	7,218.4	7,392.3
Total assets	10,184.7	8,201.2	8,357.5
Current liabilities			
Trade and other payables	553.8	557.4	632.4
Current tax liability	11.1	14.4	16.4
Lease liabilities	107.8	-	-
Short-term borrowings	-	2.8	2.3
Provisions	43.3	35.7	42.5
	716.0	610.3	693.6
Non-current liabilities			
Lease liabilities	981.5	-	-
Long-term borrowings	4,371.8	3,738.7	3,755.4
Provisions	43.9	45.6	46.0
Deferred tax liabilities	1,175.4	1,019.9	1,061.1
Net defined benefit pension plan liability	1.3	-	0.9
	6,573.9	4,804.2	4,863.4
Total liabilities	7,289.9	5,414.5	5,557.0
Equity			
Share capital	45.4	49.9	49.9
Share premium account	3.6	3.6	3.6
Capital redemption reserve	10.8	6.3	6.3
Own shares held by the Company	(47.2)	(491.6)	(622.6)
Own shares held by the ESOT	(27.7)	(24.6)	(24.6)
Cumulative foreign exchange translation differences	200.1	214.1	234.7
Retained reserves	2,709.8	3,029.0	3,153.2
Equity attributable to equity holders of the Company	2,894.8	2,786.7	2,800.5
Total liabilities and equity	10,184.7	8,201.2	8,357.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 JANUARY 2020

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares held by the Company £m	Own shares held through the ESOT £m	Cumulative foreign exchange translation differences £m	Retained reserves £m	Total £m
Unaudited								
At 1 May 2018	49.9	3.6	6.3	(161.0)	(20.0)	125.8	2,522.3	2,526.9
Profit for the period	-	-	-	-	-	-	642.4	642.4
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	88.3	-	88.3
Total comprehensive income for the period	-	-	-	-	-	88.3	642.4	730.7
Dividends paid	-	-	-	-	-	-	(133.3)	(133.3)
Own shares purchased by the ESOT	-	-	-	-	(14.2)	-	-	(14.2)
Own shares purchased by the Company	-	-	-	(330.6)	-	-	-	(330.6)
Share-based payments	-	-	-	-	9.6	-	(4.0)	5.6
Tax on share-based payments	-	-	-	-	-	-	1.6	1.6
At 31 January 2019	49.9	3.6	6.3	(491.6)	(24.6)	214.1	3,029.0	2,786.7
Profit for the period	-	-	-	-	-	-	154.5	154.5
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	20.6	-	20.6
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	(3.7)	(3.7)
Tax on defined benefit pension plan	-	-	-	-	-	-	0.7	0.7
Total comprehensive income for the period	-	-	-	-	-	20.6	151.5	172.1
Dividends paid	-	-	-	-	-	-	(30.9)	(30.9)
Own shares purchased by the Company	-	-	-	(131.0)	-	-	-	(131.0)
Share-based payments	-	-	-	-	-	-	2.0	2.0
Tax on share-based payments	-	-	-	-	-	-	1.6	1.6
At 30 April 2019	49.9	3.6	6.3	(622.6)	(24.6)	234.7	3,153.2	2,800.5
Effect of initial application of IFRS 16	-	-	-	-	-	-	8.1	8.1
At 1 May 2019 (restated)	49.9	3.6	6.3	(622.6)	(24.6)	234.7	3,161.3	2,808.6
Profit for the period	-	-	-	-	-	-	661.5	661.5
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	(34.6)	-	(34.6)
Total comprehensive income for the period	-	-	-	-	-	(34.6)	661.5	626.9
Dividends paid	-	-	-	-	-	-	(154.4)	(154.4)
Own shares purchased by the ESOT	-	-	-	-	(17.5)	-	-	(17.5)
Own shares purchased by the Company	-	-	-	(375.9)	-	-	-	(375.9)
Share-based payments	-	-	-	-	14.4	-	(8.0)	6.4
Tax on share-based payments	-	-	-	-	-	-	0.7	0.7
Cancellation of shares	(4.5)	-	4.5	951.3	-	-	(951.3)	-
At 31 January 2020	45.4	3.6	10.8	(47.2)	(27.7)	200.1	2,709.8	2,894.8

CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED 31 JANUARY 2020

		Unaudited 2020 £m		2019 £m
Cash flows from operating activities				
Cash generated from operations before exceptional items and changes in rental equipment		1,828.5		1,500.3
Payments for rental property, plant and equipment		(1,206.6)		(1,315.1)
Proceeds from disposal of rental property, plant and equipment		166.0		128.1
Cash generated from operations		787.9		313.3
Financing costs paid (net)		(138.3)		(80.8)
Exceptional financing costs paid		(12.4)		-
Tax paid (net)		(100.9)		(34.0)
Net cash generated from operating activities		536.3		198.5
Cash flows from investing activities				
Acquisition of businesses		(406.6)		(460.8)
Payments for non-rental property, plant and equipment		(181.1)		(134.3)
Proceeds from disposal of non-rental property, plant and equipment		7.4		7.8
Net cash used in investing activities		(580.3)		(587.3)
Cash flows from financing activities				
Drawdown of loans		2,110.8		1,585.9
Redemption of loans		(1,465.1)		(724.5)
Repayment of principal under lease liabilities		(48.8)		(0.3)
Dividends paid		(154.4)		(133.3)
Purchase of own shares by the ESOT		(17.5)		(14.2)
Purchase of own shares by the Company		(375.6)		(327.4)
Net cash generated from financing activities		49.4		386.2
Increase/(decrease) in cash and cash equivalents		5.4		(2.6)
Opening cash and cash equivalents		12.8		19.1
Effect of exchange rate difference		(0.3)		0.2
Closing cash and cash equivalents		17.9		16.7
Reconciliation of net cash flows to net debt				
(Increase)/decrease in cash and cash equivalents in the period		(5.4)		2.6
Increase in debt through cash flow		596.9		861.1
Change in net debt from cash flows		591.5		863.7
Debt acquired		89.5		28.4
Exchange differences		(63.6)		105.9
Non-cash movements:				
- deferred costs of debt raising		8.4		14.1
- new lease liabilities		189.7		0.7
Increase in net debt in the period		815.5		1,012.8
Net debt at 1 May (as previously stated)	3,744.9		2,712.0	
Effect of initial application of IFRS 16	882.8		-	
Net debt at 1 May (restated)		4,627.7		2,712.0
Net debt at 31 January		5,443.2		3,724.8

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 2020 comprise the Company and its subsidiaries ('the Group').

The condensed consolidated interim financial statements for the nine months ended 31 January 2020 were approved by the directors on 2 March 2020.

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 2019 were approved by the directors on 17 June 2019 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 2020 have been prepared in accordance with relevant International Financial Reporting Standards ('IFRS') as adopted by the European Union, including IAS 34, and the accounting policies set out in the Group's Annual Report and Accounts for the year ended 30 April 2019, except for the adoption of IFRS 16, Leases ('IFRS 16'), further details of which are set out below.

The directors have adopted various alternative performance measures to provide additional useful information on the underlying trends, performance and position of the Group. The alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures, but are defined within the Glossary of Terms on page 38.

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 13), provide a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the condensed consolidated interim financial statements.

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

	US dollar		Canadian dollar	
	2020	2019	2020	2019
Average for the three months ended 31 January	1.30	1.28	1.71	1.71
Average for the nine months ended 31 January	1.27	1.30	1.68	1.71
At 30 April	-	1.30	-	1.75
At 31 January	1.32	1.32	1.74	1.73

2. Basis of preparation (continued)

IFRS 16, Leases

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

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

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

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

Accounting policy under IFRS 16

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

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

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

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

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

2. Basis of preparation (continued)

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

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

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

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

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

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

Approach to transition

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

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

2. Basis of preparation (continued)

Practical expedients adopted on transition

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

- a single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- right-of-use assets have been adjusted by the carrying amount of onerous lease provisions at 30 April 2019 instead of performing impairment reviews under IAS 36;
- hindsight has been used in determining the lease term and as such the Group has assumed that all available lease extension options are taken unless there are plans to exit a location based on our historical experience; and
- leases where the remaining lease term on transition was less than 12 months have been excluded from the lease liability on transition.

Financial impact

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

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

2. Basis of preparation (continued)

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

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

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

	2020			2019
	Pre IFRS 16	IFRS 16 impact	As reported	Total
	£m	£m	£m	£m
Revenue				
Rental revenue	3,567.8	-	3,567.8	3,123.6
Sale of new equipment, merchandise and consumables	141.4	-	141.4	126.6
Sale of used rental equipment	219.1	-	219.1	143.6
	3,928.3	-	3,928.3	3,393.8
Operating costs				
Staff costs	(880.9)	-	(880.9)	(754.6)
Used rental equipment sold	(184.6)	-	(184.6)	(121.8)
Other operating costs	(1,028.3)	76.8	(951.5)	(901.2)
	(2,093.8)	76.8	(2,017.0)	(1,777.6)
EBITDA	1,834.5	76.8	1,911.3	1,616.2
Depreciation	(731.1)	(66.2)	(797.3)	(616.8)
Amortisation of intangibles	(45.2)	-	(45.2)	(36.8)
Operating profit	1,058.2	10.6	1,068.8	962.6
Investment income	-	-	-	0.1
Interest expense	(134.7)	(32.6)	(167.3)	(111.8)
Exceptional items	(16.3)	-	(16.3)	-
Profit on ordinary activities before taxation	907.2	(22.0)	885.2	850.9
Taxation	(229.3)	5.6	(223.7)	(208.5)
Profit attributable to equity holders of the Company	677.9	(16.4)	661.5	642.4

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Segmental analysis

Three months to 31 January 2020

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	960.0	98.5	62.4	-	1,120.9
Sale of new equipment, merchandise and consumables	33.0	7.0	5.4	-	45.4
Sale of used rental equipment	74.3	3.7	2.7	-	80.7
	1,067.3	109.2	70.5	-	1,247.0
Operating profit before amortisation	299.2	7.8	10.0	(4.0)	313.0
Amortisation					(15.5)
Net financing costs					(56.2)
Exceptional items					(16.3)
Profit before taxation					225.0
Taxation					(57.4)
Profit attributable to equity shareholders					167.6

