16 September 2021

Unaudited results for the first quarter ended 31 July 2021

	First quarter		
	2021	2020	Growth[1]
	$m	$m	%
Revenue	1,852	1,505	21%
Rental revenue	1,669	1,352	22%
EBITDA	860	685	24%
Operating profit	477	311	53%
Adjusted[2] profit before taxation	437	260	68%
Profit before taxation	416	241	74%
Adjusted[2] earnings per share	71.5¢	43.4¢	66%
Earnings per share	68.0¢	40.1¢	71%

Highlights[3]

- Strong quarter with clear momentum
- Revenue up 21%[1]; rental revenue up 22%[1]
- Operating profit of $477m (2020: $311m)
- Adjusted pre-tax profit of $437m (2020: $260m)
- Adjusted earnings per share of 71.5¢ (2020: 43.4¢)
- $551m of capital invested in the business (2020: $122m)
- Free cash flow of $420m (2020: $558m)
- $123m spent on bolt-on acquisitions (2020: $nil)
- Net debt to EBITDA leverage[1,3] of 1.3 times (2020: 1.8 times)
- Refinancing marks debut investment grade issuance
- Board now expects full-year results ahead of its earlier expectations

1 Calculated at constant exchange rates applying current period exchange rates.
2 Adjusted results are stated before exceptional items and amortisation.
3 Throughout this announcement we refer to a number of alternative performance measures which provide additional useful information. The directors have adopted these to provide additional 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 and reconciled in the Glossary on page 28.

Ashtead's chief executive, Brendan Horgan, commented:

"The Group delivered a strong quarter with rental revenue up 22% over the prior year, but more importantly up 12% when compared with the first quarter of 2019/20, both at constant currency. This reflects continued market outperformance across the business. I never cease to be impressed by all our dedicated team members who have enabled this performance, delivering for each of our stakeholders, while ensuring our leading value of safety remains at the forefront of all we do.

Our performance continues to illustrate the benefits of our long-term strategy to broaden and diversify our end markets, while maintaining a strong balance sheet. In the quarter, we invested $551m in capital across existing locations and greenfields and $123m on five bolt-on acquisitions, adding a combined 29 locations in North America. This investment takes advantage of the ongoing structural growth opportunity that we continue to see in the business as we execute our Sunbelt 3.0 strategy.

Our business is performing well in supportive markets with strong momentum. The benefit we derive from the diversity of our products, services and end markets, our investment in technology and ongoing structural change, enhanced by the environmental and social aspects of ESG, enables the Board to look to the future with confidence and we now expect business performance this year to be ahead of our previous expectations."

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Brendan Horgan and Michael Pratt will hold a conference call for equity analysts to discuss the results and outlook at 10am on Thursday, 16 September 2021. 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 4pm (11am 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.

Forward looking statements

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

Change in presentational currency

As announced on 15 June 2021, effective from 1 May 2021, the Group changed its presentational currency from sterling to US dollars to allow for greater transparency in the Group's performance to investors and other stakeholders and to reduce exchange rate volatility in reported figures, given that c. 80% of the Group's revenue and c. 90% of the Group's operating profit originate in US dollars. Accordingly, the Group's financial statements within this announcement are presented in US dollars. Further details were provided in our 15 June 2021 announcement 'Change in presentational currency' and in the Group's Annual Report & Accounts 2021, available via the Company's website at www.ashtead-group.com.

Trading results

	Revenue		EBITDA		Profit[1]	
	2021	2020	2021	2020	2021	2020
UK in £m	190.2	123.3	62.2	36.3	31.5	8.3
Canada in C$m	148.7	90.4	66.9	29.7	34.6	(0.1)
US	1,465.2	1,284.1	725.3	621.1	432.1	324.1
UK in $m	265.7	154.3	86.9	45.4	44.0	10.4
Canada in $m	121.0	66.1	54.4	21.7	28.2	-
Group central costs	-	-	(6.4)	(3.1)	(6.8)	(3.4)
	1,851.9	1,504.5	860.2	685.1	497.5	331.1
Interest expense					(61.0)	(70.7)
Adjusted profit before tax					**436.5**	**260.4**
Amortisation					(20.7)	(19.8)
Profit before taxation					415.8	240.6
Taxation charge					(111.6)	(61.2)
Profit attributable to equity holders of the Company					304.2	179.4
Margins						
US			*49.5%*	*48.4%*	*29.5%*	*25.2%*
UK			*32.7%*	*29.4%*	*16.5%*	*6.8%*
Canada			*45.0%*	*32.8%*	*23.3%*	*-0.1%*
Group			*46.4%*	*45.5%*	*26.9%*	*22.0%*

[1] Segment result presented is adjusted operating profit.

Group revenue for the quarter increased 23% (21% at constant currency) to $1,852m (2020: $1,505m) against COVID-19 affected comparatives and was up 14% (13% at constant currency) when compared with the first quarter of 2019/20. This revenue growth, combined with strong operational execution, resulted in adjusted profit before tax increasing 68% to $437m (2020: $260m).

In the US, rental only revenue of $1,102m (2020: $953m) was 16% higher than the prior year (and 7% higher than 2019), representing continued market outperformance and demonstrating the benefits of our strategy of growing our specialty businesses and broadening our end markets. In the quarter, our general tool business grew 14%, from the depressed activity levels in the prior year, while our specialty businesses, which grew throughout last year, grew 22%. While rental revenue growth has been driven by volume, it has benefitted from sequential rate improvement since March, in what is a better rate environment than we have seen for a number of years. US total revenue, including new and used equipment, merchandise and consumable sales, increased 14% to $1,465m (2020: $1,284m).

The UK business generated rental only revenue of £99m, up 24% on the prior year (2020: £80m). While our performance continues to benefit from our essential support to the Department of Health in its COVID-19 response efforts, our core business is performing strongly and is benefitting from the operational improvements in the business, which are ongoing. Total revenue increased 54% to £190m (2020: £123m) reflecting the higher level of ancillary and sales revenue associated with the work for the Department of Health, which accounted for c. 34% of UK revenue in the quarter.

Canada's rental only revenue increased 81% to C$111m (2020: C$61m). This rate of growth reflects, in part, the depressed comparatives last year, when lock-downs affected Canada more severely than the US and our lighting, grip and studios business generated minimal revenue as most film and TV production activities ceased in the March to July 2020 timeframe. Canada's total revenue was C$149m (2020: C$90m).

In all our markets last year, we took action to reduce operating costs and eliminate discretionary expenditure. While we continue to maintain a focus on the cost base, a number of these costs have returned to the business, reflecting the increased activity levels. In addition, we continue to invest in our technology platform and face inflationary pressures, particularly in relation to labour and fuel costs. As a result, in the US, 46% of the rental revenue increase dropped through to EBITDA. This contributed to a reported EBITDA margin of 50% (2020: 48%) and a 33% increase in segment profit to $432m (2020: $324m) at a margin of 29% (2020: 25%).

