Ashtead group

7 December 2021

Unaudited results for the half year and second quarter results ended 31 October 2021

	Second quarter			First half		
	2021	2020	Growth[1]	2021	2020	Growth[1]
	$m	$m	%	$m	$m	%
Revenue	2,032	1,754	15%	3,884	3,258	18%
Rental revenue	1,876	1,579	18%	3,545	2,931	20%
EBITDA	972	860	12%	1,832	1,545	18%
Operating profit	577	471	22%	1,053	783	34%
Adjusted[2] profit before taxation	542	426	27%	979	687	42%
Profit before taxation	474	405	17%	890	646	38%
Adjusted[2] earnings per share	90.9¢	70.2¢	29%	162.4¢	113.6¢	43%
Earnings per share	79.5¢	66.6¢	19%	147.5¢	106.7¢	38%

Half year highlights[3]

- Record first half performance with clear momentum across the business
- Revenue up 18%[1]; rental revenue up 20%[1]
- Good progress across all Sunbelt 3.0 actionable components
- 58 locations added in North America
- $1.2bn of capital invested in the business (2020: $438m)
- $428m spent on bolt-on acquisitions (2020: $nil) and a further $320m in Q3
- Net debt to EBITDA leverage[1,3] of 1.5 times (2020: 1.7 times)
- Interim dividend increased by 28% to 12.5¢ per share (2020: 9.76¢ per share)
- We now expect full year results ahead of our previous 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 34.

Ashtead's chief executive, Brendan Horgan, commented:

"The Group's strong performance continues with rental revenue up 20% for the half year over the prior year, but more importantly up 14% when compared with the first half of 2019/20, both at constant currency. This market outperformance across the business is only possible through the dedication of our team members who deliver for all our stakeholders every day, while ensuring our leading value of safety remains at the forefront of all we do.

Sunbelt 3.0 has been embraced by the business and we are making good progress across all actionable components. In the period, we invested $1.2bn in capital across existing locations and greenfields and $428m on 10 bolt-on acquisitions, adding a combined total of 58 locations in North America. We have a healthy bolt-on pipeline and have already spent a further $320m in the third quarter. This investment takes advantage of the ongoing structural growth opportunity that we continue to see in the business as we seek to deliver on our strategic priorities to grow general tool and amplify specialty.

Our business has strong momentum 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. Notwithstanding the volatility that continues to arise from Covid, the fundamentals of our business are strong and we now expect full year performance 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 9am on Tuesday, 7 December 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 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.

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

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 for 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 announcement 'Change in presentational currency' released on 15 June 2021 and in the Group's Annual Report & Accounts 2021, available via the Company's website at www.ashtead-group.com.

First half trading results

	Revenue		EBITDA		Profit[1]	
	2021	2020	2021	2020	2021	2020
UK in £m	368.4	272.6	115.3	86.0	53.8	20.0
Canada in C$m	310.0	220.2	147.6	92.9	81.1	33.2
US	3,124.1	2,746.9	1,567.1	1,373.7	969.4	781.6
UK in $m	510.5	347.8	159.8	109.7	74.5	25.5
Canada in $m	249.4	163.7	118.7	69.1	65.3	24.7
Group central costs	-	-	(13.5)	(7.7)	(14.1)	(8.2)
	3,884.0	3,258.4	1,832.1	1,544.8	1,095.1	823.6
Net financing costs					(116.5)	(137.0)
Profit before exceptional items, amortisation and tax					**978.6**	**686.6**
Amortisation					(41.7)	(40.8)
Exceptional items					(47.1)	-
Profit before taxation					889.8	645.8
Taxation charge					(231.1)	(168.0)
Profit attributable to equity holders of the Company					658.7	477.8
Margins						
US			*50.2%*	*50.0%*	*31.0%*	*28.5%*
UK			*31.3%*	*31.5%*	*14.6%*	*7.3%*
Canada			*47.6%*	*42.2%*	*26.2%*	*15.1%*
Group			*47.2%*	*47.4%*	*28.2%*	*25.3%*

[1] Segment result presented is adjusted operating profit.

Group revenue increased 19% (18% at constant currency) to $3,884m in the first half (2020: $3,258m) against COVID-19 affected comparatives. This revenue growth, combined with strong operational execution, resulted in adjusted profit before tax increasing 43% to $979m (2020: $687m).

In the US, rental only revenue of $2,342m (2020: $2,025m) was 16% higher than the prior year (and 9% 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 first half, our general tool business grew 13%, from the depressed activity levels in the prior year, while our specialty businesses, which grew throughout last year, grew 23%. While rental revenue growth has been driven by volume, it has benefitted from improved rates in what is a better rate environment than we have seen for a number of years. We estimate that hurricane efforts contributed $60-65m of revenue in the second quarter. US total revenue, including new and used equipment, merchandise and consumable sales, increased 14% to $3,124m (2020: $2,747m).

The UK business generated rental only revenue of £203m, up 18% on the prior year (2020: £172m). 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 35% to £368m (2020: £273m) reflecting the higher level of ancillary and sales revenue associated with the work for the Department of Health, which accounted for c. 32% of UK revenue in the half year. We are supporting c.500 testing sites at the moment, which we expect to continue through the winter before reducing significantly in Spring 2022.

Canada's rental only revenue increased 47% to C$233m (2020: C$159m). 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 in the March to July 2020 timeframe as most film and TV production activities ceased. Canada's total revenue was C$310m (2020: C$220m).

Last year, we took action to reduce operating costs and eliminate discretionary expenditure in all our markets. 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, transportation and fuel costs. As a result, in the US, 44% of the rental revenue increase dropped through to EBITDA. This contributed to a reported EBITDA margin of 50% (2020: 50%) and a 24% increase in segment profit to $969m (2020: $782m) at a margin of 31% (2020: 28%).

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 31% (2020: 32%) and a segment profit of £54m (2020: £20m) at a margin of 15% (2020: 7%).

The development of our Canadian business continues as it invests to expand its network and broaden its markets. Growth has been achieved across the business while delivering a 48% EBITDA margin (2020: 42%) and generating a segment profit of C$81m (2020: C$33m) at a margin of 26% (2020: 15%). The margin improvement reflects principally the contribution from the lighting, grip and studio business, which was loss-making in the same period last year.

Overall, Group adjusted operating profit increased to $1,095m (2020: $824m), up 32% at constant exchange rates. After net financing costs of $116m (2020: $137m), Group profit before exceptional items, amortisation of intangibles and taxation was $979m (2020: $687m). After a tax charge of 26% (2020: 26%) of the adjusted pre-tax profit, adjusted earnings per share increased 43% at constant currency to 162.4¢ (2020: 113.6¢). The tax charge in the period 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 from 19% to 25% from 1 April 2023.

