# Responsible investment in growth

Full year results | 30 April 2015

Issued: 16 June 2015

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The presentation contains forward looking statements which are necessarily subject to risks and uncertainties because they relate to future events. Our business and operations are subject to a variety of risks and uncertainties, many of which are beyond our control and, consequently, actual results may differ materially from those projected by any forward looking statements.

Some of the factors which may adversely impact some of these forward looking statements are discussed in the Group's audited results for the year ended 30 April 2015 under "Principal risks and uncertainties".

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# Highlights

- Group rental revenue increase[1] of 24%
- Record Group pre-tax profit[2] for the year of £490m, up 35% at constant exchange rates
- £1bn of capital invested in the fleet (2014: £657m) and £236m spent on bolt-ons (2014: £103m)
- Net debt to EBITDA leverage[1] of 1.8 times (2014: 1.8 times)
- Group RoI of 19% (2014: 19%)
- Proposed final dividend of 12.25p making 15.25p for the year, up 33% (2014: 11.5p)
- Significantly enhanced our geographic footprint and the breadth of the markets we serve
- Strong performance continued in May. Look forward to the medium term with confidence

[1] At constant exchange rates
[2] Before exceptional items and intangible amortisation

# Suzanne Wood

## Finance director

# Q4 Group revenue and profit

| | Q4 | | |
|---|---|---|---|
| (£m) | 2015 | 2014 | Change[1] |
| **Revenue** | **539** | **385** | **29%** |
| - of which rental | 479 | 356 | 24% |
| Operating costs | (311) | (231) | 25% |
| **EBITDA** | **228** | **154** | **35%** |
| Depreciation | (99) | (71) | 29% |
| **Operating profit** | **129** | **83** | **41%** |
| Net interest | (19) | (14) | 36% |
| **Profit before exceptionals, amortisation and tax** | **110** | **69** | **42%** |
| **Earnings per share (p)** | **14.2** | **9.8** | **29%** |
| *Margins* | | | |
| *- EBITDA* | *42%* | *40%* | |
| *- Operating profit* | *24%* | *21%* | |

*1 At constant exchange rates*
*2 The results in the table above are the Group's underlying results and are stated before exceptionals and amortisation of intangibles*

# Full year Group revenue and profit

| (£m) | FY 2015 | 2014 | Change[1] |
|---|---|---|---|
| **Revenue** | **2,039** | **1,635** | **24%** |
| - of which rental | 1,838 | 1,475 | 24% |
| Operating costs | (1,131) | (950) | 19% |
| **EBITDA** | **908** | **685** | **32%** |
| Depreciation | (351) | (276) | 27% |
| **Operating profit** | **557** | **409** | **36%** |
| Net interest | (67) | (47) | 43% |
| **Profit before exceptionals, amortisation and tax** | **490** | **362** | **35%** |
| **Earnings per share (p)** | **62.6** | **46.6** | **34%** |
| *Margins* | | | |
| *- EBITDA* | *45%* | *42%* | |
| *- Operating profit* | *27%* | *25%* | |

*1 At constant exchange rates*
*2 The results in the table above are the Group's underlying results and are stated before exceptionals and amortisation of intangibles*

# Full year Sunbelt revenue and profit

| ($m) | FY 2015 | FY 2014 | Change |
|---|---|---|---|
| **Revenue** | **2,742** | **2,189** | **+25%** |
| - of which rental | 2,475 | 1,973 | +25% |
| Operating costs | (1,449) | (1,201) | +21% |
| **EBITDA** | **1,293** | **988** | **+31%** |
| Depreciation | (460) | (357) | +29% |
| **Operating profit** | **833** | **631** | **+32%** |
| *Margins* | | | |
| *- EBITDA* | *47%* | *45%* | |
| *- Operating profit* | *30%* | *29%* | |

- EBITDA drop through – Total 58%, Same store 67%

# Full year A-Plant revenue and profit

| (£m) | FY 2015 | FY 2014 | FY Change |
|---|---|---|---|
| **Revenue** | **323** | **268** | **+20%** |
| - of which rental | 289 | 244 | +19% |
| Operating costs | (214) | (189) | +12% |
| **EBITDA** | **109** | **79** | **+39%** |
| Depreciation | (63) | (54) | +18% |
| **Operating profit** | **46** | **25** | **+83%** |
| *Margins* | | | |
| *- EBITDA* | *34%* | *29%* | |
| *- Operating profit* | *14%* | *9%* | |