The UK business continues to be focused on delivering operational efficiency and improving returns in the business, while continuing to support the Department of Health. These factors contributed to an EBITDA margin of 33% (2020: 29%) and a segment profit of £31m (2020: £8m) at a margin of 17% (2020: 7%).

Our Canadian business is still in the early phase of its development as it invests to expand its network and develop the business. Growth has been achieved across the business while delivering a 45% EBITDA margin (2020: 33%) and generating a segment profit of C$35m (2020: C$nil) at a margin of 23% (2020: nil%).

Overall, Group adjusted operating profit increased to $498m (2020: $331m), up 50% at constant exchange rates. After financing costs of $61m (2020: $71m), Group profit before amortisation of intangibles and taxation was $437m (2020: $260m). After a tax charge of 27% (2020: 25%) of the adjusted pre-tax profit, adjusted earnings per share increased 66% at constant currency to 71.5¢ (2020: 43.4¢). The tax charge in the quarter includes a $10m charge, reflecting an increase in the UK deferred tax liability due to UK legislation being substantively enacted which increases the UK corporate tax rate to 25% from 1 April 2023.

Statutory profit before tax was $416m (2020: $241m). This is after amortisation of $21m (2020: $20m). Included within the total tax charge is a tax credit of $5m (2020: $5m) which relates to the amortisation of intangibles. As a result, basic earnings per share were 68.0¢ (2020: 40.1¢).

Capital expenditure and acquisitions

Capital expenditure for the quarter was $551m gross and $477m net of disposal proceeds (2020: $122m gross and $30m net). Fleet deliveries were slower than expected due to supply chain delays and therefore we have deferred certain fleet disposals to meet strong demand. As a result, the Group's rental fleet at 31 July 2021 at cost was $12.2bn and our average fleet age is now 41 months (2020: 38 months).

We invested $123m (2020: $nil), including acquired borrowings, in five bolt-on acquisitions during the quarter as we continue to both expand our footprint and diversify our end markets.

Return on Investment

Following the adverse impact of COVID-19, return on investment (excluding goodwill and intangible assets) continues to improve across the business. In the US, return on investment for the 12 months to 31 July 2021 was 22% (2020: 19%). In the UK, reflecting the benefits of increased volumes supporting the Department of Health and operational improvements, return on investment (excluding goodwill and intangible assets) increased to 14% (2020: 5%), while in Canada, return on investment (excluding goodwill and intangible assets) was 21% (2020: 6%). In Canada, this reflects improved performance across the business and an increasing contribution from our lighting, grip and studio business. For the Group as a whole, return on investment (including goodwill and intangible assets) was 17% (2020: 14%). Return on investment excludes the impact of IFRS 16.

Cash flow and net debt

The increased scale of the business enabled the Group to generate free cash flow of $420m (2020: $558m) during the period, while investing $333m (2020: $158m) in capital expenditure. During the quarter, we spent $104m (£75m) on share buybacks.

Net debt at 31 July 2021 was $5,705m (2020: $6,329m). Excluding the effect of IFRS 16, net debt was $4,033m (2020: $4,891m), while the ratio of net debt to EBITDA was 1.3 times (2020: 1.8 times) on a constant currency basis, slightly below the Group's target range for net debt to EBITDA of 1.5 to 2.0 times excluding the impact of IFRS 16 (1.9 to 2.4 times post IFRS 16). Including the effect of IFRS 16, the ratio of net debt to EBITDA was 1.8 times (2020: 2.2 times) on a constant currency basis.

At 31 July 2021, availability under the senior secured debt facility was $3,146m with an additional $2,207m of suppressed availability – substantially above the $410m level at which the Group's entire debt package is covenant free.

In August 2021, the Group took advantage of strong debt markets and refinanced its debt facilities by issuing $550m 1.500% senior notes maturing in August 2026 and $750m 2.450% senior notes maturing in August 2031. The net proceeds of the issues were used to repurchase the Group's $600m 4.125% senior notes due 2025 and $600m 5.250% senior notes due 2026, pay related fees and expenses and repay an element of the amount outstanding under the ABL facility. In addition, the Group also increased and extended its asset-based senior bank facility, with $4.5bn committed until August 2026. Other principal terms and conditions remain unchanged. 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 debt facilities are now committed for an average of seven years at a weighted average cost of 3%.

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 1.5 to 2.0 times target range for net debt to EBITDA pre IFRS 16.

Current trading and outlook

Our business is performing well in supportive markets. The benefit we derive from the diversity of our products, services and end markets, our investment in technology and ongoing structural change, enhanced by the environmental and social aspects of ESG, enables the Board to look to the future with confidence and we now expect business performance this year to be ahead of our previous expectations.

	Previous guidance	Current guidance
Rental revenue[1]		
- US	6 – 9%	13 – 16%
- Canada	20 – 25%	25 – 30%
- UK	5 – 8%	9 – 12%
- Group	6 – 9%	13 – 16%
Capital expenditure (gross)[2]	$1.9 – 2.2bn	$2.0 – 2.3bn
Free cash flow[2]	$800 – 1,100m	$900 – 1,100m

[1] Represents change in year-over-year rental revenue at constant exchange rates
[2] Stated at $1=C$1.21 and $1=£0.71

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 JULY 2021

	2021 Before amortisation $m	2021 Amortisation $m	2021 Total $m	2020 Before amortisation $m (restated[1])	2020 Amortisation $m (restated[1])	2020 Total $m (restated[1])
Unaudited						
Revenue						
Rental revenue	1,669.2	-	1,669.2	1,351.8	-	1,351.8
Sale of new equipment, merchandise and consumables	112.5	-	112.5	64.5	-	64.5
Sale of used rental equipment	70.2	-	70.2	88.2	-	88.2
	1,851.9	-	1,851.9	1,504.5	-	1,504.5
Operating costs						
Staff costs	(414.8)	-	(414.8)	(360.0)	-	(360.0)
Used rental equipment sold	(59.8)	-	(59.8)	(92.1)	-	(92.1)
Other operating costs	(517.1)	-	(517.1)	(367.3)	-	(367.3)
	(991.7)	-	(991.7)	(819.4)	-	(819.4)
EBITDA*	860.2	-	860.2	685.1	-	685.1
Depreciation	(362.7)	-	(362.7)	(354.0)	-	(354.0)
Amortisation of intangibles	-	(20.7)	(20.7)	-	(19.8)	(19.8)
Operating profit	497.5	(20.7)	476.8	331.1	(19.8)	311.3
Interest expense	(61.0)	-	(61.0)	(70.7)	-	(70.7)
Profit on ordinary activities before taxation	436.5	(20.7)	415.8	260.4	(19.8)	240.6
Taxation	(116.8)	5.2	(111.6)	(66.1)	4.9	(61.2)
Profit attributable to equity holders of the Company	319.7	(15.5)	304.2	194.3	(14.9)	179.4
Basic earnings per share	71.5¢	(3.5¢)	68.0¢	43.4¢	(3.3¢)	40.1¢
Diluted earnings per share	71.3¢	(3.5¢)	67.8¢	43.3¢	(3.4¢)	39.9¢

***** 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 FOR THE THREE MONTHS ENDED 31 JULY 2021

	Unaudited 2021 $m	Unaudited 2020 $m (restated[1])
Profit attributable to equity holders of the Company for the period	304.2	179.4
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	(1.3)	22.7
Total comprehensive income for the period	302.9	202.1

[1] All comparative information has been restated for presentation in US dollars. For more information, see note 2.