Statutory profit before tax was $890m (2020: $646m). This is after amortisation of $42m (2020: $41m) and, in the current year, exceptional interest costs of $47m. Included within the total tax charge is a tax credit of $22m (2020: $10m) which relates to exceptional items and the amortisation of intangibles. As a result, basic earnings per share were 147.5¢ (2020: 106.7¢). The overall cash tax charge was 16%.

Capital expenditure and acquisitions

Capital expenditure for the first half was $1,176m gross and $1,035m net of disposal proceeds (2020: $438m gross and $245m net). Fleet deliveries were slower than expected throughout the half year 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 October 2021 at cost was $12.8bn and our average fleet age is now 40 months (2020: 39 months).

We invested $428m (2020: $nil) in 10 bolt-on acquisitions during the half year as we continue to both expand our footprint and diversify our end markets. Since the period end, we have invested a further $320m in bolt-ons.

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 October 2021 was 23% (2020: 18%). 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 15% (2020: 4%). In Canada, return on investment (excluding goodwill and intangible assets) was 23% (2020: 7%). 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 18% (2020: 13%). 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 $440m (2020: $1,049m) during the period, despite capital expenditure payments of $966m (2020: $353m). During the period, we spent $206m (£149m) on share buybacks.

In August 2021, the Group took advantage of good 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 six years at a weighted average cost of 3%.

Net debt at 31 October 2021 was $6,429m (2020: $6,078m). Excluding the effect of IFRS 16, net debt at 31 October 2021 was $4,677m (2020: $4,618m), while the ratio of net debt to EBITDA was 1.5 times (2020: 1.7 times) on a constant currency basis. The Group's target range for net debt to EBITDA is 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 1.9 times (2020: 2.1 times) on a constant currency basis.

At 31 October 2021, availability under the senior secured debt facility was $3,033m with an additional $2,685m of suppressed availability – substantially above the $450m level at which the Group's entire debt package is covenant free.

Dividend

In line with our policy of providing a progressive dividend, having regard to both underlying profit and cash generation and to sustainability through the economic cycle, the Board has increased the interim dividend 28% to 12.5¢ per share (2020: 9.76¢ per share).

The timetable for payment of the interim dividend is as follows:

Ex dividend date:	13 January 2022
Record date:	14 January 2022
Payment date:	10 February 2022

The dividend is declared in US dollars but will be paid in sterling unless shareholders elect to receive their dividend in US dollars. Those shareholders who wish to receive their dividend in US dollars and have not yet made an election may do so by contacting Equiniti on 0371 384 2934 (International: +44 (0) 121 415 7011). The last day for election for the proposed interim dividend is 28 January 2022.

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 has strong momentum 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. Notwithstanding the volatility that continues to arise from Covid, the fundamentals of our business are strong and we now expect full year performance to be ahead of our previous expectations.

	Previous guidance	Current guidance
Rental revenue[1]		
- US	13 – 16%	18 – 20%
- Canada	25 – 30%	25 – 30%
- UK	9 – 12%	9 – 12%
- Group	13 – 16%	17 – 20%
Capital expenditure (gross)[2]	\$2.0 – 2.3bn	\$2.2 – 2.4bn
Free cash flow[2]	\$900 – 1,100m	\$900 – 1,100m

[1] Represents change in year-over-year rental revenue at constant exchange rates assuming no further significant Covid related restrictions
[2] Stated at C\$1=\$0.80 and £1=\$1.35

Directors' responsibility statement

We confirm that to the best of our knowledge:

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

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

By order of the Board

Eric Watkins
Company secretary

6 December 2021

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 OCTOBER 2021

	2021			2020		
	Before exceptional items and amortisation	Exceptional items and amortisation	Total	Before amortisation	Amortisation	Total
	$m	$m	$m	$m (restated[2])	$m (restated[2])	$m (restated[2])
Second quarter - unaudited						
Revenue						
Rental revenue	1,876.0	-	1,876.0	1,579.1	-	1,579.1
Sale of new equipment, merchandise and consumables	96.4	-	96.4	77.7	-	77.7
Sale of used rental equipment	59.7	-	59.7	97.1	-	97.1
	2,032.1	-	2,032.1	1,753.9	-	1,753.9
Operating costs						
Staff costs	(450.0)	-	(450.0)	(369.6)	-	(369.6)
Used rental equipment sold	(50.4)	-	(50.4)	(81.0)	-	(81.0)
Other operating costs	(559.8)	-	(559.8)	(443.6)	-	(443.6)
	(1,060.2)	-	(1,060.2)	(894.2)	-	(894.2)
EBITDA[1]	971.9	-	971.9	859.7	-	859.7
Depreciation	(374.3)	-	(374.3)	(367.2)	-	(367.2)
Amortisation of intangibles	-	(21.0)	(21.0)	-	(21.0)	(21.0)
Operating profit	597.6	(21.0)	576.6	492.5	(21.0)	471.5
Investment income	0.1	-	0.1	-	-	-
Interest expense	(55.6)	(47.1)	(102.7)	(66.3)	-	(66.3)
Profit on ordinary activities before taxation	542.1	(68.1)	474.0	426.2	(21.0)	405.2
Taxation	(136.6)	17.1	(119.5)	(111.9)	5.1	(106.8)
Profit attributable to equity holders of the Company	405.5	(51.0)	354.5	314.3	(15.9)	298.4
Basic earnings per share	90.9¢	(11.4¢)	79.5¢	70.2¢	(3.6¢)	66.6¢
Diluted earnings per share	90.7¢	(11.4¢)	79.3¢	69.9¢	(3.5¢)	66.4¢

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

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

All revenue and profit is generated from continuing operations.

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

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2021

	2021			2020		
	Before exceptional items and amortisation	Exceptional items and amortisation	Total	Before amortisation	Amortisation	Total
	$m	$m	$m	$m (restated)	$m (restated)	$m (restated)
First half - unaudited						
Revenue						
Rental revenue	3,545.2	-	3,545.2	2,930.9	-	2,930.9
Sale of new equipment, merchandise and consumables	208.9	-	208.9	142.2	-	142.2
Sale of used rental equipment	129.9	-	129.9	185.3	-	185.3
	3,884.0	-	3,884.0	3,258.4	-	3,258.4
Operating costs						
Staff costs	(864.8)	-	(864.8)	(729.6)	-	(729.6)
Used rental equipment sold	(110.2)	-	(110.2)	(173.1)	-	(173.1)
Other operating costs	(1,076.9)	-	(1,076.9)	(810.9)	-	(810.9)
	(2,051.9)	-	(2,051.9)	(1,713.6)	-	(1,713.6)
EBITDA[1]	1,832.1	-	1,832.1	1,544.8	-	1,544.8
Depreciation	(737.0)	-	(737.0)	(721.2)	-	(721.2)
Amortisation of intangibles	-	(41.7)	(41.7)	-	(40.8)	(40.8)
Operating profit	1,095.1	(41.7)	1,053.4	823.6	(40.8)	782.8
Investment income	0.1	-	0.1	-	-	-
Interest expense	(116.6)	(47.1)	(163.7)	(137.0)	-	(137.0)
Profit on ordinary activities before taxation	978.6	(88.8)	889.8	686.6	(40.8)	645.8
Taxation	(253.4)	22.3	(231.1)	(178.0)	10.0	(168.0)
Profit attributable to equity holders of the Company	725.2	(66.5)	658.7	508.6	(30.8)	477.8
Basic earnings per share	162.4¢	(14.9¢)	147.5¢	113.6¢	(6.9¢)	106.7¢
Diluted earnings per share	161.9¢	(14.9¢)	147.0¢	113.3¢	(6.9¢)	106.4¢

