6 September 2022

Unaudited results for the first quarter ended 31 July 2022

	First quarter		
	2022	2021	Growth[1]
	$m	$m	%
Revenue	2,259	1,852	25%
Rental revenue	2,075	1,669	26%
EBITDA	1,039	860	22%
Operating profit	594	477	26%
Adjusted[2] profit before taxation	555	437	29%
Profit before taxation	527	416	28%
Adjusted[2] earnings per share	94.4¢	71.5¢	33%
Earnings per share	89.7¢	68.0¢	33%

Highlights[3]

- Strong quarter with ongoing momentum in supportive end markets
- Group revenue up 25%[1], US rental revenue up 29%
- Adjusted earnings per share of 94.4¢ (2021: 71.5¢)
- Good progress against all Sunbelt 3.0 actionable components
- $699m of capital invested in the business (2021: $551m)
- $337m spent on 12 bolt-on acquisitions (2021: $123m)
- Net debt to EBITDA leverage[1,3] of 1.6 times (2021: 1.3 times)

1 Calculated at constant exchange rates applying current period exchange rates.
2 Adjusted results are stated before 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 of Terms on page 28.

Ashtead's chief executive, Brendan Horgan, commented:

"The Group has made a strong start to the financial year across all geographies with rental revenue up 26% 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.

Our end markets remain strong and we continue to execute well across all actionable components of our strategic growth plan, Sunbelt 3.0. In the quarter, we invested $699m in capital across existing locations and greenfields and $337m on 12 bolt-on acquisitions, adding a combined 33 locations in North America. This significant investment is enabling us to take advantage of the substantial structural growth opportunities that we see for the business as we deliver our strategic priorities to grow our general tool and specialty businesses and advance our clusters. We are achieving all this while maintaining a strong and flexible balance sheet with leverage near the bottom of our target range.

Our business is performing well with clear momentum in supportive end markets. We are in a position of strength and have the experience to navigate the challenges and capitalise on the opportunities arising from the market circumstances we face, including supply chain constraints, inflation, labour scarcity and economic uncertainty, all factors which we are convinced are drivers of ongoing structural change. The business is performing strongly, with revenue and operating profit ahead of our previous expectations. This performance is offset by increasing interest costs and therefore, we expect adjusted profit before taxation for the year to be in line with our previous expectations and the Board looks to the future with confidence."

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Brendan Horgan and Michael Pratt will hold a conference call for equity analysts to discuss the results and outlook at 10:00am on Tuesday, 6 September 2022. 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.

Trading results

	Revenue		EBITDA		Profit[1]	
	2022	2021	2022	2021	2022	2021
UK in £m	181.8	190.2	57.1	62.2	25.7	31.5
Canada in C$m	176.4	148.7	76.0	66.9	38.4	34.6
US	1,899.2	1,465.2	916.2	725.3	567.1	432.1
UK in $m	222.7	265.7	70.0	86.9	31.5	44.0
Canada in $m	137.1	121.0	59.1	54.4	29.9	28.2
Group central costs	-	-	(6.7)	(6.4)	(6.9)	(6.8)
	2,259.0	1,851.9	1,038.6	860.2	621.6	497.5
Net financing costs					(66.9)	(61.0)
Adjusted profit before tax					**554.7**	**436.5**
Amortisation					(27.9)	(20.7)
Profit before taxation					526.8	415.8
Taxation charge					(131.0)	(111.6)
Profit attributable to equity holders of the Company					395.8	304.2
Margins						
US			48.2%	49.5%	29.9%	29.5%
UK			31.4%	32.7%	14.2%	16.5%
Canada			43.1%	45.0%	21.8%	23.3%
Group			46.0%	46.4%	27.5%	26.9%

[1] Segment result presented is adjusted operating profit.

Group revenue for the quarter increased 22% (25% at constant currency) to $2,259m (2021: $1,852m). This revenue growth, combined with strong operational execution, resulted in adjusted profit before tax increasing 27% to $555m (2021: $437m).

In the US, rental only revenue of $1,389m (2021: $1,102m) was 26% higher than the prior year, representing continued market outperformance and demonstrating the benefits of our strategy of growing our specialty businesses and broadening our end markets. Organic growth (same-store and greenfields) was 20%, while bolt-ons since 1 May 2021 contributed 6% of rental only revenue growth. In the quarter, our general tool business grew 23%, while our specialty businesses grew 38%. Rental only revenue growth has been driven by both volume and rate improvement in what continues to be a good rate environment. Rental revenue increased 29% to $1,768m (2021: $1,374m). US total revenue, including new and used equipment, merchandise and consumable sales, increased 30% to $1,899m (2021: $1,465m).

The UK business generated rental only revenue of £104m, up 5% on the prior year (2021: £99m). Following the cessation of free mass COVID testing in April 2022, revenue from the Department of Health related to the demobilisation of the testing sites and was significantly lower than the prior year. The demobilisation was completed during the first quarter. Excluding the impact of the work for the Department of Health, rental only revenue increased 19%. Rental revenue increased 11% to £149m (2021: £134m). Total revenue decreased 4% to £182m (2021: £190m) reflecting the high level of ancillary and sales revenue associated with the work for the Department of Health, which accounted for c. 16% of revenue in the quarter.

Canada's rental only revenue increased 18% to C$131m (2021: C$111m). Markets are robust and the original Canadian business is growing in a similar manner to the US with strong volume growth and rate improvement, in a good rate environment. The lighting, grip and lens business continues to be affected by market uncertainty, with the threat earlier this year of strikes by production staff in Vancouver, resulting in productions being delayed or moved elsewhere. Rental revenue increased 20% to C$159m (2021: C$132m), while Canada's total revenue was C$176m (2021: C$149m).

In common with many businesses, we face inflationary pressures across most cost lines, but particularly in relation to labour, transportation and fuel. While our strong performance on rate, combined with our scale, has enabled us to navigate this inflationary environment, driving strong revenue and profit growth, it is a drag on drop through and margins. This, combined with our targeted investment in the infrastructure of the business as part of Sunbelt 3.0, particularly our technology platform, and in bolt-ons, which are typically lower margin businesses, has resulted in US rental revenue drop through to EBITDA of 43%. This contributed to a reported EBITDA margin of 48.2% (2021: 49.5%) and a 31% increase in segment profit to $567m (2021: $432m) at a margin of 29.9% (2021: 29.5%).