CONSOLIDATED BALANCE SHEET AT 31 JULY 2021

	Unaudited 31 July 2021 $m	Unaudited 31 July 2020 $m (restated)	Audited 30 April 2021 $m (restated)
Current assets			
Inventories	110.1	104.7	102.2
Trade and other receivables	1,207.1	1,047.4	1,083.7
Current tax asset	2.9	8.8	18.4
Cash and cash equivalents	30.0	13.0	26.6
	1,350.1	1,173.9	1,230.9
Non-current assets			
Property, plant and equipment			
- rental equipment	7,076.4	7,199.4	6,908.9
- other assets	883.5	878.8	867.2
	7,959.9	8,078.2	7,776.1
Right-of-use asset	1,592.4	1,395.5	1,545.9
Goodwill	1,841.1	1,698.8	1,796.1
Other intangible assets	400.7	397.2	387.3
Other non-current assets	96.4	-	95.5
Net defined benefit pension plan asset	6.9	-	6.2
	11,897.4	11,569.7	11,607.1
Total assets	13,247.5	12,743.6	12,838.0
Current liabilities			
Trade and other payables	1,045.8	709.6	819.5
Current tax liability	56.0	60.7	5.7
Lease liabilities	170.7	145.7	168.7
Provisions	57.8	59.3	54.0
	1,330.3	975.3	1,047.9
Non-current liabilities			
Lease liabilities	1,515.7	1,298.4	1,464.6
Long-term borrowings	4,048.8	4,898.2	4,194.0
Provisions	61.4	45.1	61.0
Deferred tax liabilities	1,544.9	1,571.7	1,514.2
Other non-current liabilities	33.1	-	30.8
Net defined benefit pension plan liability	-	16.0	-
	7,203.9	7,829.4	7,264.6
Total liabilities	8,534.2	8,804.7	8,312.5
Equity			
Share capital	81.8	82.3	81.8
Share premium account	6.5	6.5	6.5
Capital redemption reserve	20.0	19.5	20.0
Own shares held by the Company	(171.6)	(149.7)	(66.2)
Own shares held by the ESOT	(46.8)	(36.7)	(36.8)
Cumulative foreign exchange translation differences	(135.3)	(188.1)	(134.0)
Retained reserves	4,958.7	4,205.1	4,654.2
Equity attributable to equity holders of the Company	4,713.3	3,938.9	4,525.5
Total liabilities and equity	13,247.5	12,743.6	12,838.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 JULY 2021

	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 2020 (restated)	82.3	6.5	19.5	(149.7)	(36.0)	(210.8)	4,036.9	3,748.7
Profit for the period	-	-	-	-	-	-	179.4	179.4
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	22.7	-	22.7
Total comprehensive income for the period	-	-	-	-	-	22.7	179.4	202.1
Own shares purchased by the ESOT	-	-	-	-	(15.3)	-	-	(15.3)
Share-based payments	-	-	-	-	14.6	-	(11.9)	2.7
Tax on share-based payments	-	-	-	-	-	-	0.7	0.7
At 31 July 2020 (restated)	82.3	6.5	19.5	(149.7)	(36.7)	(188.1)	4,205.1	3,938.9
Profit for the period	-	-	-	-	-	-	740.7	740.7
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	54.1	-	54.1
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	18.4	18.4
Tax on defined benefit pension plan	-	-	-	-	-	-	(3.7)	(3.7)
Total comprehensive income for the period	-	-	-	-	-	54.1	755.4	809.5
Dividends paid	-	-	-	-	-	-	(239.1)	(239.1)
Own shares purchased by the ESOT	-	-	-	-	(0.2)	-	-	(0.2)
Share-based payments	-	-	-	-	0.1	-	6.8	6.9
Tax on share-based payments	-	-	-	-	-	-	9.5	9.5
Cancellation of shares	(0.5)	-	0.5	83.5	-	-	(83.5)	-
At 30 April 2021 (restated)	81.8	6.5	20.0	(66.2)	(36.8)	(134.0)	4,654.2	4,525.5
Profit for the period	-	-	-	-	-	-	304.2	304.2
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	(1.3)	-	(1.3)
Total comprehensive income for the period	-	-	-	-	-	(1.3)	304.2	302.9
Own shares purchased by the ESOT	-	-	-	-	(19.4)	-	-	(19.4)
Own shares purchased by the Company	-	-	-	(105.4)	-	-	-	(105.4)
Share-based payments	-	-	-	-	9.4	-	1.0	10.4
Tax on share-based payments	-	-	-	-	-	-	(0.7)	(0.7)
At 31 July 2021	81.8	6.5	20.0	(171.6)	(46.8)	(135.3)	4,958.7	4,713.3

CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTHS ENDED 31 JULY 2021

	Unaudited	
	2021	2020
	$m	$m (restated)
Cash flows from operating activities		
Cash generated from operations before exceptional items and changes in rental equipment	717.2	679.3
Payments for rental property, plant and equipment	(273.1)	(134.2)
Proceeds from disposal of rental property, plant and equipment	96.3	102.2
Cash generated from operations	540.4	647.3
Financing costs paid (net)	(50.5)	(59.4)
Tax paid (net)	(14.8)	(9.4)
Net cash generated from operating activities	475.1	578.5
Cash flows from investing activities		
Acquisition of businesses	(122.8)	(15.2)
Payments for non-rental property, plant and equipment	(59.6)	(23.5)
Proceeds from disposal of non-rental property, plant and equipment	4.3	3.2
Net cash used in investing activities	(178.1)	(35.5)
Cash flows from financing activities		
Drawdown of loans	175.8	-
Redemption of loans	(317.6)	(807.0)
Repayment of principal under lease liabilities	(28.1)	(11.9)
Purchase of own shares by the ESOT	(19.4)	(15.3)
Purchase of own shares by the Company	(104.2)	-
Net cash used in financing activities	(293.5)	(834.2)
Increase/(decrease) in cash and cash equivalents	3.5	(291.2)
Opening cash and cash equivalents	26.6	304.4
Effect of exchange rate difference	(0.1)	(0.2)
Closing cash and cash equivalents	30.0	13.0

Reconciliation of net cash flows to net debt

	2021	2020
(Increase)/decrease in cash and cash equivalents in the period	(3.5)	291.2
Decrease in debt through cash flow	(169.9)	(818.9)
Change in net debt from cash flows	(173.4)	(527.7)
Exchange differences	(8.5)	45.6
Debt acquired	8.7	-
Non-cash movements:		
- deferred costs of debt raising	2.0	2.8
- new lease liabilities	75.7	44.2
Decrease in net debt in the period	(95.5)	(435.1)
Net debt at 1 May	5,800.7	6,764.4
Net debt at 31 July	5,705.2	6,329.3

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 financial statements as at, and for the three months ended 31 July 2021, comprise the Company and its subsidiaries ('the Group').