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

All revenue and profit is generated from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited			
	Three months to 31 October		Six months to 31 October	
	2021	2020	2021	2020
	$m	$m (restated)	$m	$m (restated)
Profit attributable to equity holders of the Company for the period	354.5	298.4	658.7	477.8
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	(8.3)	(7.8)	(9.6)	14.9
Total comprehensive income for the period	346.2	290.6	649.1	492.7

CONSOLIDATED BALANCE SHEET AT 31 OCTOBER 2021

	Unaudited 31 October 2021 $m	Unaudited 31 October 2020 $m (restated)	Audited 30 April 2021 $m (restated)
Current assets			
Inventories	124.8	102.5	102.2
Trade and other receivables	1,429.2	1,164.4	1,083.7
Current tax asset	25.8	10.7	18.4
Cash and cash equivalents	15.4	18.2	26.6
	1,595.2	1,295.8	1,230.9
Non-current assets			
Property, plant and equipment			
- rental equipment	7,436.5	7,118.9	6,908.9
- other assets	940.9	860.2	867.2
	8,377.4	7,979.1	7,776.1
Right-of-use asset	1,661.6	1,400.3	1,545.9
Goodwill	1,939.4	1,698.5	1,796.1
Other intangible assets	383.7	376.6	387.3
Other non-current assets	104.6	-	95.5
Net defined benefit pension plan asset	7.4	-	6.2
	12,474.1	11,454.5	11,607.1
Total assets	14,069.3	12,750.3	12,838.0
Current liabilities			
Trade and other payables	1,105.8	915.6	819.5
Current tax liability	4.9	41.8	5.7
Lease liabilities	175.9	155.4	168.7
Provisions	52.8	49.0	54.0
	1,339.4	1,161.8	1,047.9
Non-current liabilities			
Lease liabilities	1,589.5	1,310.5	1,464.6
Long-term borrowings	4,678.8	4,630.6	4,194.0
Provisions	69.4	63.2	61.0
Deferred tax liabilities	1,605.3	1,532.9	1,514.2
Other non-current liabilities	34.4	-	30.8
Net defined benefit pension plan liability	-	13.4	-
	7,977.4	7,550.6	7,264.6
Total liabilities	9,316.8	8,712.4	8,312.5
Equity			
Share capital	81.8	81.8	81.8
Share premium account	6.5	6.5	6.5
Capital redemption reserve	20.0	20.0	20.0
Own shares held by the Company	(275.3)	(66.2)	(66.2)
Own shares held by the ESOT	(44.9)	(36.8)	(36.8)
Cumulative foreign exchange translation differences	(143.6)	(195.9)	(134.0)
Retained reserves	5,108.0	4,228.5	4,654.2
Equity attributable to equity holders of the Company	4,752.5	4,037.9	4,525.5
Total liabilities and equity	14,069.3	12,750.3	12,838.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 OCTOBER 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	-	-	-	-	-	-	477.8	477.8
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	14.9	-	14.9
Total comprehensive income for the period	-	-	-	-	-	14.9	477.8	492.7
Dividends paid	-	-	-	-	-	-	(195.4)	(195.4)
Own shares purchased by the ESOT	-	-	-	-	(15.5)	-	-	(15.5)
Share-based payments	-	-	-	-	14.7	-	(8.8)	5.9
Tax on share-based payments	-	-	-	-	-	-	1.5	1.5
Cancellation of shares	(0.5)	-	0.5	83.5	-	-	(83.5)	-
At 31 October 2020 (restated)	81.8	6.5	20.0	(66.2)	(36.8)	(195.9)	4,228.5	4,037.9
Profit for the period	-	-	-	-	-	-	442.3	442.3
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	61.9	-	61.9
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	-	-	-	-	-	61.9	457.0	518.9
Dividends paid	-	-	-	-	-	-	(43.7)	(43.7)
Share-based payments	-	-	-	-	-	-	3.7	3.7
Tax on share-based payments	-	-	-	-	-	-	8.7	8.7
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	-	-	-	-	-	-	658.7	658.7
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	(9.6)	-	(9.6)
Total comprehensive income for the period	-	-	-	-	-	(9.6)	658.7	649.1
Dividends paid	-	-	-	-	-	-	(215.3)	(215.3)
Own shares purchased by the ESOT	-	-	-	-	(23.8)	-	-	(23.8)
Own shares purchased by the Company	-	-	-	(209.1)	-	-	-	(209.1)
Share-based payments	-	-	-	-	15.7	-	7.1	22.8
Tax on share-based payments	-	-	-	-	-	-	3.3	3.3
At 31 October 2021	81.8	6.5	20.0	(275.3)	(44.9)	(143.6)	5,108.0	4,752.5

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2021

	Unaudited	
	2021	2020
	$m	$m (restated)
Cash flows from operating activities		
Cash generated from operations before exceptional items and changes in rental equipment	1,541.6	1,513.1
Payments for rental property, plant and equipment	(811.2)	(300.4)
Proceeds from disposal of rental property, plant and equipment	152.2	190.3
Cash generated from operations	882.6	1,403.0
Financing costs paid (net)	(119.1)	(134.3)
Exceptional financing costs paid	(36.0)	-
Tax paid (net)	(143.7)	(174.9)
Net cash generated from operating activities	583.8	1,093.8
Cash flows from investing activities		
Acquisition of businesses	(427.6)	(17.7)
Payments for non-rental property, plant and equipment	(155.2)	(52.1)
Proceeds from disposal of non-rental property, plant and equipment	11.2	7.4
Net cash used in investing activities	(571.6)	(62.4)
Cash flows from financing activities		
Drawdown of loans	2,116.4	255.0
Redemption of loans	(1,642.2)	(1,336.6)
Repayment of principal under lease liabilities	(54.4)	(29.9)
Dividends paid	(213.2)	(191.8)
Purchase of own shares by the ESOT	(23.8)	(15.5)
Purchase of own shares by the Company	(206.1)	-
Net cash used in financing activities	(23.3)	(1,318.8)
Decrease in cash and cash equivalents	(11.1)	(287.4)
Opening cash and cash equivalents	26.6	304.4
Effect of exchange rate difference	(0.1)	1.2
Closing cash and cash equivalents	15.4	18.2

Reconciliation of net cash flows to net debt

Decrease in cash and cash equivalents in the period	11.1	287.4
Increase/(decrease) in debt through cash flow	419.8	(1,111.5)
Change in net debt from cash flows	430.9	(824.1)
Exchange differences	(7.1)	48.0
Debt acquired	37.8	-
Non-cash movements:		
- deferred costs of debt raising	15.2	5.6
- new lease liabilities	151.3	84.4
Increase/(decrease) in net debt in the period	628.1	(686.1)
Net debt at 1 May	5,800.7	6,764.4
Net debt at 31 October	6,428.8	6,078.3

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 six months ended 31 October 2021, comprise the Company and its subsidiaries ('the Group').