Three months to 31 January 2019

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	907.5	96.9	44.7	-	1,049.1
Sale of new equipment, merchandise and consumables	35.2	7.1	4.6	-	46.9
Sale of used rental equipment	38.5	5.9	3.0	-	47.4
	981.2	109.9	52.3	-	1,143.4
Operating profit before amortisation	283.7	10.5	6.5	(3.5)	297.2
Amortisation					(13.4)
Net financing costs					(42.9)
Profit before taxation					240.9
Taxation					(60.0)
Profit attributable to equity shareholders					180.9

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Segmental analysis (continued)

Nine months to 31 January 2020

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	3,088.7	316.3	162.8	-	3,567.8
Sale of new equipment, merchandise and consumables	100.4	24.1	16.9	-	141.4
Sale of used rental equipment	183.0	24.7	11.4	-	219.1
	3,372.1	365.1	191.1	-	3,928.3
Operating profit before amortisation	1,055.1	37.8	34.3	(13.2)	1,114.0
Amortisation					(45.2)
Net financing costs					(167.3)
Exceptional items					(16.3)
Profit before taxation					885.2
Taxation					(223.7)
Profit attributable to equity shareholders					661.5

Nine months to 31 January 2019

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	2,679.1	318.2	126.3	-	3,123.6
Sale of new equipment, merchandise and consumables	86.5	24.4	15.7	-	126.6
Sale of used rental equipment	117.8	17.8	8.0	-	143.6
	2,883.4	360.4	150.0	-	3,393.8
Operating profit before amortisation	928.2	54.7	27.7	(11.2)	999.4
Amortisation					(36.8)
Net financing costs					(111.7)
Profit before taxation					850.9
Taxation					(208.5)
Profit attributable to equity shareholders					642.4

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
At 31 January 2020					
Segment assets	8,475.2	867.1	810.8	7.5	10,160.6
Cash					17.9
Taxation assets					6.2
Total assets					10,184.7
At 30 April 2019					
Segment assets	6,991.8	851.6	475.7	0.3	8,319.4
Cash					12.8
Taxation assets					25.3
Total assets					8,357.5

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. Operating costs and other income

	2020			2019		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Three months to 31 January						
Staff costs:						
Salaries	264.3	-	264.3	243.0	-	243.0
Social security costs	20.4	-	20.4	18.4	-	18.4
Other pension costs	5.3	-	5.3	4.4	-	4.4
	290.0	-	290.0	265.8	-	265.8
Used rental equipment sold	65.7	-	65.7	42.2	-	42.2
Other operating costs:						
Vehicle costs	71.9	-	71.9	67.4	-	67.4
Spares, consumables & external repairs	60.2	-	60.2	57.3	-	57.3
Facility costs	12.6	-	12.6	33.3	-	33.3
Other external charges	162.4	-	162.4	160.0	-	160.0
	307.1	-	307.1	318.0	-	318.0
Depreciation and amortisation:						
Depreciation	271.2	-	271.2	220.2	-	220.2
Amortisation of intangibles	-	15.5	15.5	-	13.4	13.4
	271.2	15.5	286.7	220.2	13.4	233.6
	934.0	15.5	949.5	846.2	13.4	859.6

	2020			2019		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Nine months to 31 January						
Staff costs:						
Salaries	805.0	-	805.0	691.0	-	691.0
Social security costs	60.3	-	60.3	51.2	-	51.2
Other pension costs	15.6	-	15.6	12.4	-	12.4
	880.9	-	880.9	754.6	-	754.6
Used rental equipment sold	184.6	-	184.6	121.8	-	121.8
Other operating costs:						
Vehicle costs	231.8	-	231.8	203.7	-	203.7
Spares, consumables & external repairs	197.2	-	197.2	165.8	-	165.8
Facility costs	36.9	-	36.9	92.9	-	92.9
Other external charges	485.6	-	485.6	438.8	-	438.8
	951.5	-	951.5	901.2	-	901.2
Depreciation and amortisation:						
Depreciation	797.3	-	797.3	616.8	-	616.8
Amortisation of intangibles	-	45.2	45.2	-	36.8	36.8
	797.3	45.2	842.5	616.8	36.8	653.6
	2,814.3	45.2	2,859.5	2,394.4	36.8	2,431.2

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. Exceptional items and amortisation

Exceptional items are those items of financial performance that are material and non-recurring in nature. Amortisation relates to the 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	
	2020	2019	2020	2019
	£m	£m	£m	£m
Amortisation of intangibles	15.5	13.4	45.2	36.8
Write-off of deferred financing costs	3.9	-	3.9	-
Early redemption fee	11.2	-	11.2	-
Call period interest	1.2	-	1.2	-
Taxation	(7.8)	(3.5)	(15.0)	(8.9)
	24.0	9.9	46.5	27.9

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

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

	Three months to 31 January		Nine months to 31 January	
	2020	2019	2020	2019
	£m	£m	£m	£m
Amortisation of intangibles	15.5	13.4	45.2	36.8
Charged in arriving at operating profit	15.5	13.4	45.2	36.8
Net financing costs	16.3	-	16.3	-
Charged in arriving at profit before tax	31.8	13.4	61.5	36.8
Taxation	(7.8)	(3.5)	(15.0)	(8.9)
	24.0	9.9	46.5	27.9

