5 September 2023

Unaudited results for the first quarter ended 31 July 2023

	First quarter		
	2023	2022	Growth[1]
	$m	$m	%
Revenue	2,696	2,259	19%
Rental revenue	2,376	2,075	14%
EBITDA	1,229	1,039	18%
Operating profit	703	594	18%
Adjusted[2] profit before taxation	615	555	11%
Profit before taxation	585	527	11%
Adjusted[2] earnings per share	107.5¢	94.4¢	14%
Earnings per share	102.3¢	89.7¢	14%

Highlights[3]

- Strong quarter with ongoing momentum in robust end markets
- Group revenue up 19%[1]; US revenue up 22% with rental revenue up 16%
- Adjusted[2] earnings per share increased 14% to 107.5¢ (2022: 94.4¢)
- 40 locations added in North America
- $1,132m of capital invested in the business (2022: $699m)
- $361m spent on nine bolt-on acquisitions (2022: $337m)
- Net debt to EBITDA leverage[1] of 1.6 times (2022: 1.6 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 27.

Ashtead's chief executive, Brendan Horgan, commented:

"The Group delivered another record quarter with revenue up 19%, rental revenue growth of 14% and adjusted profit before tax increasing 11%, both at constant currency. This strong performance 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.

We are executing well against all actionable components of our strategic growth plan, in end markets which remain robust. In the quarter, we invested $1.1bn in capital across existing locations and greenfields and $361m on nine bolt-on acquisitions, adding a combined 40 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 towards the lower end of our target range.

Our business has clear momentum with robust end markets in North America, which are supported in the US by the increasing number of mega projects and recent legislative acts. We are in a position of strength, with the operational flexibility and financial capacity to capitalise on the opportunities arising from these market conditions and ongoing structural change. Despite UK market conditions softening, we expect overall performance to be in line with our 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 9am on Tuesday, 5 September 2023. The meeting 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 meeting 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, H/Advisors Maitland (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 2023	Revenue 2022	EBITDA 2023	EBITDA 2022	Profit[1] 2023	Profit[1] 2022
Canada in C$m	213.0	176.4	93.2	76.0	40.2	38.4
UK in £m	177.7	181.8	50.0	57.1	15.8	25.7
US	2,311.4	1,899.2	1,104.7	916.2	691.9	567.1
Canada in $m	159.7	137.1	69.9	59.1	30.1	29.9
UK in $m	225.0	222.7	63.3	70.0	20.0	31.5
Group central costs	-	-	(8.7)	(6.7)	(8.9)	(6.9)
	2,696.1	2,259.0	1,229.2	1,038.6	733.1	621.6
Net financing costs					(118.2)	(66.9)
Adjusted profit before tax					**614.9**	**554.7**
Amortisation					(30.3)	(27.9)
Profit before taxation					584.6	526.8
Taxation charge					(137.2)	(131.0)
Profit attributable to equity holders of the Company					447.4	395.8
Margins						
US			*47.8%*	*48.2%*	*29.9%*	*29.9%*
Canada			*43.8%*	*43.1%*	*18.9%*	*21.8%*
UK			*28.1%*	*31.4%*	*8.9%*	*14.2%*
Group			*45.6%*	*46.0%*	*27.2%*	*27.5%*

[1] Segment result presented is adjusted operating profit.

Group revenue for the quarter increased 19% to $2,696m (2022: $2,259m). This revenue growth, combined with strong operational execution and a focus on drop-through, resulted in adjusted profit before tax increasing 11% to $615m (2022: $555m). This lower rate of growth in adjusted profit before tax reflects an increased net financing cost due to increased average debt levels and the higher interest rate environment.

In the US, rental only revenue of $1,615m (2022: $1,389m) was 16% 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 13%, while bolt-ons since 1 May 2022 contributed 3% of rental only revenue growth. In the quarter, our General Tool business grew 14%, while our Specialty businesses grew 17%. 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 16% to $2,048m (2022: $1,768m). US total revenue, including new and used equipment, merchandise and consumable sales, increased 22% to $2,311m (2022: $1,899m). This reflects a higher level of used equipment sales, as we took advantage of improved fleet deliveries and strong second-hand markets to bring forward some disposals scheduled for later in the year.

Canada's rental only revenue increased 14% to C$149m (2022: C$131m). Markets relating to the major part of the Canadian business are growing in a similar manner to the US with strong volume growth and rate improvement. However, the Writers Guild of America and Screen Actors Guild strikes are having a significant impact on the performance of the Film & TV business, with some impact on the rest of the Canadian business. Rental revenue increased 15% to C$183m (2022: C$159m), while total revenue was C$213m (2022: C$176m).

The UK business generated rental only revenue of £120m, up 15% on the prior year (2022: £104m). Excluding the impact of the work for the Department of Health, which ended during the first quarter of last year, rental only revenue increased 18%. Bolt-ons since 1 May 2022 contributed 7% of this growth. Rental only revenue growth has been driven by both rate and volume improvement. Rental revenue increased 1% to £150m (2022: £149m), while total revenue decreased 2% to £178m (2022: £182m), reflecting the high level of ancillary and sales revenue associated with the work for the Department of Health last year.

We have invested in the infrastructure of the business during the first two years of Sunbelt 3.0, to support the growth of the business now and into the future. This has been combined with inflationary pressures across most cost lines, particularly in relation to labour. Our focus on rate improvement and leveraging our infrastructure has driven strong revenue and profit growth in the US. This has resulted in US rental revenue drop through to EBITDA of 53%. This contributed to an EBITDA margin of 47.8% (2022: 48.2%) and a 22% increase in segment profit to $692m (2022: $567m) at a margin of 29.9% (2022: 29.9%).

Our Canadian business continues to develop and enhance its performance as it invests to expand its network and broaden its markets. Despite the drag from the strike affected Film & TV business, Canada generated an EBITDA margin of 43.8% (2022: 43.1%) and a segment profit of C$40m (2022: C$38m) at a margin of 18.9% (2022: 21.8%).