The UK business remains focused on delivering operational efficiency and improving returns in the business. However, this year will be a transition year as we accelerated the demobilisation of the assets dedicated to the Department of Health testing centres and look to redeploy them elsewhere in the business. As a result, the UK generated an EBITDA margin of 31.4% (2021: 32.7%) and a segment profit of £26m (2021: £31m) at a margin of 14.2% (2021: 16.5%).

Our Canadian business continues to develop and enhance its performance as it invests to expand its network and broaden its markets. The growth and margin improvement in the original Canadian business has been more than offset by the drag from the lighting, grip and lens business resulting in a 43.1% EBITDA margin (2021: 45.0%) and a segment profit of C$38m (2021: C$35m) at a margin of 21.8% (2021: 23.3%).

Overall, Group adjusted operating profit increased to $622m (2021: $498m), up 26% at constant exchange rates. After net financing costs of $67m (2021: $61m), Group profit before amortisation of intangibles and taxation was $555m (2021: $437m). After a tax charge of 25% (2021: 27%) of the adjusted pre-tax profit, adjusted earnings per share increased 33% at constant currency to 94.4¢ (2021: 71.5¢).

Statutory profit before tax was $527m (2021: $416m). This is after amortisation of $28m (2021: $21m). Included within the total tax charge is a tax credit of $7m (2021: $5m) which relates to the amortisation of intangibles. As a result, basic earnings per share were 89.7¢ (2021: 68.0¢).

Capital expenditure and acquisitions

Capital expenditure for the quarter was $699m gross and $593m net of disposal proceeds (2021: $551m gross and $477m net). We continue to navigate the supply chain challenges but given strong demand and slower fleet deliveries than expected during the period, we again deferred certain fleet disposals. As a result, the Group's rental fleet at 31 July 2022 at cost was $14.0bn and our average fleet age is now 40 months (2021: 41 months).

We invested $337m (2021: $123m) including acquired borrowings in 12 bolt-on acquisitions during the quarter as we continue to both expand our footprint and diversify our end markets. Further details are provided in Note 15. Since the period end, we have invested a further $183m in bolt-ons.

Return on Investment

In the US, return on investment (excluding goodwill and intangible assets) for the 12 months to 31 July 2022 was 26% (2021: 22%). In the UK, return on investment (excluding goodwill and intangible assets) was 12% (2021: 14%). The decrease reflects reduced volumes, particularly service and sales, supporting the Department of Health as we have demobilised testing sites. In Canada, return on investment (excluding goodwill and intangible assets) was 20% (2021: 21%). This slight reduction reflects the drag from our lighting, grip and lens business. For the Group as a whole, return on investment (including goodwill and intangible assets) was 18% (2021: 17%). Return on investment excludes the impact of IFRS 16.

Cash flow and net debt

The Group generated free cash flow of $91m (2021: $420m) during the period after capital expenditure payments of $667m (2021: $333m). However, as expected, debt increased as we continued to invest in bolt-ons and returned capital to shareholders. During the quarter, we spent $119m (£97m) on share buybacks (2021: $104m (£75m)) under the two-year buyback programme launched in May 2021 of up to £1bn.

Net debt at 31 July 2022 was $7,716m (2021: $5,705m). Excluding the effect of IFRS 16, net debt at 31 July 2022 was $5,630m (2021: $4,033m), while the ratio of net debt to EBITDA was 1.6 times (2021: 1.3 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 2.0 times (2021: 1.8 times) on a constant currency basis.

At 31 July 2022, availability under the senior secured debt facility was $2,064m with an additional $3,380m of suppressed availability – substantially above the $450m level at which the Group's entire debt package is covenant free.

In August 2022, the Group issued $750m 5.500% senior notes maturing in August 2032. The net proceeds were used to reduce the amount outstanding under the ABL facility. This ensures the Group's debt package continues to be well structured and flexible, enabling us to optimise the opportunity presented by end market conditions. The Group's debt facilities are now committed for an average of six years at a weighted average cost of 4%.

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 with clear momentum in supportive end markets. We are in a position of strength and have the experience to navigate the challenges and capitalise on the opportunities arising from the market circumstances we face, including supply chain constraints, inflation, labour scarcity and economic uncertainty, all factors which we are convinced are drivers of ongoing structural change. The business is performing strongly, with revenue and operating profit ahead of our previous expectations. This performance is offset by increasing interest costs and therefore, we expect adjusted profit before taxation for the year to be in line with our previous expectations and the Board looks to the future with confidence.

	Previous guidance	Current guidance
Rental revenue[1]		
- US	13 to 16%	17 to 20%
- Canada	15 to 18%	19 to 22%
- UK[2]	-5 to -2%	-4 to 0%
- Group	12 to 14%	15 to 17%
Capital expenditure (gross)[3]	$3.3 – 3.6bn	$3.3 – 3.6bn
Free cash flow[3]	c. $300m	c. $300m

[1] Represents change in year-over-year rental revenue at constant exchange rates
[2] UK total revenue down c. 10% due to NHS impact
[3] Stated at C$1=$0.77 and £1=$1.20

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 JULY 2022

	2022			2021		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	$m	$m	$m	$m	$m	$m
Unaudited						
Revenue						
Rental revenue	2,074.7	-	2,074.7	1,669.2	-	1,669.2
Sale of new equipment, merchandise and consumables	84.2	-	84.2	112.5	-	112.5
Sale of used rental equipment	100.1	-	100.1	70.2	-	70.2
	2,259.0	-	2,259.0	1,851.9	-	1,851.9
Operating costs						
Staff costs	(520.0)	-	(520.0)	(414.8)	-	(414.8)
Other operating costs	(628.2)	-	(628.2)	(517.1)	-	(517.1)
Used rental equipment sold	(72.2)	-	(72.2)	(59.8)	-	(59.8)
	(1,220.4)	-	(1,220.4)	(991.7)	-	(991.7)
EBITDA*	1,038.6	-	1,038.6	860.2	-	860.2
Depreciation	(417.0)	-	(417.0)	(362.7)	-	(362.7)
Amortisation of intangibles	-	(27.9)	(27.9)	-	(20.7)	(20.7)
Operating profit	621.6	(27.9)	593.7	497.5	(20.7)	476.8
Interest income	1.2	-	1.2	-	-	-
Interest expense	(68.1)	-	(68.1)	(61.0)	-	(61.0)
Profit on ordinary activities before taxation	554.7	(27.9)	526.8	436.5	(20.7)	415.8
Taxation	(138.1)	7.1	(131.0)	(116.8)	5.2	(111.6)
Profit attributable to equity holders of the Company	416.6	(20.8)	395.8	319.7	(15.5)	304.2
Basic earnings per share	94.4¢	(4.7¢)	89.7¢	71.5¢	(3.5¢)	68.0¢
Diluted earnings per share	94.1¢	(4.8¢)	89.3¢	71.3¢	(3.5¢)	67.8¢