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. Net financing costs

	Three months to 31 January		Nine months to 31 January	
	2020	2019	2020	2019
	£m	£m	£m	£m
Investment income:				
Net interest on the net defined benefit pension plan asset	-	-	-	(0.1)
Interest expense:				
Bank interest payable	17.4	19.7	59.5	49.6
Interest payable on senior notes	25.3	21.5	69.5	57.9
Interest payable on lease liabilities	11.4	0.1	32.9	0.3
Non-cash unwind of discount on provisions	0.5	0.3	0.9	0.7
Amortisation of deferred debt raising costs	1.6	1.3	4.5	3.3
	56.2	42.9	167.3	111.8
Net financing costs before exceptional items	56.2	42.9	167.3	111.7
Exceptional items	16.3	-	16.3	-
Net financing costs	72.5	42.9	183.6	111.7

7. Taxation

The tax charge for the period has been computed using a tax rate of 25% in the US (2019: 25%), 19% in the UK (2019: 19%) and 27% in Canada (2019: 27%). The blended rate for the Group as a whole is 25% (2019: 24%).

The tax charge of £239m (2019: £217m) on the underlying profit before taxation of £947m (2019: £888m) can be explained as follows:

	Nine months to 31 January	
	2020	2019
	£m	£m
Current tax		
- current tax on income for the period	117.9	37.7
- adjustments to prior year	(1.8)	(1.2)
	116.1	36.5
Deferred tax		
- origination and reversal of temporary differences	121.0	180.3
- adjustments to prior year	1.6	0.6
	122.6	180.9
Tax on underlying activities	238.7	217.4
Comprising:		
- UK	16.2	14.2
- US	217.5	198.3
- Canada	5.0	4.9
	238.7	217.4

7. Taxation (continued)

In addition, the tax credit of £15m (2019: £9m) on amortisation and exceptional items of £62m (2019: £37m) consists of a current tax credit of £10m (2019: £nil) relating to the US, a deferred tax credit of £1m (2019: £1m) relating to the UK, £2m (2019: £6m) relating to the US and £2m (2019: £2m) relating to Canada.

8. Earnings per share

Basic and diluted earnings per share for the three and nine months ended 31 January 2020 have been calculated based on the profit for the relevant period and the weighted average number of ordinary shares in issue during that period (excluding shares held by the Company and the ESOT over which dividends have been waived). Diluted earnings per share is computed using the result for the relevant period and the diluted number of shares (ignoring any potential issue of ordinary shares which would be anti-dilutive). These are calculated as follows:

	Three months to 31 January		Nine months to 31 January	
	2020	2019	2020	2019
Profit for the financial period (£m)	167.6	180.9	661.5	642.4
Weighted average number of shares (m) - basic	453.3	477.2	458.9	482.7
- diluted	454.8	479.1	460.6	484.7
Basic earnings per share	37.0p	37.9p	144.1p	133.1p
Diluted earnings per share	36.8p	37.8p	143.6p	132.5p

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	
	2020	2019	2020	2019
Basic earnings per share	37.0p	37.9p	144.1p	133.1p
Amortisation of intangibles	3.4p	2.8p	9.9p	7.6p
Exceptional items	3.6p	-	3.6p	-
Tax on exceptional items and amortisation	(1.7p)	(0.7p)	(3.3p)	(1.8p)
Underlying earnings per share	42.3p	40.0p	154.3p	138.9p

9. Dividends

During the period, a final dividend in respect of the year ended 30 April 2019 of 33.5p (2018: 27.5p) per share was paid to shareholders costing £154m (2018: £133m). The interim dividend in respect of the year ending 30 April 2020 of 7.15p (2019: 6.5p) per share announced on 10 December 2019 was paid on 5 February 2020 to shareholders and cost £32m.

10. Property, plant and equipment

	2020		2019	
Net book value	Rental equipment £m	Total £m	Rental equipment £m	Total £m
At 1 May (as previously stated)	5,413.3	5,987.0	4,430.5	4,882.0
Effect of initial application of IFRS 16	-	(4.8)	-	-
At 1 May (restated)	5,413.3	5,982.2	4,430.5	4,882.0
Exchange differences	(31.2)	(34.7)	180.4	198.2
Reclassifications	(1.4)	-	(1.6)	-
Additions	1,081.3	1,256.2	1,155.0	1,289.6
Acquisitions	138.0	176.7	216.4	233.7
Disposals	(174.3)	(181.5)	(119.0)	(126.6)
Depreciation	(644.2)	(730.3)	(545.5)	(616.8)
At 31 January	5,781.5	6,468.6	5,316.2	5,860.1

11. Right-of-use assets

Net book value	Property leases £m	Other leases £m	Total £m
At 1 May 2019 (as previously stated)	-	-	-
Effect of initial application of IFRS 16	889.5	4.8	894.3
At 1 May 2019 (restated)	889.5	4.8	894.3
Exchange differences	(13.3)	-	(13.3)
Additions	157.3	1.2	158.5
Acquisitions	74.8	-	74.8
Remeasurement	31.8	-	31.8
Disposals	(4.2)	(0.6)	(4.8)
Depreciation	(66.2)	(0.8)	(67.0)
At 31 January 2020	1,069.7	4.6	1,074.3