In the UK the focus remains on delivering operational efficiency and improving returns in the business. While we continue to improve rental rates, which remains an area of focus, this has been insufficient to offset the inflation impact on the cost base. These factors, together with the loss of revenue from the work for the Department of Health, contributed to the UK generating an EBITDA margin of 28.1% (2022: 31.4%) and a segment profit of £16m (2022: £26m) at a margin of 8.9% (2022: 14.2%).

Overall, Group adjusted operating profit increased to $733m (2022: $622m), up 18% at constant exchange rates. After increased net financing costs of $118m (2022: $67m), reflecting higher average debt levels and the higher interest rate environment, Group adjusted profit before tax was $615m (2022: $555m). After a tax charge of 24% (2022: 25%) of the adjusted pre-tax profit, adjusted earnings per share increased 14% at constant currency to 107.5¢ (2022: 94.4¢).

Statutory profit before tax was $585m (2022: $527m). This is after amortisation of $30m (2022: $28m). Included within the total tax charge is a tax credit of $8m (2022: $7m) which relates to the amortisation of intangibles. As a result, basic earnings per share were 102.3¢ (2022: 89.7¢).

Capital expenditure and acquisitions

Capital expenditure for the quarter was $1,132m gross and $899m net of disposal proceeds (2022: $699m gross and $593m net). As a result, the Group's rental fleet at 31 July 2023 at cost was $17bn and our average fleet age is 33 months (2022: 40 months).

We invested $361m (2022: $337m) including acquired borrowings in nine 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 $41m in bolt-ons.

Return on Investment

The Group return on investment was 19% (2022: 18%). In the US, return on investment (excluding goodwill and intangible assets) for the 12 months to 31 July 2023 was 27% (2022: 26%), while in Canada it was 17% (2022: 20%). This reduction in Canada reflects predominantly the drag from the recent performance of our Film & TV business. In the UK, return on investment (excluding goodwill and intangible assets) was 7% (2022: 12%). The decrease reflects the lower profit margin together with the impact of the demobilisation of the Department of Health testing sites in the prior year. Return on investment excludes the impact of IFRS 16.

Cash flow and net debt

The Group had a free cash outflow of $139m (2022: inflow of $91m) during the quarter, which reflected increased capital expenditure payments of $1,164m (2022: $667m). As expected, this combined with continued investment in bolt-ons and returns to shareholders increased debt during the quarter. We spent $22m (£17m) on share buybacks (2022: $119m (£97m)).

In July 2023, the Group issued $750m 5.950% senior notes maturing in October 2033. 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 5%.

Net debt at 31 July 2023 was $9,679m (2022: $7,716m). Excluding the effect of IFRS 16, net debt at 31 July 2023 was $7,200m (2022: $5,630m), while the ratio of net debt to EBITDA was 1.6 times (2022: 1.6 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 2.1 times (2022: 2.0 times) on a constant currency basis.

At 31 July 2023, availability under the senior secured debt facility was $2,740m with an additional $5,631m of suppressed availability – substantially above the $450m level at which the Group's entire debt package is covenant free.

Capital allocation

The Group remains disciplined in its approach to allocation of capital with the overriding objective being to enhance shareholder value.

Our capital allocation framework remains unchanged and prioritises:

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

Additionally, we consider further returns to shareholders. In this regard, we assess continuously our medium-term plans which take account of investment in the business, growth prospects, cash generation, net debt and leverage. Therefore, the amount allocated to buybacks is simply driven by that which is available after organic growth, bolt-on M&A and dividends, whilst allowing us to operate within our 1.5 to 2.0 times target range for net debt to EBITDA pre IFRS 16.

Current trading and outlook

Our business has clear momentum with robust end markets in North America, which are supported in the US by the increasing number of mega projects and recent legislative acts. We are in a position of strength, with the operational flexibility and financial capacity to capitalise on the opportunities arising from these market conditions and ongoing structural change. Despite UK market conditions softening, we expect overall performance to be in line with our expectations and the Board looks to the future with confidence.

	Previous guidance	Current guidance
Rental revenue[1]		
- US	13 to 16%	13 to 16%
- Canada[2]	15 to 20%	15 to 20%
- UK	10 to 13%	6 to 9%
- Group	13 to 16%	13 to 16%
Capital expenditure (gross)[3]	$3.9 – 4.3bn	$3.9 – 4.3bn
Free cash flow[3]	c. $300m	c. $300m

[1] Represents change in year-over-year rental revenue at constant exchange rates
[2] Reflects impact of Writers Guild of America and Screen Actors Guild strike
[3] Stated at C$1=$0.75 and £1=$1.20

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 JULY 2023

	2023			2022		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	$m	$m	$m	$m	$m	$m
Unaudited						
Revenue						
Rental revenue	2,375.9	-	2,375.9	2,074.7	-	2,074.7
Sale of new equipment, merchandise and consumables	96.4	-	96.4	84.2	-	84.2
Sale of used rental equipment	223.8	-	223.8	100.1	-	100.1
	2,696.1	-	2,696.1	2,259.0	-	2,259.0
Operating costs						
Staff costs	(618.2)	-	(618.2)	(520.0)	-	(520.0)
Other operating costs	(690.2)	-	(690.2)	(628.2)	-	(628.2)
Used rental equipment sold	(158.5)	-	(158.5)	(72.2)	-	(72.2)
	(1,466.9)	-	(1,466.9)	(1,220.4)	-	(1,220.4)
EBITDA*	1,229.2	-	1,229.2	1,038.6	-	1,038.6
Depreciation	(496.1)	-	(496.1)	(417.0)	-	(417.0)
Amortisation of intangibles	-	(30.3)	(30.3)	-	(27.9)	(27.9)
Operating profit	733.1	(30.3)	702.8	621.6	(27.9)	593.7
Interest income	0.5	-	0.5	1.2	-	1.2
Interest expense	(118.7)	-	(118.7)	(68.1)	-	(68.1)
Profit on ordinary activities before taxation	614.9	(30.3)	584.6	554.7	(27.9)	526.8
Taxation	(144.8)	7.6	(137.2)	(138.1)	7.1	(131.0)
Profit attributable to equity holders of the Company	470.1	(22.7)	447.4	416.6	(20.8)	395.8
Basic earnings per share	107.5¢	(5.2¢)	102.3¢	94.4¢	(4.7¢)	89.7¢
Diluted earnings per share	106.8¢	(5.1¢)	101.7¢	94.1¢	(4.8¢)	89.3¢