The condensed consolidated interim financial statements for the six months ended 31 October 2021 were approved by the directors on 6 December 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.

The condensed consolidated interim financial statements for the six months ended 31 October 2021 are unaudited but have been reviewed by the Group's auditors. Their report is on page 33.

2. Basis of preparation

The annual financial statements of the Group are prepared in accordance with United Kingdom adopted International Financial Reporting Standards ('IFRS'). The condensed consolidated interim financial statements for the six months ended 31 October 2021 have been prepared in accordance with 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 for 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 six months ended 31 October 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 October	1.37	1.30	0.80	0.76
Average for the six months ended 31 October	1.39	1.28	0.80	0.74
At 30 April	1.38	1.26	0.81	0.72
At 31 October	1.37	1.29	0.81	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 34.

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 financial statements.

3. Segmental analysis

Three months to 31 October 2021

	US	UK	Canada	Corporate items	Group
	$m	$m	$m	$m	$m
Revenue					
Rental revenue	1,568.1	190.0	117.9	-	1,876.0
Sale of new equipment, merchandise and consumables	40.0	48.7	7.7	-	96.4
Sale of used rental equipment	50.8	6.1	2.8	-	59.7
	1,658.9	244.8	128.4	-	2,032.1
Segment profit	537.3	30.5	37.1	(7.3)	597.6
Amortisation					(21.0)
Exceptional items					(47.1)
Net financing costs					(55.5)
Profit before taxation					474.0
Taxation					(119.5)
Profit attributable to equity shareholders					354.5

3. Segmental analysis (continued)

Three months to 31 October 2020

	US	UK	Canada	Corporate items	Group
	$m	$m	$m	$m	$m
Revenue					
Rental revenue	1,341.1	152.2	85.8	-	1,579.1
Sale of new equipment, merchandise and consumables	37.9	31.1	8.7	-	77.7
Sale of used rental equipment	83.8	10.2	3.1	-	97.1
	1,462.8	193.5	97.6	-	1,753.9
Segment profit	457.5	15.1	24.7	(4.8)	492.5
Amortisation					(21.0)
Interest expense					(66.3)
Profit before taxation					405.2
Taxation					(106.8)
Profit attributable to equity shareholders					298.4

Six months to 31 October 2021

	US	UK	Canada	Corporate items	Group
	$m	$m	$m	$m	$m
Revenue					
Rental revenue	2,942.3	377.6	225.3	-	3,545.2
Sale of new equipment, merchandise and consumables	78.2	113.9	16.8	-	208.9
Sale of used rental equipment	103.6	19.0	7.3	-	129.9
	3,124.1	510.5	249.4	-	3,884.0
Segment profit	969.4	74.5	65.3	(14.1)	1,095.1
Amortisation					(41.7)
Exceptional items					(47.1)
Net financing costs					(116.5)
Profit before taxation					889.8
Taxation					(231.1)
Profit attributable to equity shareholders					658.7

Six months to 31 October 2020

	US	UK	Canada	Corporate items	Group
	$m	$m	$m	$m	$m
Revenue					
Rental revenue	2,515.2	275.8	139.9	-	2,930.9
Sale of new equipment, merchandise and consumables	74.4	51.5	16.3	-	142.2
Sale of used rental equipment	157.3	20.5	7.5	-	185.3
	2,746.9	347.8	163.7	-	3,258.4
Segment profit	781.6	25.5	24.7	(8.2)	823.6
Amortisation					(40.8)
Interest expense					(137.0)
Profit before taxation					645.8
Taxation					(168.0)
Profit attributable to equity shareholders					477.8

3. Segmental analysis (continued)

	US $m	UK $m	Canada $m	Corporate items $m	Group $m
At 31 October 2021					
Segment assets	11,451.5	1,289.8	1,229.9	56.9	14,028.1
Cash					15.4
Taxation assets					25.8
Total assets					14,069.3
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

4. Operating costs and other income

	2021			2020		
	Before amortisation $m	Amortisation $m	Total $m	Before amortisation $m	Amortisation $m	Total $m
Three months to 31 October						
Staff costs:						
Salaries	411.2	-	411.2	338.5	-	338.5
Social security costs	30.0	-	30.0	25.4	-	25.4
Other pension costs	8.8	-	8.8	5.7	-	5.7
	450.0	-	450.0	369.6	-	369.6
Used rental equipment sold	50.4	-	50.4	81.0	-	81.0
Other operating costs:						
Vehicle costs	138.0	-	138.0	99.4	-	99.4
Spares, consumables & external repairs	104.9	-	104.9	89.4	-	89.4
Facility costs	17.8	-	17.8	17.7	-	17.7
Other external charges	299.1	-	299.1	237.1	-	237.1
	559.8	-	559.8	443.6	-	443.6
Depreciation and amortisation:						
Depreciation of tangible assets	338.2	-	338.2	325.9	-	325.9
Depreciation of right-of-use assets	36.1	-	36.1	41.3	-	41.3
Amortisation of intangibles	-	21.0	21.0	-	21.0	21.0
	374.3	21.0	395.3	367.2	21.0	388.2
	1,434.5	21.0	1,455.5	1,261.4	21.0	1,282.4

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. Operating costs and other income (continued)

	2021			2020		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	$m	$m	$m	$m	$m	$m
Six months to 31 October						
Staff costs:						
Salaries	790.5	-	790.5	668.0	-	668.0
Social security costs	57.0	-	57.0	49.1	-	49.1
Other pension costs	17.3	-	17.3	12.5	-	12.5
	864.8	-	864.8	729.6	-	729.6
Used rental equipment sold	110.2	-	110.2	173.1	-	173.1
Other operating costs:						
Vehicle costs	256.5	-	256.5	173.4	-	173.4
Spares, consumables & external repairs	201.1	-	201.1	176.7	-	176.7
Facility costs	35.6	-	35.6	32.1	-	32.1
Other external charges	583.7	-	583.7	428.7	-	428.7
	1,076.9	-	1,076.9	810.9	-	810.9
Depreciation and amortisation:						
Depreciation of tangible assets	666.0	-	666.0	649.4	-	649.4
Depreciation of right-of-use assets	71.0	-	71.0	71.8	-	71.8
Amortisation of intangibles	-	41.7	41.7	-	40.8	40.8
	737.0	41.7	778.7	721.2	40.8	762.0
	2,788.9	41.7	2,830.6	2,434.8	40.8	2,475.6

5. Exceptional items and amortisation

Exceptional items are those items of financial performance that are those items of income or expense which are material and have limited predictive value. Amortisation relates to the write-off of intangible assets over their estimated useful economic life. 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. Adjusted profit and earnings per share are stated before exceptional items and amortisation of intangibles.