*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 2022

	Unaudited	
	2022	2021
	$m	$m
Profit attributable to equity holders of the Company for the period	395.8	304.2
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	(23.9)	(1.3)
Total other comprehensive income for the period	(23.9)	(1.3)
Total comprehensive income for the period	371.9	302.9

CONSOLIDATED BALANCE SHEET AT 31 JULY 2022

	Unaudited 31 July 2022 $m	Unaudited 31 July 2021 $m	Audited 30 April 2022 $m
Current assets			
Inventories	175.6	110.1	168.5
Trade and other receivables	1,595.8	1,207.1	1,390.4
Current tax asset	6.1	2.9	7.2
Cash and cash equivalents	27.5	30.0	15.3
	1,805.0	1,350.1	1,581.4
Non-current assets			
Property, plant and equipment			
- rental equipment	8,087.5	7,076.4	7,814.3
- other assets	1,141.8	883.5	1,078.3
	9,229.3	7,959.9	8,892.6
Right-of-use assets	1,957.0	1,592.4	1,864.8
Goodwill	2,459.5	1,841.1	2,300.0
Other intangible assets	534.6	400.7	475.3
Other non-current assets	199.8	96.4	157.5
Net defined benefit pension plan asset	18.7	6.9	18.5
	14,398.9	11,897.4	13,708.7
Total assets	16,203.9	13,247.5	15,290.1
Current liabilities			
Trade and other payables	1,153.6	1,045.8	1,197.1
Current tax liability	69.1	56.0	20.2
Lease liabilities	199.3	170.7	188.6
Provisions	54.7	57.8	68.8
	1,476.7	1,330.3	1,474.7
Non-current liabilities			
Lease liabilities	1,901.4	1,515.7	1,806.6
Long-term borrowings	5,643.0	4,048.8	5,180.1
Provisions	86.5	61.4	68.0
Deferred tax liabilities	1,774.0	1,544.9	1,695.4
Other non-current liabilities	34.2	33.1	31.6
	9,439.1	7,203.9	8,781.7
Total liabilities	10,915.8	8,534.2	10,256.4
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	(596.0)	(171.6)	(480.1)
Own shares held by the ESOT	(38.8)	(46.8)	(44.9)
Cumulative foreign exchange translation differences	(250.6)	(135.3)	(226.7)
Retained reserves	6,065.2	4,958.7	5,677.1
Equity attributable to equity holders of the Company	5,288.1	4,713.3	5,033.7
Total liabilities and equity	16,203.9	13,247.5	15,290.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 JULY 2022

	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 2021	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
Profit for the period	-	-	-	-	-	-	946.9	946.9
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	(91.4)	-	(91.4)
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	11.4	11.4
Tax on defined benefit pension plan	-	-	-	-	-	-	(2.7)	(2.7)
Total comprehensive income for the period	-	-	-	-	-	(91.4)	955.6	864.2
Dividends paid	-	-	-	-	-	-	(271.5)	(271.5)
Own shares purchased by the ESOT	-	-	-	-	(4.4)	-	-	(4.4)
Own shares purchased by the Company	-	-	-	(308.5)	-	-	-	(308.5)
Share-based payments	-	-	-	-	6.3	-	31.4	37.7
Tax on share-based payments	-	-	-	-	-	-	2.9	2.9
At 30 April 2022	81.8	6.5	20.0	(480.1)	(44.9)	(226.7)	5,677.1	5,033.7
Profit for the period	-	-	-	-	-	-	395.8	395.8
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	(23.9)	-	(23.9)
Total comprehensive income for the period	-	-	-	-	-	(23.9)	395.8	371.9
Own shares purchased by the ESOT	-	-	-	-	(12.5)	-	-	(12.5)
Own shares purchased by the Company	-	-	-	(115.9)	-	-	-	(115.9)
Share-based payments	-	-	-	-	18.6	-	(7.7)	10.9
Tax on share-based payments	-	-	-	-	-	-	-	-
At 31 July 2022	81.8	6.5	20.0	(596.0)	(38.8)	(250.6)	6,065.2	5,288.1

CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTHS ENDED 31 JULY 2022

	Unaudited	
	2022	2021
	$m	$m
Cash flows from operating activities		
Cash generated from operations before changes in rental equipment	744.1	717.2
Payments for rental property, plant and equipment	(548.5)	(273.1)
Proceeds from disposal of rental property, plant and equipment	84.4	96.3
Cash generated from operations	280.0	540.4
Financing costs paid (net)	(63.6)	(50.5)
Tax paid (net)	(12.9)	(14.8)
Net cash generated from operating activities	203.5	475.1
Cash flows from investing activities		
Acquisition of businesses	(346.0)	(122.8)
Financial asset investments	(37.7)	-
Payments for non-rental property, plant and equipment	(119.0)	(59.6)
Proceeds from disposal of non-rental property, plant and equipment	6.1	4.3
Net cash used in investing activities	(496.6)	(178.1)
Cash flows from financing activities		
Drawdown of loans	657.4	175.8
Redemption of loans	(194.2)	(317.6)
Repayment of principal under lease liabilities	(26.6)	(28.1)
Purchase of own shares by the ESOT	(12.5)	(19.4)
Purchase of own shares by the Company	(118.6)	(104.2)
Net cash generated from/(used in) financing activities	305.5	(293.5)
Increase in cash and cash equivalents	12.4	3.5
Opening cash and cash equivalents	15.3	26.6
Effect of exchange rate differences	(0.2)	(0.1)
Closing cash and cash equivalents	27.5	30.0

Reconciliation of net cash flows to net debt

	2022	2021
Increase in cash and cash equivalents in the period	(12.4)	(3.5)
Increase/(decrease) in debt through cash flow	436.6	(169.9)
Change in net debt from cash flows	424.2	(173.4)
Exchange differences	(11.6)	(8.5)
Debt acquired	43.6	8.7
Deferred costs of debt raising	1.6	2.0
New lease liabilities	98.4	75.7
Increase/(decrease) in net debt in the period	556.2	(95.5)
Net debt at 1 May	7,160.0	5,800.7
Net debt at 31 July	7,716.2	5,705.2

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

Ashtead Group plc ('the Company') is a company incorporated and domiciled in England and Wales and listed on the London Stock Exchange. The condensed consolidated interim financial statements as at, and for the three months ended 31 July 2022, comprise the Company and its subsidiaries ('the Group').