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

12. Lease liability

	31 January 2020 £m	30 April 2019 £m
Current	107.8	-
Non-current	981.5	-
	1,089.3	-

13. Borrowings

	31 January 2020 £m	30 April 2019 £m
Current		
Finance lease obligations	-	2.3
Non-current		
First priority senior secured bank debt	2,123.3	2,010.7
Finance lease obligations	-	2.7
5.625% senior notes, due 2024	-	379.3
4.125% senior notes, due 2025	450.3	454.7
5.250% senior notes, due 2026	449.2	453.6
4.375% senior notes, due 2027	449.9	454.4
4.000% senior notes, due 2028	449.6	-
4.250% senior notes, due 2029	449.5	-
	4,371.8	3,755.4

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

The $600m 4.125% senior notes mature in August 2025, the $600m 5.25% senior notes mature in August 2026, the $600m 4.375% senior notes mature in August 2027, the $600m 4.000% senior notes mature in May 2028 and the $600m 4.250% senior notes mature in November 2029. Our debt facilities therefore remain committed for the long term, with an average maturity of six years. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is 4%. The terms of the senior notes are such that financial performance covenants are only measured at the time new debt is raised.

There is one financial performance covenant under the first priority senior credit facility. That is the fixed charge ratio (comprising LTM EBITDA before exceptional items less LTM net capital expenditure paid in cash over the sum of scheduled debt repayments plus cash interest, cash tax payments and dividends paid in the last twelve months) which, must be equal to, or greater than, 1.0. This covenant does not apply when availability exceeds $410m. The covenant ratio is calculated each quarter. At 31 January 2020, the fixed charge ratio exceeded the covenant requirement.

At 31 January 2020, availability under the senior secured bank facility was $1,446m ($1,622m at 30 April 2019), with an additional $2,949m of suppressed availability, meaning that the covenant did not apply at 31 January 2020 and is unlikely to apply in forthcoming quarters.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. Borrowings (continued)

Fair value of financial instruments

At 31 January 2020, the Group had no derivative financial instruments.

With the exception of the Group's senior notes detailed in the table below, the carrying value of non-derivative financial assets and liabilities is considered to equate materially to their fair value.

	At 31 January 2020		At 30 April 2019	
	Book value £m	Fair value £m	Book value £m	Fair value £m
5.625% senior notes	-	-	383.5	397.5
4.125% senior notes	455.3	467.8	460.3	455.1
5.250% senior notes	455.3	486.0	460.3	476.9
4.375% senior notes	455.3	473.5	460.3	451.6
4.000% senior notes	455.3	466.1	-	-
4.250% senior notes	455.3	473.5	-	-
	2,276.5	2,366.9	1,764.4	1,781.1
Deferred costs of raising finance	(28.0)	-	(22.4)	-
	2,248.5	2,366.9	1,742.0	1,781.1

The fair value of the senior notes has been calculated using quoted market prices at 31 January 2020.

14. Share capital

Ordinary shares of 10p each:

	31 January 2020 Number	30 April 2019 Number	31 January 2020 £m	30 April 2019 £m
Issued and fully paid	454,194,833	499,225,712	45.4	49.9

During the period, the Company purchased 16.7m ordinary shares at a total cost of £376m under the Group's share buyback programme. Since the commencement of the Group's ongoing share buyback programme, the Group has purchased 46.9m shares and in January 2020, 45.0m ordinary shares held in treasury were cancelled. At 31 January 2020 after the cancellation of these shares, 1.9m (April 2019: 30.3m) shares were held by the Company and a further 1.5m (April 2019: 1.6m) shares were held by the Company's Employee Share Ownership Trust.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. Notes to the cash flow statement

a) Cash flow from operating activities

	Nine months to 31 January 2020 £m	2019 £m
Operating profit before exceptional items and amortisation	1,114.0	999.4
Depreciation	797.3	616.8
EBITDA before exceptional items	1,911.3	1,616.2
Profit on disposal of rental equipment	(34.6)	(21.8)
Profit on disposal of other property, plant and equipment	(1.2)	(0.8)
Increase in inventories	(4.4)	(7.0)
Increase in trade and other receivables	(16.3)	(116.1)
(Decrease)/increase in trade and other payables	(33.2)	24.1
Exchange differences	0.5	0.1
Other non-cash movements	6.4	5.6
Cash generated from operations before exceptional items and changes in rental equipment	1,828.5	1,500.3

b) Analysis of net debt

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

	1 May 2019 £m	Adoption of IFRS 16 £m	Cash flow £m	Non-cash movements: Exchange movement £m	Debt acquired £m	New lease liabilities £m	Other movements £m	31 January 2020 £m
Short-term borrowings	2.3	(2.3)	-	-	-	-	-	-
Long-term borrowings	3,755.4	(2.7)	645.7	(49.7)	14.7	-	8.4	4,371.8
Lease liabilities	-	887.8	(48.8)	(14.2)	74.8	189.7	-	1,089.3
Total liabilities from financing activities	3,757.7	882.8	596.9	(63.9)	89.5	189.7	8.4	5,461.1
Cash and cash equivalents	(12.8)	-	(5.4)	0.3	-	-	-	(17.9)
Net debt	3,744.9	882.8	591.5	(63.6)	89.5	189.7	8.4	5,443.2

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. Notes to the cash flow statement (continued)

b) Analysis of net debt (continued)

	1 May 2018 £m	Cash flow £m	Non-cash movements: Exchange movement £m	Non-cash movements: Debt acquired £m	Non-cash movements: Other movements £m	31 January 2019 £m
Short-term borrowings	2.7	(8.2)	-	7.9	0.4	2.8
Long-term borrowings	2,728.4	869.3	106.1	20.5	14.4	3,738.7
Total liabilities from financing activities	2,731.1	861.1	106.1	28.4	14.8	3,741.5
Cash and cash equivalents	(19.1)	2.6	(0.2)	-	-	(16.7)
Net debt	2,712.0	863.7	105.9	28.4	14.8	3,724.8

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

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

c) Acquisitions

	Nine months to 31 January 2020 £m	Nine months to 31 January 2019 £m
Cash consideration paid:		
- acquisitions in the period	389.3	458.9
- contingent consideration	17.3	1.9
	406.6	460.8

During the period, 17 businesses were acquired with cash paid of £389m (2019: £459m), after taking account of net cash acquired of £5m. Further details are provided in note 16.