	Three months to 31 October		Six months to 31 October	
	2021	2020	2021	2020
	$m	$m	$m	$m
Amortisation of intangibles	21.0	21.0	41.7	40.8
Write-off of deferred financing costs	11.1	-	11.1	-
Early redemption fee	36.0	-	36.0	-
Taxation	(17.1)	(5.1)	(22.3)	(10.0)
	51.0	15.9	66.5	30.8

The costs associated with the redemption of the $600m 4.125% senior notes and the $600m 5.25% senior notes in August 2021 have been classified as exceptional items. The write-off of deferred financing costs consisted of the unamortised balance of the costs relating to the notes. In addition, an early redemption fee of $36m was paid to redeem the notes prior to their scheduled maturity. Of these items, total cash costs were $36m.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. Exceptional items and amortisation (continued)

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

	Three months to 31 October		Six months to 31 October	
	2021	2020	2021	2020
	$m	$m	$m	$m
Amortisation of intangibles	21.0	21.0	41.7	40.8
Charged in arriving at operating profit	21.0	21.0	41.7	40.8
Interest expense	47.1	-	47.1	-
Charged in arriving at profit before tax	68.1	21.0	88.8	40.8
Taxation	(17.1)	(5.1)	(22.3)	(10.0)
	51.0	15.9	66.5	30.8

6. Net financing cost

	Three months to 31 October		Six months to 31 October	
	2021	2020	2021	2020
	$m	$m	$m	$m
Interest income:				
Net income on the net defined benefit pension asset	0.1	-	0.1	-
Interest expense:				
Bank interest payable	6.9	12.9	13.4	30.2
Interest payable on senior notes	27.0	33.0	60.0	66.0
Interest payable on lease liabilities	19.6	17.2	38.9	34.4
Non-cash unwind of discount on provisions	0.3	0.4	0.5	0.8
Amortisation of deferred debt raising costs	1.8	2.8	3.8	5.6
	55.6	66.3	116.6	137.0
Net financing costs before exceptional items	55.5	66.3	116.5	137.0
Exceptional items	47.1	-	47.1	-
Net financing costs	102.6	66.3	163.6	137.0

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. Taxation

The tax charge for the period has been determined by applying the expected effective tax rates in each jurisdiction for the year as a whole, based on the tax rates in force as at 31 October 2021 of 25% in the US (2020: 25%), 19% in the UK (2020: 19%) and 26% in Canada (2020: 27%), to the profits in the period for each jurisdiction. This results in a blended effective rate for the Group as a whole of 26% (2020: 26%) for the period.

The tax charge of $253m (2020: $178m) on the adjusted profit before taxation of $979m (2020: $687m) can be explained as follows:

	Six months to 31 October 2021 $m	2020 $m
Current tax		
- current tax on income for the period	155.6	246.3
- adjustments to prior year	0.8	3.5
	156.4	249.8
Deferred tax		
- origination and reversal of temporary differences	88.9	(71.4)
- adjustment due to change in UK corporate tax rate	9.8	-
- adjustments to prior year	(1.7)	(0.4)
	97.0	(71.8)
Tax on adjusted profit	253.4	178.0
Comprising:		
- UK	31.2	13.0
- US	208.1	161.3
- Canada	14.1	3.7
	253.4	178.0

In addition, the tax credit of $22m (2020: $10m) on exceptional items and amortisation of $89m (2020: $41m) consists of a current tax credit of $17m (2020: $4m) relating to the US and $0.3m (2020: $0.4m) relating to the UK and $0.4m (2020: $nil) relating to Canada, and a deferred tax credit of $2m (2020: $3m) relating to the US, $0.4m (2020: $0.7m) relating to the UK and $2m (2020: $3m) relating to Canada.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. Earnings per share

Basic and diluted earnings per share for the six months ended 31 October 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 October		Six months to 31 October	
	2021	2020	2021	2020
Profit for the financial period ($m)	354.5	298.4	658.7	477.8
Weighted average number of shares (m) - basic	446.0	447.9	446.6	447.9
- diluted	447.3	449.1	448.0	449.1
Basic earnings per share	79.5¢	66.6¢	147.5¢	106.7¢
Diluted earnings per share	79.3¢	66.4¢	147.0¢	106.4¢

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 October		Six months to 31 October	
	2021	2020	2021	2020
Basic earnings per share	79.5	66.6	147.5	106.7
Amortisation of intangibles	4.7	4.7	9.3	9.1
Exceptional items	10.6	-	10.6	-
Tax on exceptional items and amortisation	(3.9)	(1.1)	(5.0)	(2.2)
Adjusted earnings per share	90.9	70.2	162.4	113.6

9. Dividends

During the period, a final dividend in respect of the year ended 30 April 2021 of 48.24¢ (2020: 43.63¢) per share was paid to shareholders resulting in a cash outflow of $213m (2020: $192m). In addition, the directors are proposing an interim dividend in respect of the year ending 30 April 2022 of 12.5¢ (2021: 9.76¢) per share to be paid on 10 February 2022 to shareholders who are on the register of members on 14 January 2022.

The dividends per share disclosed above are presented in US dollars. Dividends for periods prior to the Group's change in presentational currency on 1 May 2021 have been translated into dollars at the date at which a liability arose in accordance with their treatment in the Statement of Changes in Equity. All dividends for periods subsequent to 1 May 2021 will be declared in US dollars.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. Property, plant and equipment

Net book value	2021 Rental equipment $m	2021 Total $m	2020 Rental equipment $m	2020 Total $m
At 1 May	6,908.9	7,776.1	7,429.2	8,323.1
Exchange differences	(10.1)	(11.8)	31.1	35.8
Reclassifications	(0.1)	0.2	(0.8)	-
Additions	1,020.4	1,175.6	385.8	437.8
Acquisitions	205.3	220.2	3.0	3.1
Disposals	(108.3)	(116.9)	(163.2)	(171.3)
Depreciation	(579.6)	(666.0)	(566.2)	(649.4)
At 31 October	7,436.5	8,377.4	7,118.9	7,979.1

11. Right-of-use assets

Net book value	2021 Property leases $m	2021 Other leases $m	2021 Total $m	2020 Property leases $m	2020 Other leases $m	2020 Total $m
At 1 May	1,533.5	12.4	1,545.9	1,366.9	5.8	1,372.7
Exchange differences	(2.4)	(0.1)	(2.5)	8.2	0.1	8.3
Additions	122.7	3.5	126.2	55.9	0.7	56.6
Acquisitions	37.8	-	37.8	-	-	-
Remeasurement	26.2	-	26.2	38.4	-	38.4
Disposals	-	(0.8)	(0.8)	(3.6)	(0.3)	(3.9)
Transfers	-	(0.2)	(0.2)	-	-	-
Depreciation	(69.5)	(1.5)	(71.0)	(71.0)	(0.8)	(71.8)
At 31 October	1,648.3	13.3	1,661.6	1,394.8	5.5	1,400.3

Included within depreciation is an impairment charge of $nil (2020: $11m).