The condensed consolidated interim financial statements for the three months ended 31 July 2022 were approved by the directors on 5 September 2022.

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 2022 were approved by the directors on 13 June 2022 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 2022 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 2022.

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.

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

	Pound sterling		Canadian dollar	
	2022	2021	2022	2021
Average for the three months ended 31 July	1.23	1.40	0.78	0.81
At 30 April	1.26	1.38	0.78	0.81
At 31 July	1.22	1.39	0.78	0.80

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Segmental analysis

Three months to 31 July 2022

	US	UK	Canada	Corporate items	Group
	$m	$m	$m	$m	$m
Revenue					
Rental revenue	1,768.4	182.9	123.4	-	2,074.7
Sale of new equipment, merchandise and consumables	47.9	26.3	10.0	-	84.2
Sale of used rental equipment	82.9	13.5	3.7	-	100.1
	1,899.2	222.7	137.1	-	2,259.0
Segment profit	567.1	31.5	29.9	(6.9)	621.6
Amortisation					(27.9)
Net financing costs					(66.9)
Profit before taxation					526.8
Taxation					(131.0)
Profit attributable to equity shareholders					395.8

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)
Net financing costs					(61.0)
Profit before taxation					415.8
Taxation					(111.6)
Profit attributable to equity shareholders					304.2

	US	UK	Canada	Corporate items	Group
	$m	$m	$m	$m	$m
At 31 July 2022					
Segment assets	13,538.3	1,319.4	1,262.1	50.5	16,170.3
Cash					27.5
Taxation assets					6.1
Total assets					16,203.9
At 30 April 2022					
Segment assets	12,839.6	1,162.3	1,212.7	53.0	15,267.6
Cash					15.3
Taxation assets					7.2
Total assets					15,290.1

4. Operating costs and other income

	2022			2021		
	Before amortisation $m	Amortisation $m	Total $m	Before amortisation $m	Amortisation $m	Total $m
Three months to 31 July						
Staff costs:						
Salaries	473.7	-	473.7	379.3	-	379.3
Social security costs	36.4	-	36.4	27.0	-	27.0
Other pension costs	9.9	-	9.9	8.5	-	8.5
	520.0	-	520.0	414.8	-	414.8
Other operating costs:						
Vehicle costs	159.3	-	159.3	118.5	-	118.5
Spares, consumables & external repairs	125.4	-	125.4	96.2	-	96.2
Facility costs	24.2	-	24.2	17.8	-	17.8
Other external charges	319.3	-	319.3	284.6	-	284.6
	628.2	-	628.2	517.1	-	517.1
Used rental equipment sold	72.2	-	72.2	59.8	-	59.8
Depreciation and amortisation:						
Depreciation of tangible assets	376.5	-	376.5	327.8	-	327.8
Depreciation of right-of-use assets	40.5	-	40.5	34.9	-	34.9
Amortisation of intangibles	-	27.9	27.9	-	20.7	20.7
	417.0	27.9	444.9	362.7	20.7	383.4
	1,637.4	27.9	1,665.3	1,354.4	20.7	1,375.1

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	
	2022 $m	2021 $m
Amortisation of intangibles	27.9	20.7
Taxation	(7.1)	(5.2)
	20.8	15.5

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. Net financing costs

	Three months to 31 July	
	2022	2021
	$m	$m
Interest income:		
Net income on the defined benefit pension plan asset	0.1	-
Other interest	1.1	-
Total interest income	1.2	-
Interest expense:		
Bank interest payable	18.2	6.5
Interest payable on senior notes	25.6	33.0
Interest payable on lease liabilities	22.4	19.3
Non-cash unwind of discount on provisions	0.3	0.2
Amortisation of deferred debt raising costs	1.6	2.0
Total interest expense	68.1	61.0

7. Taxation

The tax charge for the period has been computed using a tax rate of 25% in the US (2021: 25%), 19% in the UK, rising to 25% from 1 April 2023 (2021: 19%) and 26% in Canada (2021: 26%). This results in a blended effective rate for the Group as a whole of 25% (2021: 27%).

The tax charge of $138m (2021: $117m) on the adjusted profit before taxation of $555m (2021: $437m) can be explained as follows:

	Three months to 31 July	
	2022	2021
	$m	$m
Current tax		
- current tax on income for the period	66.2	85.0
- adjustments to prior year	(0.1)	(0.3)
	66.1	84.7
Deferred tax		
- origination and reversal of temporary differences	73.5	22.8
- adjustment due to change in UK corporate tax rate	-	10.0
- adjustments to prior year	(1.5)	(0.7)
	72.0	32.1
Tax on adjusted profit	138.1	116.8
Comprising:		
- UK	9.4	21.6
- US	122.9	89.3
- Canada	5.8	5.9
	138.1	116.8

In addition, the tax credit of $7m (2021: $5m) on amortisation of $28m (2021: $21m) consists of a current tax credit of $3m (2021: $2m) relating to the US, $0.1m (2021: $0.2m) relating to the UK and $0.2m (2021: $0.1) relating to Canada and a deferred tax credit of $3m (2021: $1m) relating to the US, $0.2m (2021: $0.2m) relating to the UK and $1m (2021: $1m) relating to Canada.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. Earnings per share

Basic and diluted earnings per share for the three months ended 31 July 2022 have been calculated based on the profit for the 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	
	2022	2021
Profit for the financial period ($m)	395.8	304.2
Weighted average number of shares (m) - basic	441.2	447.2
- diluted	442.9	448.7
Basic earnings per share	89.7¢	68.0¢
Diluted earnings per share	89.3¢	67.8¢

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	
	2022	2021
Basic earnings per share	89.7¢	68.0¢
Amortisation of intangibles	6.3¢	4.6¢
Tax on exceptional items and amortisation	(1.6¢)	(1.1¢)
Adjusted earnings per share	94.4¢	71.5¢

9. Property, plant and equipment

	2022		2021	
	Rental equipment	Total	Rental equipment	Total
Net book value	$m	$m	$m	$m
At 1 May	7,814.3	8,892.6	6,908.9	7,776.1
Exchange differences	(22.0)	(25.5)	(3.2)	(3.6)
Reclassifications	-	-	(0.1)	-
Additions	580.1	699.0	491.4	551.1
Acquisitions	112.3	114.1	24.7	27.0
Disposals	(70.9)	(74.4)	(60.1)	(62.9)
Depreciation	(326.3)	(376.5)	(285.2)	(327.8)
At 31 July	8,087.5	9,229.3	7,076.4	7,959.9