The condensed consolidated interim financial statements for the three months ended 31 July 2021 were approved by the directors on 15 September 2021.

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 2021 were approved by the directors on 14 June 2021 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 three months ended 31 July 2021 have been prepared in accordance with relevant United Kingdom adopted International Financial Reporting Standards ('IFRS'), including IAS 34, Interim Financial Reporting, and the accounting policies set out in the Group's Annual Report & Accounts for the year ended 30 April 2021, except for the change in presentational currency set out below.

On 1 May 2021, the Group changed its presentational currency from sterling to US dollars to provide greater transparency in the Group's performance to investors and other stakeholders and to reduce exchange rate volatility in reported figures, given that c. 80% of the Group's revenue and c. 90% of the Group's operating profit originate in US dollars. In accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, this change in presentational currency was applied retrospectively and accordingly, prior year comparatives have been restated.

Financial information included in the consolidated interim financial statements for the three months ended 31 July 2020 and for the year ended 30 April 2021 has been restated in US dollars as follows:

- assets and liabilities in non-US denominated currencies were translated into US dollars at the rate of exchange ruling at the relevant balance sheet date;
- non-US dollar income statements and cash flows were translated into US dollars at average rates of exchange for the relevant period;
- share capital, share premium and all other equity items were translated at the historical rates prevailing at 1 May 2004, the date of transition to IFRS, or the subsequent rates prevailing on the date of each relevant transaction; and
- the cumulative foreign exchange translation reserve was set to zero on 1 May 2004, the date of transition to IFRS and this reserve has been restated on the basis that the Group has reported in US dollars since that date.

2. Basis of preparation (continued)

In preparing the financial statements, the exchange rates used in respect of the pound sterling (£) and Canadian dollar (C$) are:

	Pound sterling		Canadian dollar	
	2021	2020	2021	2020
Average for the three months ended 31 July	1.40	1.25	0.81	0.73
At 30 April	1.38	1.26	0.81	0.72
At 31 July	1.39	1.31	0.80	0.75

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 28.

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 12), 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 financial statements.

3. Segmental analysis

Three months to 31 July 2021

	US	UK	Canada	Corporate items	Group
	$m	$m	$m	$m	$m
Revenue					
Rental revenue	1,374.2	187.6	107.4	-	1,669.2
Sale of new equipment, merchandise and consumables	38.2	65.2	9.1	-	112.5
Sale of used rental equipment	52.8	12.9	4.5	-	70.2
	1,465.2	265.7	121.0	-	1,851.9
Segment profit	432.1	44.0	28.2	(6.8)	497.5
Amortisation					(20.7)
Interest expense					(61.0)
Profit before taxation					415.8
Taxation					(111.6)
Profit attributable to equity shareholders					304.2

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Segmental analysis (continued)

Three months to 31 July 2020

	US	UK	Canada	Corporate items	Group
	$m	$m	$m	$m	$m
Revenue					
Rental revenue	1,174.1	123.6	54.1	-	1,351.8
Sale of new equipment, merchandise and consumables	36.5	20.4	7.6	-	64.5
Sale of used rental equipment	73.5	10.3	4.4	-	88.2
	1,284.1	154.3	66.1	-	1,504.5
Segment profit	324.1	10.4	-	(3.4)	331.1
Amortisation					(19.8)
Interest expense					(70.7)
Profit before taxation					240.6
Taxation					(61.2)
Profit attributable to equity shareholders					179.4

	US	UK	Canada	Corporate items	Group
	$m	$m	$m	$m	$m
At 31 July 2021					
Segment assets	10,747.6	1,227.2	1,181.2	58.6	13,214.6
Cash					30.0
Taxation assets					2.9
Total assets					13,247.5
At 30 April 2021					
Segment assets	10,384.3	1,208.7	1,141.0	59.0	12,793.0
Cash					26.6
Taxation assets					18.4
Total assets					12,838.0

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. Operating costs and other income

	2021			2020		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	$m	$m	$m	$m	$m	$m
Three months to 31 July						
Staff costs:						
Salaries	379.3	-	379.3	329.5	-	329.5
Social security costs	27.0	-	27.0	23.7	-	23.7
Other pension costs	8.5	-	8.5	6.8	-	6.8
	414.8	-	414.8	360.0	-	360.0
Used rental equipment sold	59.8	-	59.8	92.1	-	92.1
Other operating costs:						
Vehicle costs	118.5	-	118.5	74.0	-	74.0
Spares, consumables & external repairs	96.2	-	96.2	87.3	-	87.3
Facility costs	17.8	-	17.8	14.4	-	14.4
Other external charges	284.6	-	284.6	191.6	-	191.6
	517.1	-	517.1	367.3	-	367.3
Depreciation and amortisation:						
Depreciation of tangible assets	327.8	-	327.8	323.5	-	323.5
Depreciation of right-of-use assets	34.9	-	34.9	30.5	-	30.5
Amortisation of intangibles	-	20.7	20.7	-	19.8	19.8
	362.7	20.7	383.4	354.0	19.8	373.8
	1,354.4	20.7	1,375.1	1,173.4	19.8	1,193.2

5. Amortisation

Amortisation relates to the write-off of intangible assets over their estimated useful economic life. The Group believes this item should be disclosed separately within the consolidated income statement to assist in the understanding of the financial performance of the Group. Adjusted profit and earnings per share are stated before amortisation of intangibles.

	Three months to 31 July	
	2021	2020
	$m	$m
Amortisation of intangibles	20.7	19.8
Taxation	(5.2)	(4.9)
	15.5	14.9

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. Interest expense

	Three months to 31 July 2021 $m	Three months to 31 July 2020 $m
Bank interest payable	6.5	17.3
Interest payable on senior notes	33.0	33.0
Interest payable on lease liabilities	19.3	17.2
Non-cash unwind of discount on provisions	0.2	0.4
Amortisation of deferred debt raising costs	2.0	2.8
Total interest expense	61.0	70.7

7. Taxation

The tax charge for the period has been computed using a tax rate of 25% in the US (2020: 25%), 19% in the UK (2020: 19%) and 26% in Canada (2020: 27%). The blended rate for the Group as a whole is 27% (2020: 25%).