* 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 2023

	Unaudited	
	2023	2022
	$m	$m
Profit attributable to equity holders of the Company for the period	447.4	395.8
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	40.3	(23.9)
Total other comprehensive income for the period	40.3	(23.9)
Total comprehensive income for the period	487.7	371.9

CONSOLIDATED BALANCE SHEET AT 31 JULY 2023

	Unaudited 31 July 2023	Unaudited 31 July 2022	Audited 30 April 2023
	$m	$m	$m
Current assets			
Inventories	188.9	175.6	181.3
Trade and other receivables	1,904.7	1,595.8	1,659.2
Current tax asset	7.9	6.1	14.6
Cash and cash equivalents	25.0	27.5	29.9
	2,126.5	1,805.0	1,885.0
Non-current assets			
Property, plant and equipment			
- rental equipment	10,295.9	8,087.5	9,649.1
- other assets	1,476.2	1,141.8	1,392.0
	11,772.1	9,229.3	11,041.1
Right-of-use assets	2,302.5	1,957.0	2,206.0
Goodwill	3,052.0	2,459.5	2,865.5
Other intangible assets	534.8	534.6	523.4
Other non-current assets	208.8	199.8	189.9
Net defined benefit pension plan asset	19.0	18.7	18.4
	17,889.2	14,398.9	16,844.3
Total assets	20,015.7	16,203.9	18,729.3
Current liabilities			
Trade and other payables	1,501.9	1,153.6	1,533.6
Current tax liability	90.1	69.1	12.4
Lease liabilities	245.9	199.3	233.2
Provisions	83.1	54.7	78.6
	1,921.0	1,476.7	1,857.8
Non-current liabilities			
Lease liabilities	2,264.2	1,901.4	2,161.1
Long-term borrowings	7,194.0	5,643.0	6,595.1
Provisions	80.5	86.5	75.9
Deferred tax liabilities	2,049.9	1,774.0	1,995.3
Other non-current liabilities	45.7	34.2	36.1
	11,634.3	9,439.1	10,863.5
Total liabilities	13,555.3	10,915.8	12,721.3
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	(762.5)	(596.0)	(740.9)
Own shares held by the ESOT	(43.5)	(38.8)	(38.8)
Cumulative foreign exchange translation differences	(205.6)	(250.6)	(245.9)
Retained reserves	7,363.7	6,065.2	6,925.3
Equity attributable to equity holders of the Company	6,460.4	5,288.1	6,008.0
Total liabilities and equity	20,015.7	16,203.9	18,729.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 JULY 2023

	Share capital $m	Share premium account $m	Capital redemption reserve $m	Own shares held by the Company $m	Own shares held by the ESOT $m	Cumulative foreign exchange translation differences $m	Retained reserves $m	Total $m
Unaudited								
At 1 May 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
At 31 July 2022	81.8	6.5	20.0	(596.0)	(38.8)	(250.6)	6,065.2	5,288.1
Profit for the period	-	-	-	-	-	-	1,221.9	1,221.9
Other comprehensive income:								
Movement on financial asset investments	-	-	-	-	-	-	(36.8)	(36.8)
Foreign currency translation differences	-	-	-	-	-	4.7	-	4.7
Loss on cash flow hedge	-	-	-	-	-	-	(3.1)	(3.1)
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	(2.9)	(2.9)
Tax on defined benefit pension scheme	-	-	-	-	-	-	0.7	0.7
Total comprehensive income for the year	-	-	-	-	-	4.7	1,179.8	1,184.5
Dividends paid	-	-	-	-	-	-	(356.6)	(356.6)
Own shares purchased by the Company	-	-	-	(144.9)	-	-	-	(144.9)
Share-based payments	-	-	-	-	-	-	33.9	33.9
Tax on share-based payments	-	-	-	-	-	-	3.0	3.0
At 30 April 2023	81.8	6.5	20.0	(740.9)	(38.8)	(245.9)	6,925.3	6,008.0
Profit for the period	-	-	-	-	-	-	447.4	447.4
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	40.3	-	40.3
Total comprehensive income for the period	-	-	-	-	-	40.3	447.4	487.7
Own shares purchased by the ESOT	-	-	-	-	(29.8)	-	-	(29.8)
Own shares purchased by the Company	-	-	-	(21.6)	-	-	-	(21.6)
Share-based payments	-	-	-	-	25.1	-	(12.8)	12.3
Tax on share-based payments	-	-	-	-	-	-	3.8	3.8
At 31 July 2023	81.8	6.5	20.0	(762.5)	(43.5)	(205.6)	7,363.7	6,460.4

CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTHS ENDED 31 JULY 2023

	Unaudited	
	2023	2022
	$m	$m
Cash flows from operating activities		
Cash generated from operations before changes in rental equipment	981.7	744.1
Payments for rental property, plant and equipment	(1,031.1)	(548.5)
Proceeds from disposal of rental property, plant and equipment	148.0	84.4
Cash generated from operations	98.6	280.0
Financing costs paid (net)	(106.9)	(63.6)
Tax paid (net)	(6.1)	(12.9)
Net cash generated from operating activities	(14.4)	203.5
Cash flows from investing activities		
Acquisition of businesses	(316.0)	(346.0)
Financial asset investments	-	(37.7)
Payments for non-rental property, plant and equipment	(133.1)	(119.0)
Proceeds from disposal of non-rental property, plant and equipment	8.6	6.1
Net cash used in investing activities	(440.5)	(496.6)
Cash flows from financing activities		
Drawdown of loans	1,328.9	657.4
Redemption of loans	(798.1)	(194.2)
Repayment of principal under lease liabilities	(29.8)	(26.6)
Purchase of own shares by the ESOT	(29.8)	(12.5)
Purchase of own shares by the Company	(21.7)	(118.6)
Net cash generated from financing activities	449.5	305.5
(Decrease)/increase in cash and cash equivalents	(5.4)	12.4
Opening cash and cash equivalents	29.9	15.3
Effect of exchange rate differences	0.5	(0.2)
Closing cash and cash equivalents	25.0	27.5