10. Right-of-use assets

	2022			2021		
Net book value	Property leases	Other leases	Total	Property leases	Other leases	Total
	$m	$m	$m	$m	$m	$m
At 1 May	1,849.1	15.7	1,864.8	1,533.5	12.4	1,545.9
Exchange differences	(2.7)	(0.5)	(3.2)	(3.1)	-	(3.1)
Additions	87.2	1.7	88.9	65.2	2.8	68.0
Acquisitions	37.1	-	37.1	8.7	-	8.7
Remeasurement	11.1	-	11.1	8.2	-	8.2
Disposals	(0.9)	(0.3)	(1.2)	-	(0.4)	(0.4)
Depreciation	(39.7)	(0.8)	(40.5)	(34.2)	(0.7)	(34.9)
At 31 July	1,941.2	15.8	1,957.0	1,578.3	14.1	1,592.4

11. Lease liability

	31 July 2022	30 April 2022
	$m	$m
Current	199.3	188.6
Non-current	1,901.4	1,806.6
	2,100.7	1,995.2

12. Borrowings

	31 July 2022	30 April 2022
	$m	$m
Non-current		
First priority senior secured bank debt	2,570.0	2,108.1
1.500% senior notes, due 2026	546.1	545.8
4.375% senior notes, due 2027	595.0	594.8
4.000% senior notes, due 2028	594.4	594.3
4.250% senior notes, due 2029	594.1	593.9
2.450% senior notes, due 2031	743.4	743.2
	5,643.0	5,180.1

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 $4.5bn 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 4%.

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 July 2022, the fixed charge ratio exceeded the covenant requirement.

12. Borrowings (continued)

At 31 July 2022, availability under the senior secured bank facility was $2,064m ($2,537m at 30 April 2022), with an additional $3,380m of suppressed availability, meaning that the covenant did not apply at 31 July 2022 and is unlikely to apply in forthcoming quarters.

Fair value of financial instruments

At 31 July 2022, 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 2022		At 30 April 2022	
	Book value $m	Fair value $m	Book value $m	Fair value $m
1.500% senior notes	548.9	482.6	548.8	487.4
4.375% senior notes	600.0	571.5	600.0	583.5
4.000% senior notes	600.0	555.0	600.0	564.7
4.250% senior notes	600.0	549.8	600.0	566.2
2.450% senior notes	748.3	601.9	748.2	607.5
	3,097.2	2,760.8	3,097.0	2,809.3
Deferred costs of raising finance	(24.2)	-	(25.0)	-
	3,073.0	2,760.8	3,072.0	2,809.3

The fair value of the senior notes has been calculated using quoted market prices at 31 July 2022.

13. Share capital

Ordinary shares of 10p each:	31 July 2022 Number	30 April 2022 Number	31 July 2022 $m	30 April 2022 $m
Issued and fully paid	451,354,833	451,354,833	81.8	81.8

During the period, the Company purchased 2.5m ordinary shares at a total cost of $116m (£95m) under the Group's share buyback programme, which are held in treasury. At 31 July 2022, 10.2m (April 2022: 7.7m) shares were held by the Company ($596m: April 2022: $480m) and a further 1.0m (April 2022: 1.2m) shares were held by the Company's Employee Share Ownership Trust ($39m; April 2022: $45m).

14. Notes to the cash flow statement

a) Cash flow from operating activities

	Three months to 31 July 2022 $m	2021 $m
Operating profit	593.7	476.8
Depreciation	417.0	362.7
Amortisation	27.9	20.7
EBITDA	1,038.6	860.2
Profit on disposal of rental equipment	(27.9)	(10.4)
Profit on disposal of other property, plant and equipment	(2.5)	(1.2)
Increase in inventories	(7.4)	(8.0)
Increase in trade and other receivables	(188.7)	(135.0)
(Decrease)/increase in trade and other payables	(77.4)	1.3
Exchange differences	(1.5)	(0.1)
Other non-cash movement	10.9	10.4
Cash generated from operations before changes in rental equipment	744.1	717.2

b) Analysis of net debt

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

			Non-cash movements				
	1 May 2022 $m	Cash flow $m	Exchange movement $m	Debt acquired $m	New lease liabilities $m	Other movements $m	31 July 2022 $m
Long-term borrowings	5,180.1	463.2	(8.4)	6.5	-	1.6	5,643.0
Lease liabilities	1,995.2	(26.6)	(3.4)	37.1	98.4	-	2,100.7
Total liabilities from financing activities	7,175.3	436.6	(11.8)	43.6	98.4	1.6	7,743.7
Cash and cash equivalents	(15.3)	(12.4)	0.2	-	-	-	(27.5)
Net debt	7,160.0	424.2	(11.6)	43.6	98.4	1.6	7,716.2

			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

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.

14. Notes to the cash flow statement (continued)

c) Acquisitions

	Three months to 31 July	
	2022	2021
	$m	$m
Cash consideration paid:		
- acquisitions in the period	326.3	122.1
- contingent consideration	19.7	0.7
	346.0	122.8

During the period, 12 businesses were acquired with cash paid of $326m (2021: $122m), after taking account of net cash acquired of $10m (2021: $nil). Further details are provided in Note 15.

Contingent consideration of $20m (2021: $1m) was paid relating to prior year acquisitions.

15. Acquisitions

During the period, the following acquisitions were completed:

i) On 5 May 2022, Sunbelt UK acquired the entire share capital of Movietech Camera Rentals Limited and Movietech Cymru Limited (together ‘Movietech’). Movietech is a specialty business.

ii) On 13 May 2022, Sunbelt US acquired the business and assets of the power rental division of Filmwerks, LLC (‘Filmwerks’). Filmwerks is a specialty business in North Carolina.

iii) On 20 May 2022, Sunbelt US acquired the business and assets of Mashburn Equipment, L.L.C. (‘Mashburn’). Mashburn is a general tool business in Georgia.

iv) On 1 June 2022, Sunbelt Canada acquired the entire share capital of MacFarlands Limited (‘MacFarlands’). MacFarlands is a general tool business in Nova Scotia and New Brunswick.

v) On 8 June 2022, Sunbelt US acquired the business and assets of Amos Metz Rentals & Sales, LLC (‘Amos Metz’). Amos Metz is a general tool business in California.

vi) On 29 June 2022, Sunbelt US acquired the business and assets of George’s Tool Rental, Inc. (‘GTR’). GTR is a general tool business in Pennsylvania.

vii) On 7 July 2022, Sunbelt UK acquired the entire share capital of PKE Lighting Holdings Limited (‘PKE’). PKE is a specialty business.

viii) On 13 July 2022, Sunbelt US acquired the business and assets of Milford Rent-All, Inc. (‘Milford’). Milford is a general tool business in Maine.

ix) On 15 July 2022, Sunbelt US acquired the business and assets of R&N Tool Rental, Inc. (‘R&N’). R&N is a general tool business in Indiana.

x) On 20 July 2022, Sunbelt US acquired the business and assets of Chump Management, L.C., trading as Power Equipment Rental (‘PER’). PER is a general tool business in Utah.

xi) On 22 July 2022, Sunbelt US acquired the business and assets of Harmar Contractors Equipment, Inc, (‘Harmar’). Harmar is a general tool business in Pennsylvania.