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

16. Acquisitions

During the period, the following acquisitions were completed:

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

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

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

16. Acquisitions (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16. Acquisitions (continued)

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

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	29.2
Inventory	(2.0)
Property, plant and equipment	
- rental equipment	138.0
- other assets	38.7
Right-of-use asset	74.8
Creditors	(18.7)
Debt	(14.7)
Lease liabilities	(74.8)
Current tax	(10.7)
Deferred tax	(8.8)
Intangible assets (non-compete agreements, brand names and customer relationships)	94.8
	245.8
Consideration:	
- cash paid and due to be paid (net of cash acquired)	392.3
- contingent consideration	14.5
	406.8
Goodwill	161.0

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. £77m of the goodwill is expected to be deductible for income tax purposes.

The gross value and the fair value of trade receivables at acquisition was £29m.

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 2019 to their date of acquisition was not material.

17. Contingent liabilities

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

Following its state aid investigation, the European Commission announced its decision in April 2019 that the Group Financing Exemption in the UK controlled foreign company ('CFC') legislation does constitute state aid in some circumstances. In common with other UK-based international companies, the Group may be affected by the outcome of this investigation and is therefore monitoring developments. If the decision reached by the European Commission is not successfully appealed, we have estimated the Group's maximum potential liability to be £35m as at 31 January 2020. Based on the current status of the investigation, we have concluded that no provision is required in relation to this amount.

REVIEW OF THIRD QUARTER, BALANCE SHEET AND CASH FLOW

Third quarter

	Revenue		EBITDA		Profit[1]	
	2020	2019	2020	2019	2020	2019
Sunbelt US in $m	1,392.4	1,258.9	686.9	598.4	392.1	363.0
Sunbelt Canada in C$m	120.5	89.3	46.0	29.0	17.2	11.1
Sunbelt US in £m	1,067.3	981.2	525.8	466.9	299.2	283.7
A-Plant	109.2	109.9	35.4	36.9	7.8	10.5
Sunbelt Canada in £m	70.5	52.3	26.8	17.0	10.0	6.5
Group central costs	-	-	(3.8)	(3.4)	(4.0)	(3.5)
	1,247.0	1,143.4	584.2	517.4	313.0	297.2
Net financing costs					(56.2)	(42.9)
Profit before amortisation, exceptional items and tax					**256.8**	**254.3**
Amortisation					(15.5)	(13.4)
Exceptional items					(16.3)	-
Profit before taxation					225.0	240.9
Margins as reported						
Sunbelt US			*49.3%*	*47.5%*	*28.2%*	*28.8%*
A-Plant			*32.4%*	*33.6%*	*7.1%*	*9.5%*
Sunbelt Canada			*38.2%*	*32.4%*	*14.3%*	*12.4%*
Group			*46.8%*	*45.2%*	*25.1%*	*26.0%*

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

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

Margins excluding the impact of IFRS 16	*2020*	*2019*	*2020*	*2019*
Sunbelt US	*47.3%*	*47.5%*	*27.8%*	*28.8%*
A-Plant	*30.3%*	*33.6%*	*6.9%*	*9.5%*
Sunbelt Canada	*34.4%*	*32.4%*	*13.8%*	*12.4%*
Group	*44.7%*	*45.2%*	*24.8%*	*26.0%*

Group revenue increased 9% to £1,247m in the third quarter (2019: £1,143m) with good growth in the US and Canadian markets. This revenue growth, combined with continued focus on operational efficiency, generated operating profit of £313m (2019: £297m).

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

		$m
2019 rental only revenue		933
Organic (same-store and greenfields)	5%	41
Bolt-ons since 1 November 2018	4%	40
2020 rental only revenue	9%	1,014
Ancillary revenue	4%	239
2020 rental revenue	8%	1,253
Sales revenue	47%	139
2020 total revenue	11%	1,392

Sunbelt US's organic growth of 5% is a good performance after the last two years which were impacted favourably by significant hurricane activity, whereas the 2019 hurricane season was much quieter, and in a moderating growth environment. In addition, bolt-ons have contributed a further 4% 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 9% was driven by an increase in fleet on rent.

A-Plant generated rental only revenue of £84m (2019: £83m), an increase of 2% compared with the comparable quarter. This reflects the competitive rate environment in the UK market in addition to a reduction in fleet on rent following A-Plant's targeted defleet programme.

Sunbelt Canada delivered revenue of C$120m (2019: C$89m) in the quarter. On an organic basis, rental only revenue increased 11%.