- EBITDA drop through – 56%

# Cash flow

## Significant investment in our rental fleet

| (£m) | 2015 | 2014 | Change |
|---|---|---|---|
| EBITDA before exceptional items | 908 | 685 | +33% |
| Cash conversion ratio[1] | 93% | 94% | |
| **Cash inflow from operations[2]** | **841** | **646** | **+30%** |
| Payments for capital expenditure | (937) | (741) | |
| Rental equipment and other disposal proceeds received | 103 | 102 | |
| | (834) | (639) | |
| Interest and tax paid | (95) | (56) | |
| Exceptional costs paid | - | (2) | |
| **Free cash flow** | **(88)** | **(51)** | |
| Business acquisitions | (242) | (103) | |
| Dividends paid | (61) | (41) | |
| Purchase of own shares by the ESOT | (21) | (23) | |
| **Increase in net debt** | **(412)** | **(218)** | |

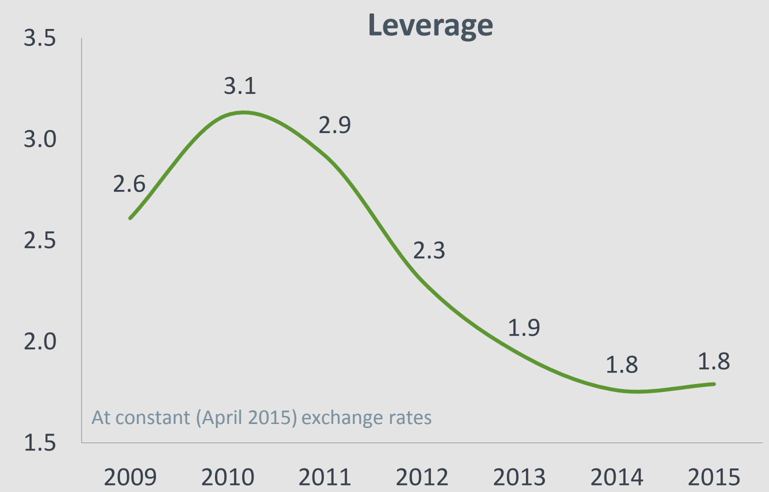
[1] Cash inflow from operations as a percentage of EBITDA
[2] Before fleet changes and exceptionals

# Net debt and leverage

## Net debt to EBITDA continues to reduce as we invest in the fleet

| (£m) | April 2015 | April 2014 |
|---|---|---|
| **Net debt at 30 April** | **1,149** | **1,014** |
| Translation impact | 122 | (88) |
| **Opening debt at closing exchange rates** | **1,271** | **926** |
| Change from cash flows | 412 | 218 |
| Debt acquired | - | 1 |
| Non-cash movements | 4 | 4 |
| **Net debt at period end** | **1,687** | **1,149** |
| *Comprising:* | | |
| First lien senior secured bank debt | 783 | 610 |
| Second lien secured notes | 910 | 537 |
| Finance lease obligations | 5 | 5 |
| Cash in hand | (11) | (3) |
| **Total net debt** | **1,687** | **1,149** |
| **Net debt to EBITDA leverage* (x)** | **1.8** | **1.8** |