15. Acquisitions (continued)

xii) On 28 July 2022, Sunbelt US acquired the business and assets of A-V Equipment Rentals, Inc. ('A-V'). A-V is a general tool business in California.

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 the Group
	$m
Net assets acquired	
Trade and other receivables	14.4
Inventory	0.2
Property, plant and equipment	
- rental equipment	112.3
- other assets	1.8
Right-of-use asset	37.1
Creditors	(7.9)
Current tax	(0.7)
Deferred tax	(11.0)
Debt	(6.5)
Lease liabilities	(37.1)
Intangible assets (non-compete agreements and customer relationships)	87.6
	190.2
Consideration:	
- cash paid and due to be paid (net of cash acquired)	330.2
- contingent consideration	23.0
	353.2
Goodwill	163.0

The goodwill arising can be attributed to the key management personnel and workforce of the acquired businesses and to the synergies and other benefits the Group expects to derive from the acquisitions. The synergies and other benefits include elimination of duplicate costs, improving utilisation of the acquired rental fleet, using the Group's financial strength to invest in the acquired business and drive improved returns through a semi-fixed cost base and the application of the Group's proprietary software to optimise revenue opportunities. $100m 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 $14m.

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 2022 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. In common with other UK taxpayers, the Group's appeal has been stayed while the appeals put forward by the UK Government and ITV plc proceed.

On 8 June 2022, the General Court of the European Union dismissed the appeals put forward by the UK Government and ITV plc. However, there remains a high degree of uncertainty in the final outcome given the UK Government has announced its intention to appeal the decision and ITV plc may do the same. Accordingly, the Group does not consider that the 8 June 2022 decision affects its position but will continue to monitor proceedings closely.

Despite the UK Government appealing the European Commission's decision, Her Majesty's Revenue & Customs ('HMRC') was 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 issued a charging notice stating that the tax liability it believes to be due on this basis is £36m, including interest payable. The Group has appealed the charging notice and has settled the amount assessed on it, including interest, in line with HMRC requirements. On successful appeal in whole or in part, all or part of the amount paid in accordance with the charging notice would be returned to the Group. If either the decision reached by the General Court of the European Union or the charging notice issued by HMRC are not ultimately appealed successfully, we have estimated the Group's maximum potential liability to be £36m as at 31 July 2022 ($43m at July 2022 exchange rates), including any interest payable. Based on the current status of proceedings, we have concluded that no provision is required in relation to this matter.

The £36m ($43m at July 2022 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 seven acquisitions for total purchase consideration of $183m as follows:

i) On 2 August 2022, Sunbelt Canada acquired the entire share capital of Compact Rentals Limited ('Compact'). Compact is a general tool business in Alberta.

ii) On 3 August 2022, Sunbelt US acquired the business and assets of Rental Country Inc. ('Rental Country'). Rental Country is a general tool business in New Jersey.

iii) On 10 August 2022, Sunbelt US acquired the business and assets of R.J. Lalonde, Inc. ('Lalonde'). Lalonde is a general tool business in California.

iv) On 24 August 2022, Sunbelt US acquired the business and assets of Alaska Pacific Rental, LLC ('APR'). APR is a general tool business in Alaska.

v) On 31 August 2022, Sunbelt UK acquired the entire share capital of Optimum Power Services Limited ('OPS'). OPS is a specialty business.

vi) On 1 September 2022, Sunbelt Canada acquired the entire share capital of Flagro Industries Limited ('Flagro'). Flagro is a specialty business.

17. Events after the balance sheet date (continued)

vii) On 1 September 2022, Sunbelt Canada acquired the entire share capital of Xtreme Rentals Ltd. ('Xtreme'). Xtreme is a general tool business.

The initial accounting for these acquisitions is incomplete. Had these acquisitions taken place on 1 May 2022, their contribution to revenue and operating profit would not have been material.

In August, the Group issued $750m 5.500% senior notes maturing in August 2032. The Group used the net proceeds of the offering to reduce the amount outstanding under the ABL facility. Subsequent to the refinancing activities, the Group's debt facilities are committed for an average of six years at a weighted average cost of 4%.

REVIEW OF BALANCE SHEET AND CASH FLOW

Property, plant and equipment

Capital expenditure in the quarter totalled $699m (2021: $551m) with $580m invested in the rental fleet (2021: $491m). Expenditure on rental equipment was 83% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division was:

	2022			2021
	Replacement	Growth	Total	Total
UK in £m	27.9	10.4	38.3	32.0
Canada in C$m	10.1	29.8	39.9	57.4
US	198.1	304.1	502.2	400.0
UK in $m	34.1	12.8	46.9	44.7
Canada in $m	7.9	23.1	31.0	46.7
Total rental equipment	240.1	340.0	580.1	491.4
Delivery vehicles, property improvements & IT equipment			118.9	59.7
Total additions			699.0	551.1

In a strong US rental market, $304m of rental equipment capital expenditure was spent on growth while $198m was invested in replacement of existing fleet. The growth proportion is estimated based on 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 2022 was 40 months (2021: 41 months) on a net book value basis. The US fleet had an average age of 40 months (2021: 41 months), the UK fleet had an average age of 36 months (2021: 39 months) and the Canadian fleet had an average age of 37 months (2021: 39 months).

	Rental fleet at original cost			LTM rental	LTM dollar
	31 July 2022	30 April 2022	LTM average	revenue	utilisation
UK in £m	1,039	988	969	559	58%
Canada in C$m	1,173	1,116	1,081	596	55%
US	11,821	11,425	11,004	6,436	58%
UK in $m	1,263	1,241	1,275	734	58%
Canada in $m	915	873	852	470	55%
	13,999	13,539	13,131	7,640	

Dollar utilisation was 58% in the US (2021: 52%), 58% for the UK (2021: 58%) and 55% for Canada (2021: 53%). The improvement in US and Canadian dollar utilisation reflects strong fleet utilisation and an improved rate environment.