12. Lease liability

	31 October 2021 $m	30 April 2021 $m
Current	175.9	168.7
Non-current	1,589.5	1,464.6
	1,765.4	1,633.3

13. Borrowings

	31 October 2021 $m	30 April 2021 $m
Non-current		
First priority senior secured bank debt	1,608.6	1,225.2
4.125% senior notes, due 2025	-	594.9
5.250% senior notes, due 2026	-	593.4
1.500% senior notes, due 2026	545.3	-
4.375% senior notes, due 2027	594.3	593.9
4.000% senior notes, due 2028	593.8	593.4
4.250% senior notes, due 2029	593.5	593.2
2.450% senior notes, due 2031	743.3	-
	4,678.8	4,194.0

13. Borrowings (continued)

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 six years. Our $4.5bn asset-based senior credit facility is committed until August 2026. The $550m 1.500% 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, the $600m 4.250% senior notes mature in November 2029 and the $750m 2.450% senior notes mature in August 2031.

The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is 3%.

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 $450m. The covenant ratio is calculated each quarter. At 31 October 2021, the fixed charge ratio exceeded the covenant requirement.

At 31 October 2021, availability under the senior secured bank facility was $3,033m ($3,011m at 30 April 2021), with an additional $2,685m of suppressed availability, meaning that the covenant did not apply at 31 October 2021 and is unlikely to apply in forthcoming quarters.

Fair value of financial instruments

At 31 October 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 October 2021		At 30 April 2021	
	Book value $m	Fair value $m	Book value $m	Fair value $m
4.125% senior notes	-	-	600.0	616.5
5.250% senior notes	-	-	600.0	627.8
1.500% senior notes	548.6	537.7	-	-
4.375% senior notes	600.0	627.0	600.0	628.5
4.000% senior notes	600.0	632.3	600.0	627.7
4.250% senior notes	600.0	649.5	600.0	641.3
2.450% senior notes	748.1	737.8	-	-
	3,096.7	3,184.3	3,000.0	3,141.8
Deferred costs of raising finance	(26.5)	-	(31.2)	-
	3,070.2	3,184.3	2,968.8	3,141.8

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

14. Share capital

Ordinary shares of 10p each:

	31 October 2021 Number	30 April 2021 Number	31 October 2021 $m	30 April 2021 $m
Issued and fully paid	451,354,833	451,354,833	81.8	81.8

During the period, the Company purchased 2.8m ordinary shares at a total cost of $209m (£151m) under the Group's share buyback programme, which are held in treasury. At 31 October 2021 4.8m (April 2021: 2.0m) shares were held by the Company ($275m; April 2021: $66m) and a further 1.2m (April 2021: 1.4m) shares were held by the Company's Employee Share Ownership Trust ($45m; April 2021: $37m).

15. Notes to the cash flow statement

a) Cash flow from operating activities

	Six months to 31 October 2021 $m	2020 $m
Operating profit before exceptional items and amortisation	1,095.1	823.6
Depreciation	737.0	721.2
EBITDA	1,832.1	1,544.8
Profit on disposal of rental equipment	(19.7)	(12.2)
Profit on disposal of other property, plant and equipment	(2.7)	(0.4)
(Increase)/decrease in inventories	(22.7)	3.2
Increase in trade and other receivables	(350.0)	(135.9)
Increase in trade and other payables	82.2	107.2
Exchange differences	(0.4)	0.5
Other non-cash movements	22.8	5.9
Cash generated from operations before changes in rental equipment	1,541.6	1,513.1

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 pounds sterling 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 October 2021 $m
Long-term borrowings	4,194.0	474.2	(4.6)	-	-	15.2	4,678.8
Lease liabilities	1,633.3	(54.4)	(2.6)	37.8	151.3	-	1,765.4
Total liabilities from financing activities	5,827.3	419.8	(7.2)	37.8	151.3	15.2	6,444.2
Cash and cash equivalents	(26.6)	11.1	0.1	-	-	-	(15.4)
Net debt	5,800.7	430.9	(7.1)	37.8	151.3	15.2	6,428.8

15. Notes to the cash flow statement (continued)

b) Analysis of net debt (continued)

			Non-cash movements			
	1 May 2020	Cash flow	Exchange movement	New lease liabilities	Other movements	31 October 2020
	$m	$m	$m	$m	$m	$m
Long-term borrowings	5,666.0	(1,081.6)	40.6	-	5.6	4,630.6
Lease liabilities	1,402.8	(29.9)	8.6	84.4	-	1,465.9
Total liabilities from financing activities	7,068.8	(1,111.5)	49.2	84.4	5.6	6,096.5
Cash and cash equivalents	(304.4)	287.4	(1.2)	-	-	(18.2)
Net debt	6,764.4	(824.1)	48.0	84.4	5.6	6,078.3

Details of the Group's cash and debt are given in notes 12 and 13 and the Review of Second Quarter, Balance Sheet and Cash Flow accompanying these condensed consolidated interim financial statements.

c) Acquisitions

	Six months to 31 October	
	2021	2020
	$m	$m
Cash consideration paid:		
- acquisitions in the period	426.9	-
- contingent consideration	0.7	17.7
	427.6	17.7

During the period, 10 businesses were acquired with cash paid of $427m (2020: $nil). Further details are provided in Note 16.

Contingent consideration of $1m (2020: $18m) was paid relating to prior year acquisitions.

16. 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.

16. Acquisitions (continued)

vi) 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.

vii) 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.

viii) On 28 September 2021, Sunbelt US acquired the business and assets of 202 Rent All, Inc. ('202 Rent All'). 202 Rent All is a general tool business in Pennsylvania.

ix) On 13 October 2021, Sunbelt US acquired the business and assets of Atlas Aerials & Equipment, LLC ('Atlas Aerials'). Atlas Aerials is a general tool business in Illinois.

x) On 22 October 2021, Sunbelt US acquired the business and assets of Action Rental Holdings, LLC, Action Equipment Rentals, LLC and Action Rentals Trench Shoring & Supply, LLC (together 'Action'). Action is a general tool business in Florida, Georgia and Louisiana.