The tax charge of $117m (2020: $66m) on the adjusted profit before taxation of $437m (2020: $260m) can be explained as follows:

	Three months to 31 July 2021 $m	Three months to 31 July 2020 $m
Current tax		
- current tax on income for the period	85.0	102.2
- adjustments to prior year	(0.3)	0.4
	84.7	102.6
Deferred tax		
- origination and reversal of temporary differences	22.8	(36.5)
- adjustment due to change in UK corporate tax rate	10.0	-
- adjustments to prior year	(0.7)	-
	32.1	(36.5)
Tax on adjusted profit	116.8	66.1
Comprising:		
- UK	21.6	5.9
- US	89.3	62.1
- Canada	5.9	(1.9)
	116.8	66.1

In addition, the tax credit of $5m (2020: $5m) on amortisation of $21m (2020: $20m) consists of a current tax credit of $2.4m (2020: $1.9m) relating to the US and $0.2m (2020: $0.2m) relating to the UK and $0.1m (2020: $nil) relating to Canada, and a deferred tax credit of $1.0m (2020: $1.2m) relating to the US, $0.2m (2020: $0.3m) relating to the UK and $1.3m (2020: $1.3m) relating to Canada.

8. Earnings per share

Basic and diluted earnings per share for the three months ended 31 July 2021 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 July	
	2021	2020
Profit for the financial period ($m)	304.2	179.4
Weighted average number of shares (m) - basic	447.2	447.8
- diluted	448.7	449.1
Basic earnings per share	68.0¢	40.1¢
Diluted earnings per share	67.8¢	39.9¢

Adjusted earnings per share (defined in any period as the earnings before exceptional items and amortisation 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 July	
	2021	2020
Basic earnings per share	68.0¢	40.1¢
Amortisation of intangibles	4.6¢	4.4¢
Tax on amortisation	(1.1¢)	(1.1¢)
Adjusted earnings per share	71.5¢	43.4¢

9. Property, plant and equipment

	2021		2020	
Net book value	Rental equipment $m	Total $m	Rental equipment $m	Total $m
At 1 May	6,908.9	7,776.1	7,429.2	8,323.1
Exchange differences	(3.2)	(3.6)	38.0	43.8
Reclassifications	(0.1)	-	(0.4)	-
Additions	491.4	551.1	98.6	122.2
Acquisitions	24.7	27.0	3.4	3.4
Disposals	(60.1)	(62.9)	(87.0)	(90.8)
Depreciation	(285.2)	(327.8)	(282.4)	(323.5)
At 31 July	7,076.4	7,959.9	7,199.4	8,078.2

10. Right-of-use assets

	2021			2020		
Net book value	Property leases $m	Other leases $m	Total $m	Property leases $m	Other leases $m	Total $m
At 1 May	1,533.5	12.4	1,545.9	1,366.9	5.8	1,372.7
Exchange differences	(3.1)	-	(3.1)	8.6	0.3	8.9
Additions	65.2	2.8	68.0	25.6	0.2	25.8
Acquisitions	8.7	-	8.7	-	-	-
Remeasurement	8.2	-	8.2	22.2	-	22.2
Disposals	-	(0.4)	(0.4)	(3.5)	(0.1)	(3.6)
Depreciation	(34.2)	(0.7)	(34.9)	(30.1)	(0.4)	(30.5)
At 31 July	1,578.3	14.1	1,592.4	1,389.7	5.8	1,395.5

11. Lease liability

	31 July 2021 $m	30 April 2021 $m
Current	170.7	168.7
Non-current	1,515.7	1,464.6
	1,686.4	1,633.3

12. Borrowings

	31 July 2021 $m	30 April 2021 $m
Non-current		
First priority senior secured bank debt	1,078.9	1,225.2
4.125% senior notes, due 2025	595.1	594.9
5.250% senior notes, due 2026	593.7	593.4
4.375% senior notes, due 2027	594.1	593.9
4.000% senior notes, due 2028	593.6	593.4
4.250% senior notes, due 2029	593.4	593.2
	4,048.8	4,194.0

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. The senior notes are guaranteed by Ashtead Group plc and all its principal subsidiary undertakings.

Our debt facilities are committed for the long term, with an average maturity of five years. Our £4.1bn asset-based senior credit facility is committed until December 2023. 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.

The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is 4%.

12. Borrowings (continued)

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 July 2021, the fixed charge ratio exceeded the covenant requirement.

At 31 July 2021, availability under the senior secured bank facility was $3,146m ($3,011m at 30 April 2021), with an additional $2,207m of suppressed availability, meaning that the covenant did not apply at 31 July 2021 and is unlikely to apply in forthcoming quarters.

Fair value of financial instruments

At 31 July 2021, 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 July 2021		At 30 April 2021	
	Book value $m	Fair value $m	Book value $m	Fair value $m
4.125% senior notes	600.0	612.8	600.0	616.5
5.250% senior notes	600.0	624.0	600.0	627.8
4.375% senior notes	600.0	628.5	600.0	628.5
4.000% senior notes	600.0	632.3	600.0	627.7
4.250% senior notes	600.0	653.2	600.0	641.3
	3,000.0	3,150.8	3,000.0	3,141.8
Deferred costs of raising finance	(30.1)	-	(31.2)	-
	2,969.9	3,150.8	2,968.8	3,141.8

The fair value of the senior notes has been calculated using quoted market prices at 31 July 2021.

13. Share capital

Ordinary shares of 10p each:	31 July 2021 Number	30 April 2021 Number	31 July 2021 $m	30 April 2021 $m
Issued and fully paid	451,354,833	451,354,833	81.8	81.8

At 31 July 2021 3.5m (April 2021: 2.0m) shares were held by the Company ($172m; April 2021: $66m) and a further 1.4m (April 2021: 1.4m) shares were held by the Company's Employee Share Ownership Trust ($47m; April 2021: $37m).

14. Notes to the cash flow statement

a) Cash flow from operating activities

	Three months to 31 July 2021 $m	2020 $m
Operating profit before amortisation	497.5	331.1
Depreciation	362.7	354.0
EBITDA	860.2	685.1
(Profit)/loss on disposal of rental equipment	(10.4)	3.9
Profit on disposal of other property, plant and equipment	(1.2)	(0.5)
(Increase)/decrease in inventories	(8.0)	1.1
Increase in trade and other receivables	(135.0)	(20.7)
Increase in trade and other payables	1.3	7.6
Exchange differences	(0.1)	0.1
Other non-cash movements	10.4	2.7
Cash generated from operations before changes in rental equipment	717.2	679.3

b) Analysis of net debt

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

			Non-cash movements				
	1 May 2021 $m	Cash flow $m	Exchange movement $m	Debt acquired $m	New lease liabilities $m	Other movements $m	31 July 2021 $m
Long-term borrowings	4,194.0	(141.8)	(5.4)	-	-	2.0	4,048.8
Lease liabilities	1,633.3	(28.1)	(3.2)	8.7	75.7	-	1,686.4
Total liabilities from financing activities	5,827.3	(169.9)	(8.6)	8.7	75.7	2.0	5,735.2
Cash and cash equivalents	(26.6)	(3.5)	0.1	-	-	-	(30.0)
Net debt	5,800.7	(173.4)	(8.5)	8.7	75.7	2.0	5,705.2