Reconciliation of net cash flows to net debt

	2023	2022
Decrease/(increase) in cash and cash equivalents in the period	5.4	(12.4)
Increase in debt through cash flow	501.0	436.6
Change in net debt from cash flows	506.4	424.2
Exchange differences	36.9	(11.6)
Debt acquired	77.9	43.6
Deferred costs of debt raising	(0.5)	1.6
New lease liabilities	98.9	98.4
Increase in net debt in the year	719.6	556.2
Net debt at 1 May	8,959.5	7,160.0
Net debt at 31 July	9,679.1	7,716.2

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 financial statements as at, and for the three months ended 31 July 2023, comprise the Company and its subsidiaries ('the Group') and are presented in US dollars.

The condensed consolidated interim financial statements for the three months ended 31 July 2023 were approved by the directors on 4 September 2023.

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 2023 were approved by the directors on 12 June 2023 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 2023 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 2023.

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

	Pound sterling		Canadian dollar	
	2023	2022	2023	2022
Average for the three months ended 31 July	1.27	1.23	0.75	0.78
At 30 April	1.26	1.26	0.74	0.78
At 31 July	1.29	1.22	0.76	0.78

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 27.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Segmental analysis

Three months to 31 July 2023

	US	Canada	UK	Corporate items	Group
	$m	$m	$m	$m	$m
Revenue					
Rental revenue	2,048.2	137.3	190.4	-	2,375.9
Sale of new equipment, merchandise and consumables	62.9	13.5	20.0	-	96.4
Sale of used rental equipment	200.3	8.9	14.6	-	223.8
	2,311.4	159.7	225.0	-	2,696.1
Segment profit	691.9	30.1	20.0	(8.9)	733.1
Amortisation					(30.3)
Net financing costs					(118.2)
Profit before taxation					584.6
Taxation					(137.2)
Profit attributable to equity shareholders					447.4

Three months to 31 July 2022

	US	Canada	UK	Corporate items	Group
	$m	$m	$m	$m	$m
Revenue					
Rental revenue	1,768.4	123.4	182.9	-	2,074.7
Sale of new equipment, merchandise and consumables	47.9	10.0	26.3	-	84.2
Sale of used rental equipment	82.9	3.7	13.5	-	100.1
	1,899.2	137.1	222.7	-	2,259.0
Segment profit	567.1	29.9	31.5	(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

	US	Canada	UK	Corporate items	Group
	$m	$m	$m	$m	$m
At 31 July 2023					
Segment assets	16,520.6	1,878.0	1,531.7	52.5	19,982.8
Cash					25.0
Taxation assets					7.9
Total assets					20,015.7
At 30 April 2023					
Segment assets	15,637.5	1,567.3	1,427.8	52.2	18,684.8
Cash					29.9
Taxation assets					14.6
Total assets					18,729.3

4. Operating costs and other income

	2023			2022		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	$m	$m	$m	$m	$m	$m
Three months to 31 July						
Staff costs:						
Salaries	565.1	-	565.1	473.7	-	473.7
Social security costs	41.3	-	41.3	36.4	-	36.4
Other pension costs	11.8	-	11.8	9.9	-	9.9
	618.2	-	618.2	520.0	-	520.0
Other operating costs:						
Vehicle costs	162.0	-	162.0	159.3	-	159.3
Spares, consumables & external repairs	141.5	-	141.5	125.4	-	125.4
Facility costs	28.6	-	28.6	24.2	-	24.2
Other external charges	358.1	-	358.1	319.3	-	319.3
	690.2	-	690.2	628.2	-	628.2
Used rental equipment sold	158.5	-	158.5	72.2	-	72.2
Depreciation and amortisation:						
Depreciation of tangible assets	448.1	-	448.1	376.5	-	376.5
Depreciation of right-of-use assets	48.0	-	48.0	40.5	-	40.5
Amortisation of intangibles	-	30.3	30.3	-	27.9	27.9
	496.1	30.3	526.4	417.0	27.9	444.9
	1,963.0	30.3	1,993.3	1,637.4	27.9	1,665.3

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	
	2023	2022
	$m	$m
Amortisation of intangibles	30.3	27.9
Taxation	(7.6)	(7.1)
	22.7	20.8

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

	Three months to 31 July	
	2023	2022
	$m	$m
Amortisation of intangibles	30.3	27.9
Charged in arriving at operating profit	30.3	27.9
Taxation	(7.6)	(7.1)
	22.7	20.8

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. Net financing costs

	Three months to 31 July	
	2023	2022
	$m	$m
Interest income:		
Net income on the defined benefit pension plan asset	0.2	0.1
Other interest	0.3	1.1
	0.5	1.2
Interest expense:		
Bank interest payable	39.3	18.2
Interest payable on senior notes	47.0	25.6
Interest payable on lease liabilities	29.9	22.4
Non-cash unwind of discount on provisions	0.5	0.3
Amortisation of deferred debt raising costs	2.0	1.6
	118.7	68.1

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 July 2023 of 25% in the US (2022: 25%), 26% in Canada (2022: 26%) and 25% in the UK (2022: 19%). This results in a blended effective rate for the Group as a whole of 23% (2022: 25%) for the period.