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	32.7
Inventory	0.1
Property, plant and equipment	
- rental equipment	205.3
- other assets	14.9
Right-of-use asset	37.8
Lease liabilities	(37.8)
Intangible assets (non-compete agreements and customer relationships)	39.3
	292.3
Consideration:	
- cash paid and due to be paid	428.2
- contingent consideration	10.3
	438.5
Goodwill	146.2

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. $146m 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 $33m.

16. Acquisitions (continued)

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.

17. 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 ($49m at October 2021 exchange rates) paid has been recognised as a non-current asset on the balance sheet.

18. Events after the balance sheet date

Since the balance sheet date, the Group has completed four acquisitions for total purchase consideration of $320m as follows:

i) On 5 November 2021, Sunbelt US acquired the business and assets of All Keys Rental, LLC ('All Keys'). All Keys is a general tool business in Florida.

ii) On 19 November 2021, Sunbelt US acquired the business and assets of Essex Rental & Sales Center, Inc. ('Essex'). Essex is a general tool business in Vermont.

iii) On 23 November 2021, Sunbelt Canada acquired the business and assets of Lift Services, Inc. ('Lift Services'). Lift Services is a general tool business in Ontario.

iv) On 1 December 2021, Sunbelt US acquired the entire share capital of Mahaffey Tent & Awning Co., Inc., Mahaffey USA LLC, Mahaffey Industrial Contractors LLC and Cajun Affiliates LLC (together 'Mahaffey'). Mahaffey is a temporary structure business operating across the United States.

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.

REVIEW OF SECOND QUARTER, BALANCE SHEET AND CASH FLOW

Second quarter

	Revenue		EBITDA		Profit[1]	
	2021	2020	2021	2020	2021	2020
UK in £m	178.2	149.3	53.1	49.7	22.3	11.7
Canada in C$m	161.3	129.8	80.7	63.2	46.5	33.3
US	1,658.9	1,462.8	841.8	752.6	537.3	457.5
UK in $m	244.8	193.5	72.9	64.3	30.5	15.1
Canada in $m	128.4	97.6	64.3	47.4	37.1	24.7
Group central costs	-	-	(7.1)	(4.6)	(7.3)	(4.8)
	2,032.1	1,753.9	971.9	859.7	597.6	492.5
Net financing costs					(55.5)	(66.3)
Profit before exceptional items, amortisation and tax					**542.1**	**426.2**
Amortisation					(21.0)	(21.0)
Exceptional items					(47.1)	-
Profit before taxation					474.0	405.2
Margins as reported						
US			*50.7%*	*51.5%*	*32.4%*	*31.3%*
UK			*29.8%*	*33.3%*	*12.5%*	*7.9%*
Canada			*50.0%*	*48.7%*	*28.8%*	*25.6%*
Group			*47.8%*	*49.0%*	*29.4%*	*28.1%*

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

Group revenue for the quarter increased 16% (15% at constant currency) to $2,032m (2020: $1,754m) against COVID-19 affected comparatives and 17% (15% at constant currency) when compared to the second quarter of 2019/20. Adjusted profit before tax for the quarter increased to $542m (2020: $426m).

US rental only revenue in the quarter was 16% higher than a year ago. This consisted of our general tool business which was 13% higher than last year while our specialty businesses were 23% higher than a year ago. When compared with 2019/20, second quarter rental only revenue was 11% higher.

The UK generated rental only revenue in the quarter was £104m (2020: £92m), 13% higher than the prior year. Total revenue increased 19% to £178m (2020: £149m) reflecting the higher level of ancillary and sales revenue associated with the services provided to the Department of Health.

Canada's rental only revenue increased 25% to C$122m (2020: C$98m), while total revenue was C$161m (2020: C$130m).

Group operating profit increased 21% to $598m (2020: $493m). After net financing costs of $55m (2020: $66m), Group profit before exceptional items and amortisation of intangibles and taxation was $542m (2020: $426m). After exceptional items and amortisation of $68m, statutory profit before taxation was $474m (2020: $405m).

Balance sheet

Fixed assets

Capital expenditure in the first half totalled $1,176m (2020: $438m) with $1,020m invested in the rental fleet (2020: $386m). Expenditure on rental equipment was 87% 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	37.8	37.7	75.5	49.5
Canada in C$m	22.3	96.0	118.3	24.0
US	318.1	502.6	820.7	304.8
UK in $m	52.3	52.2	104.5	63.1
Canada in $m	18.0	77.2	95.2	17.9
Total rental equipment	388.4	632.0	1,020.4	385.8
Delivery vehicles, property improvements & IT equipment			155.2	52.0
Total additions			1,175.6	437.8

In a strong US rental market, $503m of rental equipment capital expenditure was spent on growth while $318m was invested in replacement of existing fleet. The growth proportion is estimated on the basis of the assumption that replacement capital expenditure in any period is equal to the original cost of equipment sold.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 31 October 2021 was 40 months (2020: 39 months) on a net book value basis. The US fleet had an average age of 41 months (2020: 39 months), the UK fleet had an average age of 38 months (2020: 43 months) and the Canadian fleet had an average age of 36 months (2020: 36 months).

	Rental fleet at original cost			LTM rental	LTM dollar
	31 October 2021	30 April 2021	LTM average	revenue	utilisation
UK in £m	952	914	910	538	59%
Canada in C$m	1,040	938	962	528	55%
US	10,636	9,827	10,014	5,360	54%
UK in $m	1,305	1,266	1,252	737	59%
Canada in $m	839	762	765	419	55%
	12,780	11,855	12,031	6,516	

Dollar utilisation was 54% in the US (2020: 49%), 59% for the UK (2020: 46%) and 55% for Canada (2020: 43%). The improvement in US dollar utilisation reflects better fleet utilisation following the COVID-19 pandemic and an improved rate environment. In the UK, the increase in 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 improved fleet utilisation and a good rate environment as well as the acquisition of our lighting, grip and studio business.

Trade receivables

Receivable days at 31 October 2021 were 52 days (2020: 45 days). Trade receivables at 31 October 2021 of $1,232m (2020: $963m) are stated net of allowances for bad debts and credit notes of $89m (2020: $128m), with the provision representing 7% (2020: 12%) 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 October 2021.

Trade and other payables

Group payable days were 52 days at 31 October 2021 (2020: 55 days) with capital expenditure related payables totalling $344m (2020: $224m). This reduction in payable days reflects the Group's efforts to ensure suppliers are paid promptly and in accordance with agreed terms and the mix of creditors. Payment periods for purchases other than rental equipment vary between seven and 60 days and for rental equipment between 30 and 120 days.