			Non-cash movements			
	1 May 2020 $m	Cash flow $m	Exchange movement $m	New lease liabilities $m	Other movements $m	31 July 2020 $m
Long-term borrowings	5,666.0	(807.0)	36.4	-	2.8	4,898.2
Lease liabilities	1,402.8	(11.9)	9.0	44.2	-	1,444.1
Total liabilities from financing activities	7,068.8	(818.9)	45.4	44.2	2.8	6,342.3
Cash and cash equivalents	(304.4)	291.2	0.2	-	-	(13.0)
Net debt	6,764.4	(527.7)	45.6	44.2	2.8	6,329.3

Details of the Group's cash and debt are given in notes 11 and 12 and the Review of Balance Sheet and Cash Flow accompanying these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. Notes to the cash flow statement (continued)

c) Acquisitions

	Three months to 31 July	
	2021	2020
	$m	$m
Cash consideration paid:		
- acquisitions in the period	122.1	-
- contingent consideration	0.7	15.2
	122.8	15.2

During the period, five businesses were acquired with cash paid of $122m (2020: $nil). Further details are provided in Note 15.

Contingent consideration of $1m (2020: $15m) was paid relating to prior year acquisitions.

15. Acquisitions

During the period, the following acquisitions were completed:

i) On 12 May 2021, Sunbelt Canada acquired the business and assets of Island Equipment Rentals Ltd., ('Island Equipment'). Island Equipment is a general tool business in British Columbia.

ii) On 26 May 2021, Sunbelt US acquired the business and assets of Randall Industries, Inc. ('Randall'). Randall is a general tool business in Illinois and Indiana.

iii) On 24 June 2021, Sunbelt US acquired the business and assets of Iron Equipment Rental, ('IER'). IER is a general tool business in Ohio.

iv) On 21 July 2021, Sunbelt US acquired the business and assets of National Drying Technologies LLC, ('NDT'). NDT is a specialty business in Florida and Georgia.

v) On 28 July 2021, Sunbelt US acquired the business and assets of Special Event Service & Rental, Inc., ('SESR'). SESR is a specialty business in Tennessee and Nevada.

15. Acquisitions (continued)

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

	Fair value to Group $m
Net assets acquired	
Trade and other receivables	15.5
Property, plant and equipment	
- rental equipment	24.7
- other assets	2.3
Right-of-use asset	8.7
Creditors	(0.4)
Lease liabilities	(8.7)
Intangible assets (non-compete agreements and customer relationships)	35.9
	78.0
Consideration:	
- cash paid and due to be paid	123.0
- contingent consideration	2.7
	125.7
Goodwill	47.7

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. $48m 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 $15m.

Due to the operational integration of acquired businesses 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 2021 to their date of acquisition was not material.

16. Contingent liabilities

Following its state aid investigation, in April 2019 the European Commission announced its decision that the Group Financing Exemption in the UK controlled foreign company ('CFC') legislation constitutes state aid in some circumstances. In common with the UK Government and other UK-based international companies, the Group does not agree with the decision and has therefore lodged a formal appeal with the General Court of the European Union. Despite the UK Government appealing the European Commission's decision, Her Majesty's Revenue & Customs ('HMRC') is required to make an assessment of the tax liability which would arise if the decision is not successfully appealed and collect that amount from taxpayers. HMRC has issued a charging notice stating that the tax liability it believes to be due on this basis is £36m, including interest payable. This represents the Group's maximum potential liability, including any interest payable, if either the decision reached by the European Commission or the charging notice issued by HMRC are not successfully appealed. The Group has appealed the charging notice but has settled the amount assessed on it, including interest, in line with HMRC requirements. On successful appeal against the European Commission decision or the charging notice, in whole or in part, all or part of the amount paid in accordance with the charging notice would be returned to the Group. Based on the current status of proceedings, we have concluded that no provision is required in relation to this matter. The £36m ($50m at July 2021 exchange rates) paid has been recognised as a non-current asset on the balance sheet.

17. Events after the balance sheet date

Since the balance sheet date, the Group has completed two acquisitions as follows:

i) On 18 August 2021, Sunbelt US acquired the business and assets of Lloyd's Rental & Sales, Inc. ('Lloyd's'). Lloyd's is a general tool business in Pennsylvania.

ii) On 25 August 2021, Sunbelt US acquired the business and assets of Bedrock Tool & Equipment Co. ('Bedrock'). Bedrock is a general tool business in Ohio.

The initial accounting for these acquisitions is incomplete. Had these acquisitions taken place on 1 May 2021, their contribution to revenue and operating profit would not have been material.

In August, the Group issued $550m 1.500% senior notes maturing in August 2026 and $750m 2.450% senior notes maturing in August 2031. The Group used the net proceeds of the offering to fund the redemption of all of its outstanding 4.125% senior notes due 2025 and 5.250% senior notes due 2026, including the payments of premiums and accrued interest to the redemption date. The Group used the remaining net proceeds to repay an element of the outstanding amount under the ABL facility.

The early redemption of the $600m 4.125% and $600m 5.250% senior notes gave rise to non-recurring interest charges relating to the call premium expense and the write-off of deferred debt raising costs of approximately $47m. These items will be recognised as an exceptional interest expense in the Group's income statement in the second quarter.

In addition, the Group increased and extended its asset-based senior bank facility, with $4.5bn committed until August 2026. Other principal terms and conditions remain unchanged.

Subsequent to the refinancing activities, the Group's debt facilities are committed for an average of seven years at a weighted average cost of 3%.

REVIEW OF BALANCE SHEET AND CASH FLOW

Balance sheet

Fixed assets

Capital expenditure in the quarter totalled $551m (2020: $122m) with $491m invested in the rental fleet (2020: $99m). 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:

	2021			2020
	Replacement	Growth	Total	Total
UK in £m	25.2	6.8	32.0	16.4
Canada in C$m	14.1	43.3	57.4	6.0
US	167.6	232.4	400.0	73.7
UK in $m	35.2	9.5	44.7	20.5
Canada in $m	11.5	35.2	46.7	4.4
Total rental equipment	214.3	277.1	491.4	98.6
Delivery vehicles, property improvements & IT equipment			59.7	23.6
Total additions			551.1	122.2

In a strong US rental market, $232m of rental equipment capital expenditure was spent on growth while $168m 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 July 2021 was 41 months (2020: 38 months) on a net book value basis. The US fleet had an average age of 41 months (2020: 38 months), the UK fleet had an average age of 39 months (2020: 44 months) and the Canadian fleet had an average age of 39 months (2020: 36 months).

	Rental fleet at original cost			LTM rental	LTM dollar
	31 July 2021	30 April 2021	LTM average	revenue	utilisation
UK in £m	921	914	895	517	58%
Canada in C$m	988	938	937	494	53%
US	10,103	9,827	9,920	5,133	52%
UK in $m	1,281	1,266	1,214	699	58%
Canada in $m	792	762	735	387	53%
	12,176	11,855	11,869	6,219	

Dollar utilisation was 52% in the US (2020: 49%), 58% for the UK (2020: 45%) and 53% for Canada (2020: 43%). The increase in UK dollar utilisation reflects the significant increase in activity levels and associated ancillary services to support the Department of Health, while in Canada, dollar utilisation has benefitted from the William F. White acquisition.