*At constant exchange rates

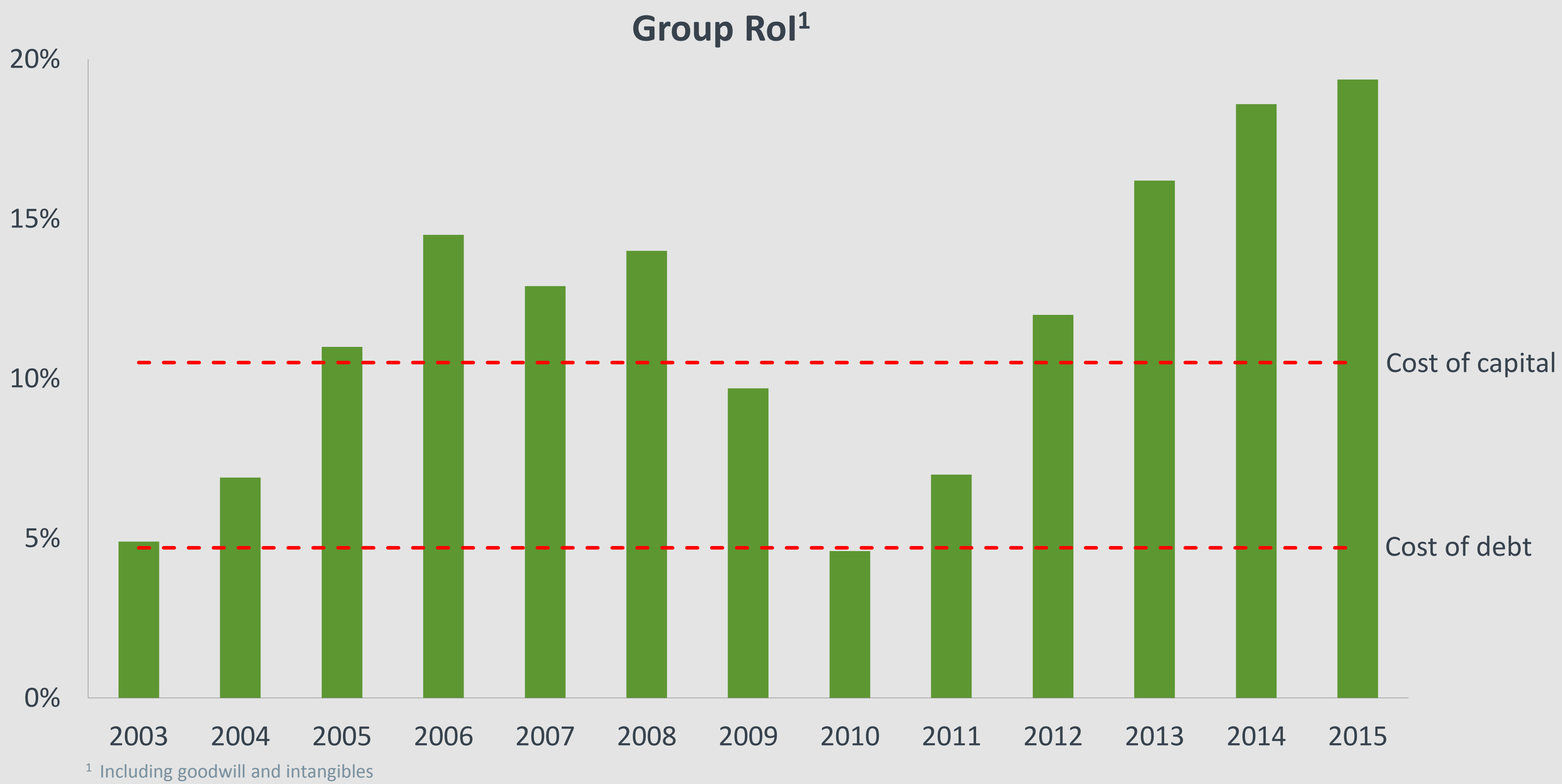



**Interest**

Floating rate: 46%

Fixed rate: 54%

# Continued progression in RoI



# Geoff Drabble

## Chief executive

# Balanced growth throughout the year in line with our strategy

SAME STORE GROWTH +17% + BOLT-ONS AND GREENFIELDS +10% = TOTAL RENTAL REVENUE GROWTH +27%