Group operating profit increased 5% to £313m (2019: £297m). Net financing costs were £56m (2019: £43m), reflecting the impact of IFRS 16 and higher average debt levels. As a result, Group profit before amortisation of intangibles, exceptional items and taxation was £257m (2019: £254m). After amortisation of £16m and exceptional items of £16m, the statutory profit before taxation was £225m (2019: £241m).

Balance sheet

Fixed assets

Capital expenditure in the nine months totalled £1,256m (2019: £1,290m) with £1,081m invested in the rental fleet (2019: £1,155m). Expenditure on rental equipment was 86% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division was:

	2020 Replacement	2020 Growth	2020 Total	2019 Total
Sunbelt US in $m	558.4	729.0	1,287.4	1,301.0
Sunbelt Canada in C$m	56.2	45.5	101.7	151.4
Sunbelt US in £m	423.7	553.2	976.9	989.2
A-Plant	46.0	-	46.0	78.2
Sunbelt Canada in £m	32.3	26.1	58.4	87.6
Total rental equipment	502.0	579.3	1,081.3	1,155.0
Delivery vehicles, property improvements & IT equipment			174.9	134.6
Total additions			1,256.2	1,289.6

In the US, $729m of rental equipment capital expenditure was spent on growth while $558m 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 2020 was 34 months (2019: 32 months) on a net book value basis. Sunbelt US's fleet had an average age of 34 months (2019: 32 months), A-Plant's fleet had an average age of 41 months (2019: 36 months) and Sunbelt Canada's fleet had an average age of 31 months (2019: 28 months).

	Rental fleet at original cost			LTM rental	LTM dollar
	31 January 2020	30 April 2019	LTM average	revenue	utilisation
Sunbelt US in $m	10,044	9,125	9,558	5,064	53%
Sunbelt Canada in C$m	909	660	717	345	48%
Sunbelt US in £m	7,622	6,999	7,477	3,961	53%
A-Plant	882	907	892	414	46%
Sunbelt Canada in £m	521	376	423	203	48%
	9,025	8,282	8,792	4,578	

Dollar utilisation was 53% at Sunbelt US (2019: 55%), 46% at A-Plant (2019: 47%) and 48% at Sunbelt Canada (2019: 51%). Sunbelt US dollar utilisation was impacted favourably last year by hurricane activity and adversely this year by slightly lower physical fleet utilisation. The lower Sunbelt Canada dollar utilisation reflects the mix of the business and the impact of the lower dollar utilisation Voisin's business.

Trade receivables

Receivable days at 31 January 2020 were 53 days (2019: 56 days). The bad debt charge for the last twelve months ended 31 January 2020 as a percentage of total turnover was 0.4% (2019: 0.6%). Trade receivables at 31 January 2020 of £790m (2019: £729m) are stated net of allowances for bad debts and credit notes of £60m (2019: £59m) with the allowance representing 7.0% (2019: 7.5%) of gross receivables.

Trade and other payables

Group payable days were 52 days in 2020 (2019: 53 days) with capital expenditure related payables, which have longer payment terms, totalling £110m (2019: £130m). 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 2020 £m	Nine months to 31 January 2019 £m	LTM to 31 January 2020 £m	Year to 30 April 2019 £m
EBITDA before exceptional items	1,911.3	1,616.2	2,401.7	2,106.6
Cash inflow from operations before exceptional items and changes in rental equipment	1,828.5	1,500.3	2,370.7	2,042.5
*Cash conversion ratio**	*95.7%*	*92.8%*	*98.7%*	*97.0%*
Replacement rental capital expenditure	(495.0)	(379.3)	(588.6)	(472.9)
Payments for non-rental capital expenditure	(181.1)	(134.3)	(215.5)	(168.7)
Rental equipment disposal proceeds	166.0	128.1	219.5	181.6
Other property, plant and equipment disposal proceeds	7.4	7.8	9.8	10.2
Tax (net)	(100.9)	(34.0)	(117.9)	(51.0)
Financing costs	(138.3)	(80.8)	(200.4)	(142.9)
Cash inflow before growth capex and payment of exceptional costs	**1,086.6**	**1,007.8**	**1,477.6**	**1,398.8**
Growth rental capital expenditure	(711.6)	(935.8)	(806.4)	(1,030.6)
Exceptional costs	(12.4)	-	(12.4)	-
Free cash flow	**362.6**	**72.0**	**658.8**	**368.2**
Business acquisitions	(406.6)	(460.8)	(537.1)	(591.3)
Total cash absorbed	**(44.0)**	**(388.8)**	**121.7**	**(223.1)**
Dividends	(154.4)	(133.3)	(185.3)	(164.2)
Purchase of own shares by the Company	(375.6)	(327.4)	(508.6)	(460.4)
Purchase of own shares by the ESOT	(17.5)	(14.2)	(17.5)	(14.2)
Increase in net debt due to cash flow	**(591.5)**	**(863.7)**	**(589.7)**	**(861.9)**

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

Cash inflow from operations before payment of exceptional costs and the net investment in the rental fleet increased by 22% to £1,829m. The nine month cash conversion ratio was 96% (2019: 93%).