Trade receivables

Receivable days at 31 July 2021 were 45 days (2020: 44 days). Trade receivables at 31 July 2021 of $1,024m (2020: $842m) are stated net of allowances for bad debts and credit notes of $79m (2020: $121m), with the provision representing 7% (2020: 13%) of gross receivables. We increased the allowance for bad debts and credit notes at the onset of the COVID-19 pandemic. However, our concern of significantly increased levels of irrecoverable receivables did not materialise and cash collections remained strong throughout the prior year, particularly in the fourth quarter. Accordingly, we released the majority of the additional provision in the fourth quarter of 2020/21 and returned to a more normal level of provision. Consequently, an overall credit to the income statement as a percentage of total turnover has arisen of 0.1% (2020: charge of 1.2%) for the last twelve months ended 31 July 2021.

Trade and other payables

Group payable days were 50 days at 31 July 2021 (2020: 59 days) with capital expenditure related payables totalling $355m (2020: $102m). This reduction in payable days reflects the Group's efforts to ensure suppliers are paid promptly and in accordance with agreed terms. 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

	Three months to 31 July 2021 $m	Three months to 31 July 2020 $m	LTM to 31 July 2021 $m	Year to 30 April 2021 $m
EBITDA before exceptional items	860.2	685.1	3,211.9	3,036.8
Cash inflow from operations before exceptional items and changes in rental equipment	717.2	679.3	3,054.9	3,017.0
*Cash conversion ratio**	*83.4%*	*99.2%*	*95.1%*	*99.3%*
Replacement rental capital expenditure	(172.2)	(134.2)	(792.1)	(754.1)
Payments for non-rental capital expenditure	(59.6)	(23.5)	(174.4)	(138.3)
Rental equipment disposal proceeds	96.3	102.2	378.8	384.7
Other property, plant and equipment disposal proceeds	4.3	3.2	19.4	18.3
Tax (net)	(14.8)	(9.4)	(393.0)	(387.6)
Financing costs	(50.5)	(59.4)	(246.0)	(254.9)
Cash inflow before growth capex and payment of exceptional costs	**520.7**	**558.2**	**1,847.6**	**1,885.1**
Growth rental capital expenditure	(100.9)	-	(163.8)	(62.9)
Free cash flow	**419.8**	**558.2**	**1,683.8**	**1,822.2**
Business acquisitions	(122.8)	(15.2)	(302.7)	(195.1)
Total cash generated	**297.0**	**543.0**	**1,381.1**	**1,627.1**
Dividends	-	-	(235.5)	(235.5)
Purchase of own shares by the Company	(104.2)	-	(104.2)	-
Purchase of own shares by the ESOT	(19.4)	(15.3)	(19.6)	(15.5)
Decrease in net debt due to cash flow	**173.4**	**527.7**	**1,021.8**	**1,376.1**

* 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 was $717m (2020: $679m). The conversion ratio for the period was 83% (2020: 99%).

Total payments for capital expenditure (rental equipment and other PPE) in the first quarter were $333m (2020: $158m). Disposal proceeds received totalled $101m (2020: $105m), giving net payments for capital expenditure of $232m in the period (2020: $53m). Financing costs paid totalled $50m (2020: $59m) while tax payments were $15m (2020: $9m). 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, the Group generated free cash flow of $420m (2020: $558m) and, after acquisition related expenditure of $123m, a net cash inflow of $297m (2020: $543m), before returns to shareholders.

Net debt	31 July		30 April
	2021	2020	2021
	$m	$m	$m
First priority senior secured bank debt	1,078.9	1,932.7	1,225.2
4.125% senior notes, due 2025	595.1	594.0	594.9
5.250% senior notes, due 2026	593.7	592.6	593.4
4.375% senior notes, due 2027	594.1	593.3	593.9
4.000% senior notes, due 2028	593.6	592.9	593.4
4.250% senior notes, due 2029	593.4	592.7	593.2
Total external borrowings	4,048.8	4,898.2	4,194.0
Lease liabilities	1,686.4	1,444.1	1,633.3
Total gross debt	5,735.2	6,342.3	5,827.3
Cash and cash equivalents	(30.0)	(13.0)	(26.6)
Total net debt	5,705.2	6,329.3	5,800.7

Net debt at 31 July 2021 was $5,705m with the decrease since 30 April 2021 reflecting the net cash inflow set out above. The Group's EBITDA for the twelve months ended 31 July 2021 was $3,212m. Excluding the impact of IFRS 16, the ratio of net debt to EBITDA was 1.3 times (2020: 1.8 times) on a constant currency and a reported basis as at 31 July 2021. Including the impact of IFRS 16, the ratio of net debt to EBITDA was 1.8 times at 31 July 2021 (2020: 2.2 times).

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 2021 Annual Report and Accounts on pages 34 to 39.

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 economic uncertainties resulting from the impact of COVID-19 or other pandemics are considered as 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.

  This could negatively affect rental rates and physical utilisation. Continuing industry consolidation could also have a similar effect.

- financing - debt facilities are only ever committed for a finite period of time and thus must be renewed before they mature. 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 – a failure to comply with laws and regulations governing health and safety and ensure the highest standards of health and safety across the Group could result in accidents which may result in injury to or fatality of an individual, claims against the Group and/or 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 - at the recent Capital Markets Day, the Group made a long term commitment to reduce its carbon intensity by 35% by 2030, with a near term commitment to reduce its carbon intensity by 15% by 2024, and set out a roadmap to achieve this. Failure to do so could adversely impact the Group and its stakeholders.

  In addition we need to comply with the numerous laws governing environmental protection matters. These laws regulate such issues as wastewater, storm water, 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 2021 Annual Report & 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 pounds sterling and Canadian dollars with respect to US dollars may have an impact on our financial condition and results of operations as reported in US dollars. The Group's financing is arranged such that the majority of its debt and interest expense is in US dollars. At 31 July 2021, 84% of its debt (including lease liabilities) were denominated in US dollars. Based on the current currency mix of our profits and on non-US dollar debt levels, interest and exchange rates at 31 July 2021, a 1% change in the pounds sterling and Canadian dollar exchange rate would impact adjusted pre-tax profit by approximately $2m.

OPERATING STATISTICS

	Number of rental stores			Staff numbers		
	31 July		30 April	31 July		30 April
	2021	2020	2021	2021	2020	2021
US	885	836	861	13,997	13,500	13,553
UK	185	192	188	3,804	3,648	3,777
Canada	81	75	77	1,566	1,441	1,479
Corporate office	-	-	-	19	18	17
Group	1,151	1,103	1,126	19,386	18,607	18,826

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.