Trade receivables

Receivable days at 31 July 2022 were 50 days (2021: 45 days). The bad debt charge for the last twelve months ended 31 July 2022 as a percentage of total turnover was 0.4% (2021: credit to the income statement of 0.1% of total turnover). Trade receivables at 31 July 2022 of $1,363m (2021: $1,024m) are stated net of allowances for bad debts and credit notes of $100m (2021: $79m), with the provision representing 7% (2021: 7%) of gross receivables.

Trade and other payables

Group payable days were 47 days at 31 July 2022 (2021: 50 days) with capital expenditure related payables totalling $395m (2021: $355m). 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 2022 $m	Three months to 31 July 2021 $m	LTM to 31 July 2022 $m	Year to 30 April 2022 $m
EBITDA	1,038.6	860.2	3,787.8	3,609.4
Cash inflow from operations before changes in rental equipment	744.1	717.2	3,433.4	3,406.5
*Cash conversion ratio**	*71.6%*	*83.4%*	*90.6%*	*94.4%*
Replacement rental capital expenditure	(257.1)	(172.2)	(914.6)	(829.7)
Payments for non-rental capital expenditure	(119.0)	(59.6)	(457.8)	(398.4)
Rental equipment disposal proceeds	84.4	96.3	331.9	343.8
Other property, plant and equipment disposal proceeds	6.1	4.3	26.6	24.8
Tax (net)	(12.9)	(14.8)	(216.9)	(218.8)
Net financing costs before exceptional items	(63.6)	(50.5)	(244.2)	(231.1)
Cash inflow before growth capex and payment of exceptional costs	**382.0**	**520.7**	**1,958.4**	**2,097.1**
Growth rental capital expenditure	(291.4)	(100.9)	(1,126.2)	(935.7)
Exceptional costs	-	-	(36.0)	(36.0)
Free cash flow	**90.6**	**419.8**	**796.2**	**1,125.4**
Business acquisitions	(346.0)	(122.8)	(1,500.6)	(1,277.4)
Financial asset investments	(37.7)	-	(77.7)	(40.0)
Total cash (absorbed)/generated	**(293.1)**	**297.0**	**(782.1)**	**(192.0)**
Dividends	-	-	(269.3)	(269.3)
Purchase of own shares by the Company	(118.6)	(104.2)	(424.0)	(409.6)
Purchase of own shares by the ESOT	(12.5)	(19.4)	(16.9)	(23.8)
(Increase)/decrease in net debt due to cash flow	**(424.2)**	**173.4**	**(1,492.3)**	**(894.7)**

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

Cash inflow from operations before the net investment in the rental fleet was $744m (2021: $717m). The conversion ratio for the period was 72% (2021: 83%).

Total payments for capital expenditure (rental equipment and other PPE) during the first quarter were $667m (2021: $333m). Disposal proceeds received totalled $90m (2021: $101m), giving net payments for capital expenditure of $577m in the period (2021: $232m). Financing costs paid totalled $64m (2021: $50m) while tax payments were $13m (2021: $15m). 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 $91m (2021: $420m) and, after acquisition and investment related expenditure of $384m (2021: $123m), a net cash outflow of $293m (2021: inflow of $297m), before returns to shareholders.

Net debt	31 July		30 April
	2022	2021	2022
	$m	$m	$m
First priority senior secured bank debt	2,570.0	1,078.9	2,108.1
4.125% senior notes, due 2025	-	595.1	-
5.250% senior notes, due 2026	-	593.7	-
1.500% senior notes, due 2026	546.1	-	545.8
4.375% senior notes, due 2027	595.0	594.1	594.8
4.000% senior notes, due 2028	594.4	593.6	594.3
4.250% senior notes, due 2029	594.1	593.4	593.9
2.450% senior notes, due 2031	743.4	-	743.2
Total external borrowings	5,643.0	4,048.8	5,180.1
Lease liabilities	2,100.7	1,686.4	1,995.2
Total gross debt	7,743.7	5,735.2	7,175.3
Cash and cash equivalents	(27.5)	(30.0)	(15.3)
Total net debt	7,716.2	5,705.2	7,160.0

Net debt at 31 July 2022 was $7,716m with the increase since 30 April 2022 reflecting the net cash outflow set out above. The Group's EBITDA for the twelve months ended 31 July 2022 was $3,788m. Excluding the impact of IFRS 16, the ratio of net debt to EBITDA was 1.6 times (2021: 1.3 times) on a constant currency and a reported basis as at 31 July 2022. Including the impact of IFRS 16, the ratio of net debt to EBITDA was 2.0 times (2021: 1.8 times) as at 31 July 2022.

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 2022 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 levels of economic activity and demand for our services. The most significant end market which affects our business is construction. The construction market 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.

- 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 and culture - retaining and attracting good people is key to delivering superior performance and customer service, and maintaining and enhancing our culture.

  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 - the Group has made a long-term commitment to reduce its Scope 1 and 2 carbon intensity by 35% by 2030 from its level in 2018, 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.

  A significant part of our rental fleet is reliant on diesel engines. Over time, 'greener' alternatives will become available as technology advances. If we do not remain at the forefront of technological advances, and invest in the latest equipment, our rental fleet could become obsolete.

  In addition, we need to comply with the numerous laws governing environmental protection matters. These laws regulate such issues as wastewater, stormwater, solid and hazardous wastes and materials, and air quality. Breaches potentially create hazards to our employees, damage to our reputation and expose the Group to, amongst other things, the cost of investigating and remediating contamination and 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 2022 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 the pound 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 2022, 88% of its debt (including lease liabilities) was 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 2022, a 1% change in the pound sterling and Canadian dollar exchange rate would impact adjusted pre-tax profit by approximately $1m.