Total payments for capital expenditure (rental equipment and other PPE) in the nine months were £1,388m (2019: £1,449m). Disposal proceeds received totalled £173m (2019: £136m), giving net payments for capital expenditure of £1,215m in the period (2019: £1,313m). Financing costs paid totalled £138m (2019: £81m) while tax payments were £101m (2019: £34m). 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 £1,087m (2019: £1,008m) 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 exceptional costs, there was a free cash inflow of £363m (2019: £72m) and, after acquisition expenditure of £407m (2019: £461m), a net cash outflow of £44m (2019: £389m), before returns to shareholders. Excluding the impact of IFRS 16, there was a free cash inflow of £312m (2019: £72m) and a net cash outflow of £95m (2019: £389m), before returns to shareholders.

Net debt

	31 January 2020 £m	31 January 2019 £m	30 April 2019 £m
First priority senior secured bank debt	2,123.3	2,009.8	2,010.7
5.625% senior notes, due 2024	-	375.8	379.3
4.125% senior notes, due 2025	450.3	450.5	454.7
5.250% senior notes, due 2026	449.2	449.4	453.6
4.375% senior notes, due 2027	449.9	450.2	454.4
4.000% senior notes, due 2028	449.6	-	-
4.250% senior notes, due 2029	449.5	-	-
Total external borrowings	4,371.8	3,735.7	3,752.7
Lease liabilities	1,089.3	5.8	5.0
	5,461.1	3,741.5	3,757.7
Cash and cash equivalents	(17.9)	(16.7)	(12.8)
Total net debt	5,443.2	3,724.8	3,744.9

Net debt at 31 January 2020 was £5,443m with the increase since 30 April 2019 reflecting the adoption of IFRS 16, the net cash outflow set out above and a small impact from stronger sterling (£64m). The Group's EBITDA for the twelve months ended 31 January 2020 was £2,402m. On a pro forma basis, including the impact of IFRS 16, the ratio of net debt to EBITDA was 2.3 times at 31 January 2020. Excluding the impact of IFRS 16, the ratio of net debt to EBITDA was 1.9 times (2019: 1.8 times) on a constant currency basis and 1.9 times (2019: 1.9 times) on a reported basis as at 31 January 2020.

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 2019 Annual Report and Accounts on pages 32 to 35.

The principal risks and uncertainties facing the Group are:

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

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

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

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

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

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

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

- people - retaining and attracting good people is key to delivering superior performance and customer service.

  Excessive staff turnover is likely to impact on our ability to maintain the appropriate quality of service to our customers and would ultimately impact our financial performance adversely.

  At a leadership level, succession planning is required to ensure the Group can continue to inspire the right culture, leadership and behaviours and meet its strategic objectives.

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

- laws and regulations - failure to comply with the frequently changing regulatory environment could result in reputational damage or financial penalty.

Further details, including actions taken to mitigate these risks, are provided within the 2019 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, Canada 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 2020, 93% of its debt (including lease liabilities) 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 2020, dollar-denominated debt represented approximately 67% of the value of dollar-denominated net assets (other than debt). Based on the current currency mix of our profits and on dollar debt levels, interest and exchange rates at 31 January 2020, a 1% change in the US dollar exchange rate would impact underlying pre-tax profit by approximately £11m.

OPERATING STATISTICS

	Number of rental stores			Staff numbers		
	31 January		30 April	31 January		30 April
	2020	2019	2019	2020	2019	2019
Sunbelt US	835	744	773	14,126	12,635	13,015
A-Plant	191	197	196	3,713	3,778	3,789
Sunbelt Canada	77	67	67	1,536	932	984
Corporate office	-	-	-	16	15	15
Group	1,103	1,008	1,036	19,391	17,360	17,803

Sunbelt US's rental store number includes 19 Sunbelt at Lowes stores at 31 January 2020 (2019: 19).

GLOSSARY OF TERMS

The glossary of terms below sets out definitions of terms used throughout this announcement. Included are a number of alternative performance measures ('APMs') which the directors have adopted in order to provide additional useful information on the underlying trends, performance and position of the Group. The directors use these measures, which are common across the industry, for planning and reporting purposes. These measures are also used in discussions with the investment analyst community and credit rating agencies. Where relevant, the APMs exclude the impact of IFRS 16 to aid comparability with prior year metrics. The APMs are not defined by IFRS and therefore may not be directly comparable with other companies' APMs and should not be considered superior to or a substitute for IFRS measures.

Availability: represents the headroom on a given date under the terms of our $4.1bn asset-backed senior credit facility, taking account of current borrowings.

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

Cash conversion ratio: represents cash flow from operations before exceptional items and changes in rental equipment as a percentage of underlying EBITDA. Details are provided within the Review of 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 size 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. In the current year, the impact of IFRS 16 has been excluded so as not to distort this metric.

Exceptional items: those items of income or expense which the directors believe should be disclosed separately by virtue of their significant size or nature to enable a better understanding of the Group's financial performance.

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 non-rental net property, plant and equipment expenditure. Non-rental net property, plant and equipment expenditure comprises payments for non-rental capital expenditure less disposal proceeds received in relation to non-rental asset disposals.

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

Net debt: net debt is total debt less cash balances, as reported. An analysis of net debt is provided in note 15.

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

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 tax. In the current year, the impact of IFRS 16 has been excluded so as not to distort this metric. RoI is used by management to help inform capital allocation decisions within the business and a reconciliation of Group RoI is provided below:

LTM underlying operating profit (£m)	1,367
Average net assets (£m)	8,094
Return on Investment	**17%**

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 $4.1bn asset-backed senior credit 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.