<table>
<tr><th>Term</th><th>Closest equivalent statutory measure</th><th>Definition and purpose</th></tr>
<tr><td>Drop through</td><td>None</td><td>Calculated as the change in rental revenue which converts into EBITDA (excluding gains from sale of new equipment, merchandise and consumables and from sale of used equipment).
<table>
<tr><th></th><th>2021</th><th>2020</th><th>Change</th></tr>
<tr><td>Sunbelt US ($m)</td><td></td><td></td><td></td></tr>
<tr><td>Rental revenue</td><td>1,374</td><td>1,174</td><td>200</td></tr>
<tr><td>EBITDA</td><td>725</td><td>621</td><td></td></tr>
<tr><td>Gains</td><td>(22)</td><td>(9)</td><td></td></tr>
<tr><td>EBITDA excluding gains</td><td>703</td><td>612</td><td>91</td></tr>
<tr><td>Drop through</td><td></td><td></td><td>46%</td></tr>
</table>
This measure is utilised by the Group to demonstrate the change in profitability generated by the Group as a result of the change in rental revenue in the period.</td></tr>
<tr><td>Growth at constant exchange rates</td><td>None</td><td>Calculated by applying the current period exchange rate to the comparative period result. The relevant foreign currency exchange rates are provided within Note 2, Accounting policies, to the financial statements. This measure is used as a means of eliminating the effects of foreign exchange rate movements on the period-on-period changes in reported results.
<table>
<tr><th></th><th>2021
$m</th><th>2020
$m</th><th>%</th></tr>
<tr><td>Rental revenue</td><td></td><td></td><td></td></tr>
<tr><td>As reported</td><td>1,669</td><td>1,352</td><td>23%</td></tr>
<tr><td>Retranslation effect</td><td>-</td><td>20</td><td></td></tr>
<tr><td>At constant currency</td><td>1,669</td><td>1,372</td><td>22%</td></tr>
<tr><td>Adjusted profit before tax</td><td></td><td></td><td></td></tr>
<tr><td>As reported</td><td>437</td><td>260</td><td>68%</td></tr>
<tr><td>Retranslation effect</td><td>-</td><td>-</td><td></td></tr>
<tr><td>At constant currency</td><td>437</td><td>260</td><td>68%</td></tr>
</table></td></tr>
<tr><td>Leverage</td><td>None</td><td>Leverage calculated at constant exchange rates uses the period end exchange rate for the relevant period and is determined as net debt divided by adjusted EBITDA.
<table>
<tr><th></th><th colspan="2">2021</th><th colspan="2">2020</th></tr>
<tr><th></th><th>Excluding IFRS 16</th><th>Including IFRS 16</th><th>Excluding IFRS 16</th><th>Including IFRS 16</th></tr>
<tr><td>Net debt (at constant currency)</td><td>4,033</td><td>5,705</td><td>4,954</td><td>6,409</td></tr>
<tr><td>EBITDA (at constant currency)</td><td>3,070</td><td>3,225</td><td>2,782</td><td>2,925</td></tr>
<tr><td>Leverage</td><td>1.3</td><td>1.8</td><td>1.8</td><td>2.2</td></tr>
</table>
This measure is used to provide an indication of the strength of the Group's balance sheet and is widely used by investors and credit rating agencies. It also forms part of the remuneration targets of the Group and has been identified as one of the Group's key performance indicators.</td></tr>
</table>

<table>
<tr><th>Term</th><th>Closest equivalent statutory measure</th><th>Definition and purpose</th></tr>
<tr><td>Return on Investment (‘RoI’)</td><td>None</td><td>
Last 12-month (‘LTM’) adjusted 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. RoI is calculated excluding the impact of IFRS 16.
RoI is used by management to help inform capital allocation decisions within the business and has been identified as one of the Group’s key performance indicators. It also forms part of the remuneration targets of the Group.
A reconciliation of Group RoI is provided below:
<table>
<tr><th></th><th>2021</th><th>2020</th></tr>
<tr><td>Adjusted operating profit ($m)</td><td>1,721</td><td>1,465</td></tr>
<tr><td>Average net assets ($m)</td><td>10,348</td><td>10,744</td></tr>
<tr><td>Return on investment (%)</td><td>17%</td><td>14%</td></tr>
</table>
RoI for the businesses is calculated in the same way, but excludes goodwill and intangible assets:
<table>
<tr><th></th><th>US ($m)</th><th>Canada (C$m)</th><th>UK (£m)</th></tr>
<tr><td>Adjusted operating profit</td><td>1,530</td><td>132</td><td>83</td></tr>
<tr><td>Average net assets, excluding goodwill and intangibles</td><td>6,965</td><td>615</td><td>597</td></tr>
<tr><td>Return on investment</td><td>22%</td><td>21%</td><td>14%</td></tr>
</table>
</td></tr>
</table>

Other terms used within this announcement include:

- **Adjusted:** adjusted results are results stated before exceptional items and the amortisation of acquired intangibles. A reconciliation is shown on the income statement.

- **Availability:** represents the headroom on a given date under the terms of our $4.1bn ($4.5bn from August 2021) asset-backed senior bank 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 adjusted EBITDA. Details are provided within the Review of Balance Sheet and Cash Flow 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 Balance Sheet and Cash Flow section.

- **EBITDA and EBITDA margin:** EBITDA is earnings before interest, tax, depreciation and amortisation. A reconciliation of EBITDA to profit before tax is shown on the income statement. EBITDA margin is calculated as EBITDA before exceptional items divided by revenue. Progression in EBITDA margin is an important indicator of the Group’s performance and this has been identified as one of the Group’s key performance indicators.

- **Exceptional items:** those items of income or expense which the directors believe should be disclosed separately by virtue of their significant size or nature and limited predictive value to enable a better understanding of the Group’s financial performance. Excluding these items provides readers with helpful additional information on the performance of the business across periods and against peer companies. It is also consistent with how business performance is reported to the Board and the remuneration targets set by the Company.

- **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. Fleet on rent has been identified as one of the Group’s key performance indicators.

- **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. This measure shows the cash retained by the Group prior to discretionary expenditure on acquisitions and returns to shareholders. A reconciliation of free cash flow is shown in the Review of Balance Sheet and Cash Flow section.

- **Net debt:** net debt is total borrowings (bank, bonds) and lease liabilities less cash balances, as reported. This measure is used to provide an indication of the Group's overall level of indebtedness and is widely used by investors and credit rating agencies. An analysis of net debt is provided in note 14.

- **Operating profit and operating profit margin:** Operating profit is earnings before interest and tax. A reconciliation of operating profit to profit before tax is shown on the income statement. Operating profit margin is calculated as operating profit before exceptional items and the amortisation of intangibles divided by revenue. Progression in operating profit margin is an important indicator of the Group's performance.

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

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

- **Segment profit:** operating profit before amortisation and exceptional items by segment.

- **Suppressed availability:** represents the amount on a given date that the asset base exceeds the facility size under the terms of our $4.1bn ($4.5bn from August 2021) asset-backed senior bank facility.