The tax charge of $145m (2022: $138m) on the adjusted profit before taxation of $615m (2022: $555m) can be explained as follows:

	Three months to 31 July	
	2023	2022
	$m	$m
Current tax		
- current tax on income for the period	96.1	66.2
- adjustments to prior year	0.1	(0.1)
	96.2	66.1
Deferred tax		
- origination and reversal of temporary differences	62.1	73.5
- adjustments to prior year	(13.5)	(1.5)
	48.6	72.0
Tax on adjusted profit	144.8	138.1
Comprising:		
- US	138.8	122.9
- Canada	4.0	5.8
- UK	2.0	9.4
	144.8	138.1

In addition, the tax credit of $8m (2022: $7m) on amortisation of $30m (2022: $28m) consists of a current tax credit of $3m (2022: $3m) relating to the US, $0.1m (2022: $0.2m) relating to Canada and $nil (2022: $0.1m) relating to the UK and a deferred tax credit of $2m (2022: $3m) relating to the US, $2m (2022: $1m) relating to Canada and $0.5m (2022: $0.2m) relating to the UK.

8. Earnings per share

Basic and diluted earnings per share for the three months ended 31 July 2023 have been calculated based on the profit for the relevant period and the weighted average number of ordinary shares in issue during that period (excluding shares held by the Company and the ESOT over which dividends have been waived). Diluted earnings per share is computed using the result for the relevant period and the diluted number of shares (ignoring any potential issue of ordinary shares which would be anti-dilutive). These are calculated as follows:

	Three months to 31 July 2023	2022
Profit for the financial period ($m)	447.4	395.8
Weighted average number of shares (m) - basic	437.4	441.2
- diluted	440.1	442.9
Basic earnings per share	102.3¢	89.7¢
Diluted earnings per share	101.7¢	89.3¢

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 2023	2022
Basic earnings per share	102.3¢	89.7¢
Amortisation of intangibles	6.9¢	6.3¢
Tax on amortisation	(1.7¢)	(1.6¢)
Adjusted earnings per share	107.5¢	94.4¢

9. Property, plant and equipment

	2023		2022	
	Rental equipment	Total	Rental equipment	Total
Net book value	$m	$m	$m	$m
At 1 May	9,649.1	11,041.1	7,814.3	8,892.6
Exchange differences	37.4	43.9	(22.0)	(25.5)
Reclassifications	0.2	-	-	-
Additions	998.7	1,132.3	580.1	699.0
Acquisitions	150.1	162.3	112.3	114.1
Disposals	(154.0)	(159.4)	(70.9)	(74.4)
Depreciation	(385.6)	(448.1)	(326.3)	(376.5)
At 31 July	10,295.9	11,772.1	8,087.5	9,229.3

10. Right-of-use assets

Net book value	2023 Property leases $m	2023 Other leases $m	2023 Total $m	2022 Property leases $m	2022 Other leases $m	2022 Total $m
At 1 May	2,184.8	21.2	2,206.0	1,849.1	15.7	1,864.8
Exchange differences	10.6	0.4	11.0	(2.7)	(0.5)	(3.2)
Additions	75.2	6.5	81.7	87.2	1.7	88.9
Acquisitions	34.8	-	34.8	37.1	-	37.1
Remeasurement	26.3	-	26.3	11.1	-	11.1
Disposals	(9.1)	(0.2)	(9.3)	(0.9)	(0.3)	(1.2)
Depreciation	(46.6)	(1.4)	(48.0)	(39.7)	(0.8)	(40.5)
At 31 July	2,276.0	26.5	2,302.5	1,941.2	15.8	1,957.0

11. Lease liabilities

	31 July 2023 $m	30 April 2023 $m
Current	245.9	233.2
Non-current	2,264.2	2,161.1
	2,510.1	2,394.3

12. Borrowings

	31 July 2023 $m	30 April 2023 $m
Non-current		
First priority senior secured bank debt	1,892.4	2,038.4
1.500% senior notes, due 2026	547.0	546.8
4.375% senior notes, due 2027	595.9	595.6
4.000% senior notes, due 2028	595.3	595.1
4.250% senior notes, due 2029	594.8	594.6
2.450% senior notes, due 2031	744.0	743.9
5.500% senior notes, due 2032	738.1	737.8
5.550% senior notes, due 2033	743.0	742.9
5.950% senior notes, due 2033	743.5	-
	7,194.0	6,595.1

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 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, the $750m 2.450% senior notes mature in August 2031, the $750m 5.500% senior notes mature in August 2032, the $750m 5.550% senior notes mature in May 2033 and the $750m 5.950% senior notes mature in October 2033.

The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is 5%.

12. Borrowings (continued)

There is one financial performance covenant under the first priority senior credit facility. That is the fixed charge ratio (comprising EBITDA before exceptional items less 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 2023, the fixed charge ratio exceeded the covenant requirement.

At 31 July 2023, availability under the senior secured bank facility was $2,740m ($2,573m at 30 April 2023), with an additional $5,631m of suppressed availability, meaning that the covenant did not apply at 31 July 2023 and is unlikely to apply in forthcoming quarters.

Fair value of financial instruments

At 31 July 2023, 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 2023		At 30 April 2023	
	Book value $m	Fair value $m	Book value $m	Fair Value $m
1.500% senior notes	549.1	485.4	549.0	486.1
4.375% senior notes	600.0	565.5	600.0	573.0
4.000% senior notes	600.0	556.5	600.0	560.3
4.250% senior notes	600.0	547.5	600.0	556.5
2.450% senior notes	748.4	590.6	748.4	595.3
5.500% senior notes	743.2	723.8	743.0	741.6
5.550% senior notes	748.3	727.5	748.3	744.4
5.950% senior notes	749.4	746.2	-	-
	5,338.4	4,943.0	4,588.7	4,257.2
Deferred costs of raising finance	(36.8)	-	(32.0)	-
	5,301.6	4,943.0	4,556.7	4,257.2

The fair value of the senior notes has been calculated using quoted market prices at the relevant period end date.