Cash flow and net debt

	Six months to 31 October		LTM to 31 October	Year to 30 April
	2021	2020	2021	2021
	$m	$m	$m	$m
EBITDA before exceptional items	1,832.1	1,544.8	3,324.1	3,036.8
Cash inflow from operations before exceptional items and changes in rental equipment	1,541.6	1,513.1	3,045.5	3,017.0
*Cash conversion ratio**	*84.1%*	*97.9%*	*91.6%*	*99.3%*
Replacement rental capital expenditure	(394.0)	(300.4)	(847.7)	(754.1)
Payments for non-rental capital expenditure	(155.2)	(52.1)	(241.4)	(138.3)
Rental equipment disposal proceeds	152.2	190.3	346.6	384.7
Other property, plant and equipment disposal proceeds	11.2	7.4	22.1	18.3
Tax (net)	(143.7)	(174.9)	(356.4)	(387.6)
Financing costs (net)	(119.1)	(134.3)	(239.7)	(254.9)
Cash inflow before growth capex and payment of exceptional costs	**893.0**	**1,049.1**	**1,729.0**	**1,885.1**
Growth rental capital expenditure	(417.2)	-	(480.1)	(62.9)
Exceptional costs	(36.0)	-	(36.0)	-
Free cash flow	**439.8**	**1,049.1**	**1,212.9**	**1,822.2**
Business acquisitions	(427.6)	(17.7)	(605.0)	(195.1)
Total cash generated	**12.2**	**1,031.4**	**607.9**	**1,627.1**
Dividends	(213.2)	(191.8)	(256.9)	(235.5)
Purchase of own shares by the Company	(206.1)	-	(206.1)	-
Purchase of own shares by the ESOT	(23.8)	(15.5)	(23.8)	(15.5)
(Increase)/decrease in net debt due to cash flow	**(430.9)**	**824.1**	**121.1**	**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 $1,542m (2020: $1,513m). The first half conversion ratio was 84% (2020: 98%).

Total payments for capital expenditure (rental equipment and other PPE) in the first half were $966m (2020: $353m). Disposal proceeds received totalled $163m (2020: $198m), giving net payments for capital expenditure of $803m in the period (2020: $155m). Financing costs paid totalled $119m (2020: $134m) while tax payments were $144m (2020: $175m). Financing costs paid typically differ from the charge in the income statement due to the timing of interest payments in the year and non-cash interest charges. The exceptional costs relate to the premium on redemption of the senior notes due in 2025 and 2026.

Accordingly, the Group generated free cash flow of $440m (2020: $1,049m) and, after acquisition related expenditure of $428m, a net cash inflow of $12m (2020: $1,031m), before returns to shareholders.

Net debt	31 October		30 April
	2021	2020	2021
	$m	$m	$m
First priority senior secured bank debt	1,608.6	1,664.1	1,225.2
4.125% senior notes, due 2025	-	594.3	594.9
5.250% senior notes, due 2026	-	592.8	593.4
1.500% senior notes, due 2026	545.3	-	-
4.375% senior notes, due 2027	594.3	593.5	593.9
4.000% senior notes, due 2028	593.8	593.0	593.4
4.250% senior notes, due 2029	593.5	592.9	593.2
2.450% senior notes, due 2031	743.3	-	-
Total external borrowings	4,678.8	4,630.6	4,194.0
Lease liabilities	1,765.4	1,465.9	1,633.3
Total gross debt	6,444.2	6,096.5	5,827.3
Cash and cash equivalents	(15.4)	(18.2)	(26.6)
Total net debt	6,428.8	6,078.3	5,800.7

Net debt at 31 October 2021 was $6,429m with the increase since 30 April 2021 reflecting the net cash outflow set out above. The Group's EBITDA for the twelve months ended 31 October 2021 was $3,324m. Excluding the impact of IFRS 16, the ratio of net debt to EBITDA was 1.5 times (2020: 1.7 times) on a constant currency and a reported basis as at 31 October 2021. Including the impact of IFRS 16, the ratio of net debt to EBITDA was 1.9 times at 31 October 2021 (2020: 2.1 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 October 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 October 2021, a 1% change in the pounds sterling and Canadian dollar exchange rate would impact adjusted pre-tax profit by approximately $1m.

OPERATING STATISTICS

	Number of rental stores			Staff numbers		
	31 October		30 April	31 October		30 April
	2021	2020	2021	2021	2020	2021
US	910	840	861	14,711	13,233	13,553
UK	186	193	188	3,810	3,600	3,777
Canada	83	75	77	1,600	1,420	1,479
Corporate office	-	-	-	19	17	17
Group	1,179	1,108	1,126	20,140	18,270	18,826

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

We have been engaged by the Company to review the condensed consolidated interim financial statements for the six months ended 31 October 2021 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Directors' responsibilities

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

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with United Kingdom adopted International Accounting Standard 34 'Interim Financial Reporting'.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements for the six months ended 31 October 2021 are not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

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

Deloitte LLP
Statutory Auditor
London, United Kingdom
6 December 2021

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>US ($m)</td><td></td><td></td><td></td></tr>
<tr><td>Rental revenue</td><td>2,942</td><td>2,515</td><td>427</td></tr>
<tr><td>EBITDA</td><td>1,567</td><td>1,374</td><td></td></tr>
<tr><td>Gains</td><td>(46)</td><td>(39)</td><td></td></tr>
<tr><td>EBITDA excluding gains</td><td>1,521</td><td>1,335</td><td>186</td></tr>
<tr><td>Drop through</td><td></td><td></td><td>44%</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>3,545</td><td>2,931</td><td>21%</td></tr>
<tr><td>Retranslation effect</td><td>-</td><td>35</td><td></td></tr>
<tr><td>At constant currency</td><td>3,545</td><td>2,966</td><td>20%</td></tr>
<tr><td>Adjusted profit before tax</td><td></td><td></td><td></td></tr>
<tr><td>As reported</td><td>979</td><td>687</td><td>43%</td></tr>
<tr><td>Retranslation effect</td><td>-</td><td>1</td><td></td></tr>
<tr><td>At constant currency</td><td>979</td><td>688</td><td>42%</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>4,677</td><td>6,429</td><td>4,676</td><td>6,154</td></tr>
<tr><td>EBITDA (at constant currency)</td><td>3,168</td><td>3,328</td><td>2,766</td><td>2,913</td></tr>
<tr><td>Leverage</td><td>1.5</td><td>1.9</td><td>1.7</td><td>2.1</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 ($m)</td><td>1,826</td><td>1,427</td></tr>
<tr><td>Average net assets ($m)</td><td>10,423</td><td>10,729</td></tr>
<tr><td>Return on investment (%)</td><td>18%</td><td>13%</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>1,610</td><td>144</td><td>94</td></tr>
<tr><td>Average net assets, excluding goodwill and intangibles</td><td>6,955</td><td>628</td><td>605</td></tr>
<tr><td>Return on investment</td><td>23%</td><td>23%</td><td>15%</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 $4.5bn 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 Second Quarter, 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 Second Quarter, 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 Second Quarter, 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 15.

- **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 $4.5bn asset-backed senior bank facility.