SAME STORE GROWTH +17%:
- END MARKET GROWTH +7%
- STRUCTURAL SHARE GAINS +10%

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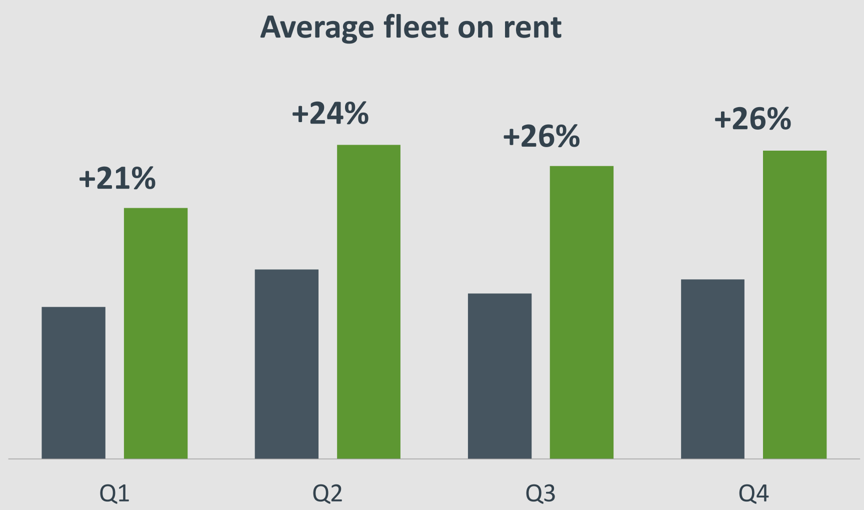
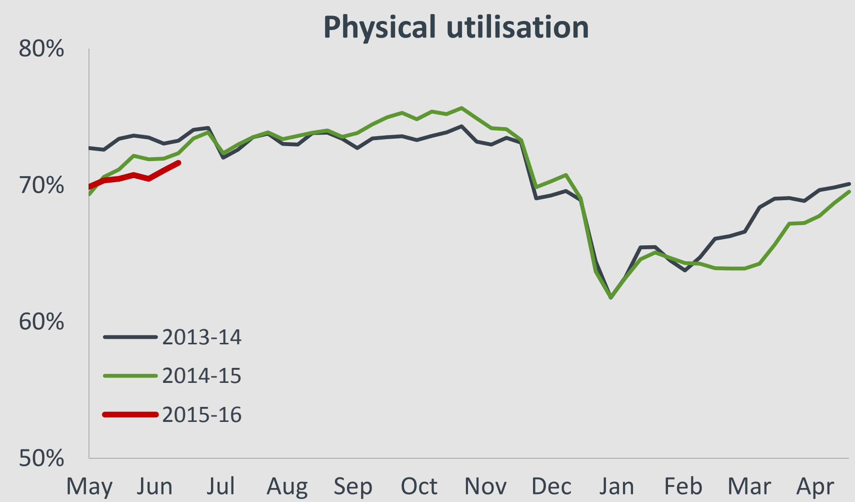
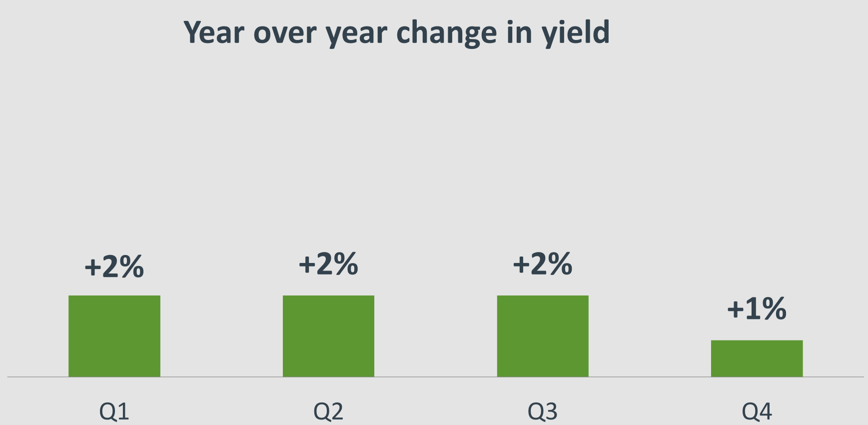
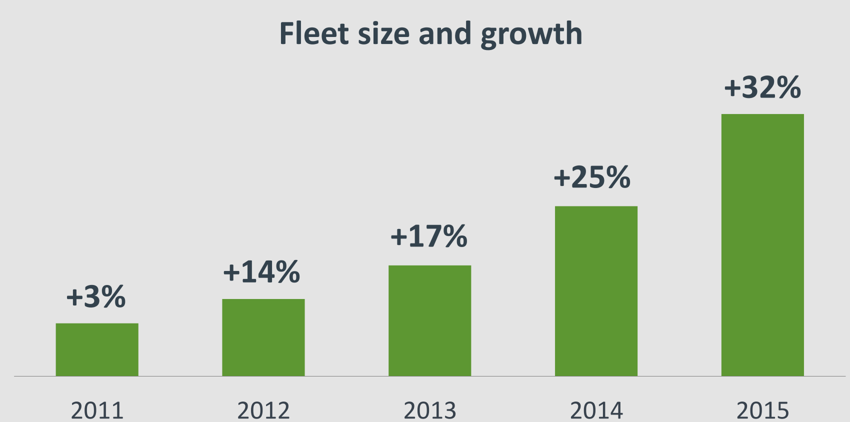
# Sunbelt revenue drivers – rental only