13. Share capital

Ordinary shares of 10p each:

	31 July 2023 Number	30 April 2023 Number	31 July 2023 $m	30 April 2023 $m
Issued and fully paid	451,354,833	451,354,833	81.8	81.8

During the period, the Company purchased 0.3m ordinary shares at a total cost of $22m (£17m) under the Group's share buyback programme, which are held in treasury. At 31 July 2023, 13.2m (April 2023: 12.9m) shares were held by the Company ($763m; April 2023: $741m) and a further 0.9m (April 2023: 1.0m) shares were held by the Company's Employee Share Ownership Trust ($43m; April 2023: $39m).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. Notes to the cash flow statement

a) Cash flow from operating activities

	Three months to 31 July	
	2023	2022
	$m	$m
Operating profit	702.8	593.7
Depreciation	496.1	417.0
Amortisation	30.3	27.9
EBITDA	1,229.2	1,038.6
Profit on disposal of rental equipment	(65.3)	(27.9)
Profit on disposal of other property, plant and equipment	(3.3)	(2.5)
Increase in inventories	(4.0)	(7.4)
Increase in trade and other receivables	(164.6)	(188.7)
Decrease in trade and other payables	(22.8)	(77.4)
Exchange differences	0.2	(1.5)
Other non-cash movement	12.3	10.9
Cash generated from operations before changes in rental equipment	981.7	744.1

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 2023	Cash flow	Exchange movement	Debt acquired	New lease liabilities	Other movements	31 July 2023
	$m	$m	$m	$m	$m	$m	$m
Long-term borrowings	6,595.1	530.8	25.5	43.1	-	(0.5)	7,194.0
Lease liabilities	2,394.3	(29.8)	11.9	34.8	98.9	-	2,510.1
Total liabilities from financing activities	8,989.4	501.0	37.4	77.9	98.9	(0.5)	9,704.1
Cash and cash equivalents	(29.9)	5.4	(0.5)	-	-	-	(25.0)
Net debt	8,959.5	506.4	36.9	77.9	98.9	(0.5)	9,679.1

			Non-cash movements				
	1 May 2022	Cash flow	Exchange movement	Debt acquired	New lease liabilities	Other movements	31 July 2022
	$m	$m	$m	$m	$m	$m	$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

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 2023 $m	2022 $m
Cash consideration paid:		
- acquisitions in the period	315.1	326.3
- contingent consideration	0.9	19.7
	316.0	346.0

During the period, nine businesses were acquired with cash paid of $315m (2022: $326m), after taking account of net cash acquired of $3m (2022: $10m). Further details are provided in Note 15.

Contingent consideration of $1m (2022: $20m) was paid relating to prior year acquisitions.

15. Acquisitions

During the period, the following acquisitions were completed:

i) On 17 May 2023, Sunbelt US acquired the business and assets of Beattie Construction Services, LLC (‘Beattie’). Beattie is a specialty business operating in Michigan.

ii) On 24 May 2023, Sunbelt US acquired the business and assets of Jones & Hollands, Inc. (‘Jones’). Jones is a general tool business operating in Michigan.

iii) On 24 May 2023, Sunbelt US acquired the business and assets of West Coast Equipment, LLC (‘West Coast’). West Coast is a general tool business operating in California.

iv) On 1 June 2023, Sunbelt Canada acquired the entire share capital of Loue Froid, Inc. (‘Loue Froid’). Loue Froid is a specialty business operating in Quebec, Ontario, Alberta and British Columbia.

v) On 14 June 2023, Sunbelt US acquired the business and assets of American Covers Incorporated (‘American Covers’). American Covers is a specialty business operating in Louisiana.

vi) On 16 June 2023, Sunbelt US acquired the business and assets of AGF Machinery, LLC (‘AGF’). AGF is a general tool business operating in Alabama.

vii) On 23 June 2023, Sunbelt US acquired the business and assets of Miele Central Equipment, LLC (‘CEC’). CEC is a general tool business operating in Pennsylvania.

viii) On 28 June 2023, Sunbelt US acquired the business and assets of J & J Equipment Rentals, Inc. (‘J&J’). J&J is a general tool business operating in Virginia.

ix) On 31 July 2023, Sunbelt US acquired the entire membership interest of Runyon Equipment Rental Co., LLC (‘Runyon’). Runyon is a general tool business operating in Indiana.

15. Acquisitions (continued)

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

	Fair value to the Group
	$m
Net assets acquired	
Trade and other receivables	20.7
Inventory	2.2
Property, plant and equipment	
- rental equipment	150.1
- other assets	12.2
Right-of-use assets	34.8
Creditors	(10.7)
Current tax	(3.4)
Deferred tax	(9.1)
Debt	(43.1)
Lease liabilities	(34.8)
Intangible assets (non-compete agreements and customer relationships)	36.1
	155.0
Consideration:	
- cash paid and due to be paid (net of cash acquired)	317.4
- contingent consideration	5.8
	323.2
Goodwill	168.2

The goodwill arising can be attributed to the key management personnel and workforce of the acquired businesses, the benefits through advancing our clusters and leveraging cross-selling opportunities, 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. $61m 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 $21m.

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 2023 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 and ITV plc have both appealed against the decision to the EU Court of Justice. The Group will continue to monitor proceedings closely.

Despite the UK Government appealing the European Commission's decision, His 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 2023 ($46m at July 2023 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 ($46m at July 2023 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 four acquisitions for total purchase consideration of $41m as follows:

i) On 9 August 2023, Sunbelt US acquired the business and assets of A-One Rental, Inc. and Holmes A-One Inc. (together 'A-One'). A-One is a general tool business operating in Wyoming.

ii) On 25 August 2023, Sunbelt US acquired the business and assets of Caribbean Rentals & Sales Ltd and International Rental Services, Inc. (together 'CRS'). CRS is a general tool business operating in the Bahamas.

iii) On 30 August 2023, Sunbelt US acquired the business and assets of Timp Rental Center, Inc. ('Timp'). Timp is a general tool business operating in Utah.

iv) On 30 August 2023, Sunbelt Canada acquired the business and assets of 688768 NB Inc., trading as Modu-Loc Maritimes Fence Rentals ('Modu-Loc Maritimes'). Modu-Loc Maritimes is a specialty business operating in Nova Scotia and New Brunswick.