OPERATING STATISTICS

	Number of rental stores			Staff numbers		
	31 July		30 April	31 July		30 April
	2022	2021	2022	2022	2021	2022
US	991	885	967	16,877	13,997	16,068
UK	181	185	177	4,096	3,804	3,983
Canada	93	81	89	1,815	1,566	1,682
Corporate office	-	-	-	19	19	19
Group	1,265	1,151	1,233	22,807	19,386	21,752

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 used equipment).
<table>
<tr><th></th><th>2022</th><th>2021</th><th>Change</th></tr>
<tr><td>US ($m)</td><td></td><td></td><td></td></tr>
<tr><td>Rental revenue</td><td>1,768</td><td>1,374</td><td>394</td></tr>
<tr><td>EBITDA</td><td>916</td><td>725</td><td></td></tr>
<tr><td>Gains</td><td>(42)</td><td>(22)</td><td></td></tr>
<tr><td>EBITDA excluding gains</td><td>874</td><td>703</td><td>171</td></tr>
<tr><td>Drop through</td><td></td><td></td><td>43%</td></tr>
</table>
This measure is utilised by the Group to demonstrate the change in profitability generated by the Group as a result of the change in rental revenue in the period.</td></tr>
<tr><td>Free cash flow</td><td>Net cash generated from operating activities</td><td>Net cash generated from operating activities less non-rental net property, plant and equipment expenditure. Non-rental net property, plant and equipment expenditure comprises payments for non-rental capital expenditure less disposal proceeds received in relation to non-rental asset disposals.
<table>
<tr><th></th><th>2022 ($m)</th><th>2021 ($m)</th></tr>
<tr><td>Net cash generated from operating activities</td><td>204</td><td>475</td></tr>
<tr><td>Payments for non-rental property, plant and equipment</td><td>(119)</td><td>(59)</td></tr>
<tr><td>Proceeds from disposal of non-rental property, plant and equipment</td><td>6</td><td>4</td></tr>
<tr><td>Free cash flow</td><td>91</td><td>420</td></tr>
</table>
This measure shows the cash retained by the Group prior to discretionary expenditure on acquisitions and returns to shareholders.</td></tr>
<tr><td>Growth at constant exchange rates</td><td>None</td><td>Calculated by applying the current period exchange rate to the comparative period result. The relevant foreign currency exchange rates are provided within Note 2, Basis of preparation, to the financial statements. This measure is used as a means of eliminating the effects of foreign exchange rate movements on the period-on-period changes in reported results.
<table>
<tr><th></th><th>2022</th><th>2021</th><th>%</th></tr>
<tr><td>Rental revenue ($m)</td><td></td><td></td><td></td></tr>
<tr><td>As reported</td><td>2,075</td><td>1,669</td><td>24%</td></tr>
<tr><td>Retranslation effect</td><td>-</td><td>(28)</td><td></td></tr>
<tr><td>At constant currency</td><td>2,075</td><td>1,641</td><td>26%</td></tr>
<tr><td>Adjusted profit before tax ($m)</td><td></td><td></td><td></td></tr>
<tr><td>As reported</td><td>555</td><td>437</td><td>27%</td></tr>
<tr><td>Retranslation effect</td><td>-</td><td>(6)</td><td></td></tr>
<tr><td>At constant currency</td><td>555</td><td>431</td><td>29%</td></tr>
</table></td></tr>
<tr><td>Leverage</td><td>None</td><td>Leverage calculated at constant exchange rates uses the period end exchange rate for the relevant period and is determined as net debt divided by adjusted EBITDA.
<table>
<tr><th></th><th colspan="2">2022</th><th colspan="2">2021</th></tr>
<tr><th></th><th>Excluding IFRS 16</th><th>Including IFRS 16</th><th>Excluding IFRS 16</th><th>Including IFRS 16</th></tr>
<tr><td>Net debt ($m)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>As reported and at constant currency</td><td>5,630</td><td>7,716</td><td>4,033</td><td>5,705</td></tr>
</table></td></tr>
</table>

<table>
<tr><th>Term</th><th>Closest equivalent statutory measure</th><th>Definition and purpose</th></tr>
<tr><td></td><td></td><td>
<table>
<tr><th></th><th>2022</th><th></th><th>2021</th><th></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>EBITDA ($m)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>As reported</td><td>3,604</td><td>3,788</td><td>3,058</td><td>3,212</td></tr>
<tr><td>Retranslation effect</td><td>(18)</td><td>(20)</td><td>12</td><td>13</td></tr>
<tr><td>At constant currency</td><td>3,586</td><td>3,768</td><td>3,070</td><td>3,225</td></tr>
<tr><td>Leverage</td><td></td><td></td><td></td><td></td></tr>
<tr><td>As reported</td><td>1.6</td><td>2.0</td><td>1.3</td><td>1.8</td></tr>
<tr><td>At constant currency</td><td>1.6</td><td>2.0</td><td>1.3</td><td>1.8</td></tr>
</table>
This measure is used to provide an indication of the strength of the Group’s balance sheet and is widely used by investors and credit rating agencies. It also forms part of the remuneration targets of the Group and has been identified as one of the Group’s key performance indicators.
</td></tr>
<tr><td>Return on Investment (‘RoI’)</td><td>None</td><td>
Last 12-month (‘LTM’) adjusted operating profit divided by the last 12-month average of the sum of net tangible and intangible fixed assets, plus net working capital but excluding net debt and tax. RoI is calculated excluding the impact of IFRS 16.
RoI is used by management to help inform capital allocation decisions within the business and has been identified as one of the Group’s key performance indicators. It also forms part of the remuneration targets of the Group.
A reconciliation of Group RoI is provided below:
<table>
<tr><th></th><th>2022</th><th>2021</th></tr>
<tr><td>Adjusted operating profit ($m)</td><td>2,148</td><td>1,721</td></tr>
<tr><td>Average net assets ($m)</td><td>11,663</td><td>10,348</td></tr>
<tr><td>Return on investment (%)</td><td>18%</td><td>17%</td></tr>
</table>
RoI for the businesses is calculated in the same way, but excludes goodwill and intangible assets:
<table>
<tr><th></th><th>US ($m)</th><th>Canada (C$m)</th><th>UK (£m)</th></tr>
<tr><td>Adjusted operating profit</td><td>1,961</td><td>141</td><td>80</td></tr>
<tr><td>Average net assets, excluding goodwill and intangibles</td><td>7,648</td><td>718</td><td>645</td></tr>
<tr><td>Return on investment</td><td>26%</td><td>20%</td><td>12%</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 property, plant and equipment (excluding assets acquired through a business combination).

- **Cash conversion ratio:** represents cash flow from operations before changes in rental equipment as a percentage of 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. Dollar utilisation has been identified as one of the Group’s key performance indicators. 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 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.

- **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 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.

- **Rental only revenue:** rental revenue excluding loss damage waiver, environmental fees and revenue from rental equipment delivery and collection.

- **RIDDOR rate:** the RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) reportable rate is the number of major injuries or over seven-day injuries per 100,000 hours worked.

- **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.