The initial accounting for these acquisitions is incomplete given the proximity to the period end. Had these acquisitions taken place on 1 May 2023, their contribution to revenue and operating profit would not have been material.

REVIEW OF BALANCE SHEET AND CASH FLOW

Balance sheet

Property, plant and equipment

Capital expenditure in the quarter totalled $1,132m (2022: $699m) with $999m invested in the rental fleet (2022: $580m). Expenditure on rental equipment was 88% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division was:

	2023			2022
	Replacement	Growth	Total	Total
Canada in C$m	27.1	45.3	72.4	39.9
UK in £m	28.6	36.0	64.6	38.3
US	494.9	367.7	862.6	502.2
Canada in $m	20.3	34.0	54.3	31.0
UK in $m	36.2	45.6	81.8	46.9
Total rental equipment	551.4	447.3	998.7	580.1
Delivery vehicles, property improvements & IT equipment			133.6	118.9
Total additions			1,132.3	699.0

In a strong US rental market, $368m of rental equipment capital expenditure was spent on growth while $495m 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. In a period of inflation, this understates replacement capital expenditure and overstates growth capital expenditure.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 31 July 2023 was 33 months (2022: 40 months) on a net book value basis. The US fleet had an average age of 33 months (2022: 40 months), the Canadian fleet had an average age of 35 months (2022: 37 months) and the UK fleet had an average age of 34 months (2022: 36 months).

	Rental fleet at original cost				
	31 July 2023	30 April 2023	LTM average	LTM rental revenue	LTM dollar utilisation
Canada in C$m	1,599	1,438	1,372	721	53%
UK in £m	1,116	1,081	1,073	560	52%
US	13,892	13,407	12,886	7,782	60%
Canada in $m	1,215	1,061	1,023	538	53%
UK in $m	1,435	1,358	1,300	679	52%
	16,542	15,826	15,209	8,999	

Dollar utilisation was 60% in the US (2022: 58%), 53% for Canada (2022: 55%) and 52% for the UK (2022: 58%). The improvement in US dollar utilisation reflects the improved rate environment while, in Canada, dollar utilisation benefitted from a good rate environment but suffered from the drag of the Film & TV business. In the UK, the decrease reflects the lower level of ancillary revenue following the conclusion of the Department of Health work last year.

Trade receivables

Receivable days at 31 July 2023 were 48 days (2022: 50 days). The bad debt charge for the last twelve months ended 31 July 2023 as a percentage of total turnover was 0.5% (2022: 0.4%). Trade receivables at 31 July 2023 of $1,586m (2022: $1,363m) are stated net of allowances for bad debts and credit notes of $118m (2022: $100m), with the provision representing 7% (2022: 7%) of gross receivables.

Trade and other payables

Group payable days were 46 days at 31 July 2023 (2022: 47 days) with capital expenditure related payables totalling $576m (2022: $395m). 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 2023 $m	Three months to 31 July 2022 $m	LTM to 31 July 2023 $m	Year to 30 April 2023 $m
EBITDA	1,229.2	1,038.6	4,602.4	4,411.8
Cash inflow from operations before changes in rental equipment	981.7	744.1	4,311.2	4,073.6
*Cash conversion ratio**	*79.9%*	*71.6%*	*93.7%*	*92.3%*
Replacement rental capital expenditure	(584.3)	(257.1)	(1,708.0)	(1,380.8)
Payments for non-rental capital expenditure	(133.1)	(119.0)	(524.1)	(510.0)
Rental equipment disposal proceeds	148.0	84.4	637.2	573.6
Other property, plant and equipment disposal proceeds	8.6	6.1	43.9	41.4
Tax (net)	(6.1)	(12.9)	(280.5)	(287.3)
Net financing costs	(106.9)	(63.6)	(383.5)	(340.2)
Cash inflow before growth capex	**307.9**	**382.0**	**2,096.2**	**2,170.3**
Growth rental capital expenditure	(446.8)	(291.4)	(1,794.2)	(1,638.8)
Free cash flow	**(138.9)**	**90.6**	**302.0**	**531.5**
Business acquisitions	(316.0)	(346.0)	(1,053.2)	(1,083.2)
Financial asset investments	-	(37.7)	(4.7)	(42.4)
Total cash absorbed	**(454.9)**	**(293.1)**	**(755.9)**	**(594.1)**
Dividends	-	-	(357.8)	(357.8)
Purchase of own shares by the ESOT	(29.8)	(12.5)	(29.8)	(12.5)
Purchase of own shares by the Company	(21.7)	(118.6)	(167.5)	(264.4)
Increase in net debt due to cash flow	**(506.4)**	**(424.2)**	**(1,311.0)**	**(1,228.8)**

* 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 $982m (2022: $744m). The conversion ratio for the period was 80% (2022: 72%).

Total payments for capital expenditure (rental equipment and other PPE) during the first quarter were $1,164m (2022: $667m). Disposal proceeds received totalled $157m (2022: $90m), giving net payments for capital expenditure of $1,007m in the period (2022: $577m). Financing costs paid totalled $107m (2022: $64m) while tax payments were $6m (2022: $13m). 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 period saw a free cash outflow of $139m (2022: inflow of $91m) and, after acquisition and investment related expenditure of $316m (2022: $384m), a cash outflow of $455m (2022: $293m), before returns to shareholders.

Net debt

	31 July		30 April
	2023	2022	2023
	$m	$m	$m
First priority senior secured bank debt	1,892.4	2,570.0	2,038.4
1.500% senior notes, due 2026	547.0	546.1	546.8
4.375% senior notes, due 2027	595.9	595.0	595.6
4.000% senior notes, due 2028	595.3	594.4	595.1
4.250% senior notes, due 2029	594.8	594.1	594.6
2.450% senior notes, due 2031	744.0	743.4	743.9
5.500% senior notes, due 2032	738.1	-	737.8
5.550% senior notes, due 2033	743.0	-	742.9
5.950% senior notes, due 2033	743.5	-	-
Total external borrowings	7,194.0	5,643.0	6,595.1
Lease liabilities	2,510.1	2,100.7	2,394.3
Total gross debt	9,704.1	7,743.7	8,989.4
Cash and cash equivalents	(25.0)	(27.5)	(29.9)
Total net debt	9,679.1	7,716.2	8,959.5

Net debt at 31 July 2023 was $9,679m with the increase since 30 April 2023 reflecting the cash outflow set out above and additional lease commitments as we continue our greenfield and bolt-on expansion. The Group's EBITDA for the twelve months ended 31 July 2023 was $4,602m. Excluding the impact of IFRS 16, the ratio of net debt to EBITDA was 1.6 times (2022: 1.6 times) on a constant currency and a reported basis as at 31 July 2023. Including the impact of IFRS 16, the ratio of net debt to EBITDA was 2.1 times (2022: 2.0 times) as at 31 July 2023.

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 2023 Annual Report and Accounts on pages 40 to 45.

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 pandemics (such as COVID-19) is 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 or local companies 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 our culture 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. Furthermore, it is important that our remuneration policies reflect the Group's North American focus and enable us to retain and enhance our strong leadership team.

- 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, lower carbon 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 waste water, 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 2023 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 dollar with respect to the US dollar 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 2023, 85% 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 2023, a 1% change in the pound sterling and Canadian dollar exchange rate would impact adjusted pre-tax profit by approximately $0.5m.

OPERATING STATISTICS

	Number of rental stores			Staff numbers		
	31 July		30 April	31 July		30 April
	2023	2022	2023	2023	2022	2023
US	1,128	991	1,094	19,583	16,877	18,981
Canada	125	93	119	2,089	1,815	2,094
UK	190	181	185	4,288	4,096	4,250
Corporate office	-	-	-	22	19	22
Group	1,443	1,265	1,398	25,982	22,807	25,347

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>2023
$m</th><th>2022
$m</th><th>Change</th></tr>
<tr><td>US</td><td></td><td></td><td></td></tr>
<tr><td>Rental revenue</td><td>2,048</td><td>1,768</td><td>280</td></tr>
<tr><td>EBITDA</td><td>1,105</td><td>916</td><td></td></tr>
<tr><td>Gains</td><td>(84)</td><td>(42)</td><td></td></tr>
<tr><td>EBITDA excluding gains</td><td>1,021</td><td>874</td><td>147</td></tr>
<tr><td>Drop through</td><td></td><td></td><td>53%</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>2023
$m</th><th>2022
$m</th></tr>
<tr><td>Net cash generated from operating activities</td><td>(14)</td><td>204</td></tr>
<tr><td>Payments for non-rental property, plant and equipment</td><td>(133)</td><td>(119)</td></tr>
<tr><td>Proceeds from disposal of non-rental property, plant and equipment</td><td>8</td><td>6</td></tr>
<tr><td>Free cash flow</td><td>(139)</td><td>91</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>2023
$m</th><th>2022
$m</th><th>%</th></tr>
<tr><td>Rental revenue</td><td></td><td></td><td></td></tr>
<tr><td>As reported</td><td>2,376</td><td>2,075</td><td>15%</td></tr>
<tr><td>Retranslation effect</td><td>-</td><td>1</td><td></td></tr>
<tr><td>At constant currency</td><td>2,376</td><td>2,076</td><td>14%</td></tr>
<tr><td>Adjusted profit before tax</td><td></td><td></td><td></td></tr>
<tr><td>As reported</td><td>615</td><td>555</td><td>11%</td></tr>
<tr><td>Retranslation effect</td><td>-</td><td>-</td><td></td></tr>
<tr><td>At constant currency</td><td>615</td><td>555</td><td>11%</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>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 EBITDA.

<table>
<tr><th></th><th>2023</th><th></th><th>2022</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>Net debt ($m)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>As reported and at constant currency</td><td>7,200</td><td>9,679</td><td>5,630</td><td>7,716</td></tr>
<tr><td>EBITDA ($m)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>As reported</td><td>4,382</td><td>4,602</td><td>3,604</td><td>3,788</td></tr>
<tr><td>Retranslation effect</td><td>16</td><td>17</td><td>(18)</td><td>(20)</td></tr>
<tr><td>At constant currency</td><td>4,398</td><td>4,619</td><td>3,586</td><td>3,768</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>2.1</td><td>1.6</td><td>2.0</td></tr>
<tr><td>At constant currency</td><td>1.6</td><td>2.1</td><td>1.6</td><td>2.0</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 LTM 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>2023
$m</th><th>2022
$m</th></tr>
<tr><td>Adjusted operating profit</td><td>2,751</td><td>2,181</td></tr>
<tr><td>IFRS 16 impact</td><td>(44)</td><td>(33)</td></tr>
<tr><td>Adjusted operating profit (excluding IFRS 16) ($m)</td><td>2,707</td><td>2,148</td></tr>
<tr><td>Average net assets ($m)</td><td>14,290</td><td>11,663</td></tr>
<tr><td>Return on investment</td><td>19%</td><td>18%</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>2,589</td><td>169</td><td>55</td></tr>
<tr><td>IFRS 16 impact</td><td>(36)</td><td>(8)</td><td>(1)</td></tr>
<tr><td>Adjusted operating profit (excluding IFRS 16)</td><td>2,553</td><td>161</td><td>54</td></tr>
<tr><td>Average net assets, excluding goodwill and intangibles</td><td>9,415</td><td>956</td><td>736</td></tr>
<tr><td>Return on investment</td><td>27%</td><td>17%</td><td>7%</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.

- **TRIR rate:** reportable incidents in North America are reported in accordance with the OSHA (Occupational, Safety and Health Administration) framework as a Total Recordable Incident Rate ('TRIR').