## Continuation of strong performance

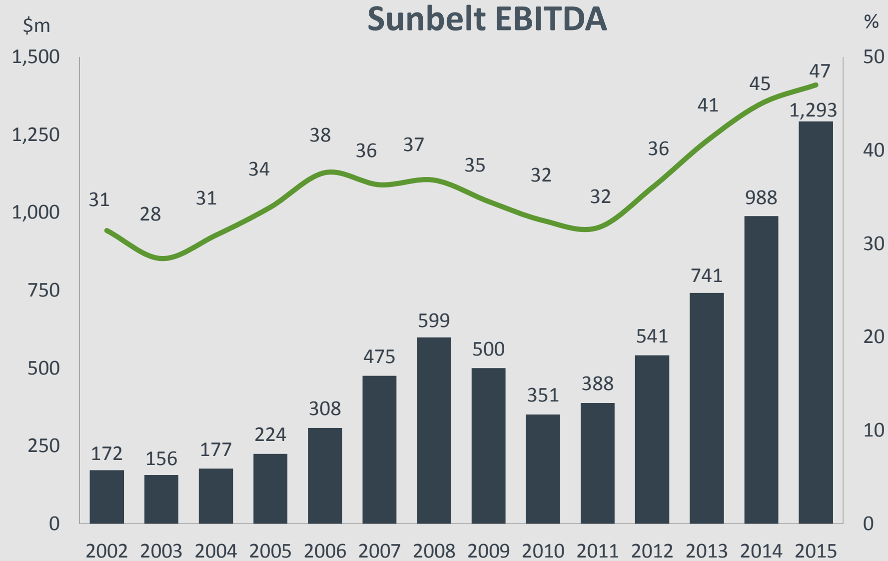


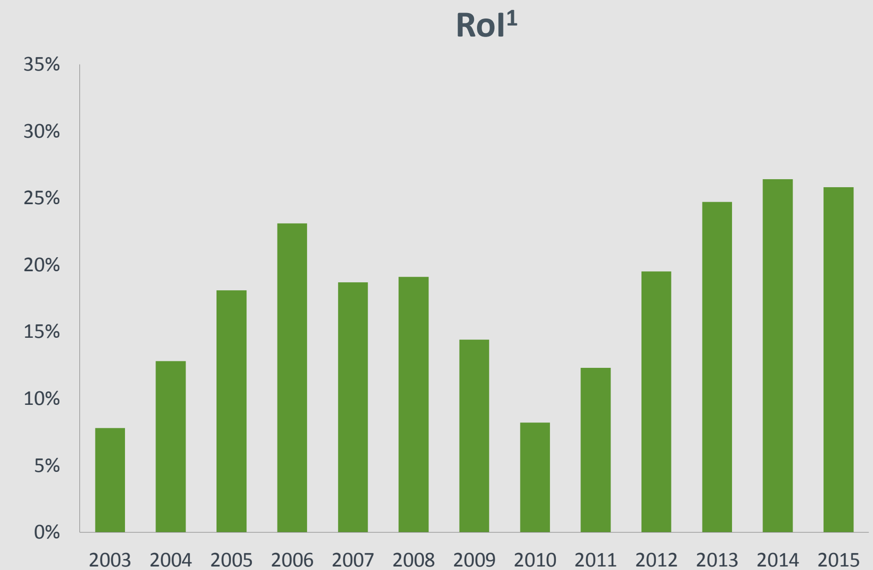



# Strategy of same store growth and bolt-ons driving both short and long term margin improvement




[1] Excluding goodwill and intangibles

- EBITDA drop through 58%
- Same store drop through 67%

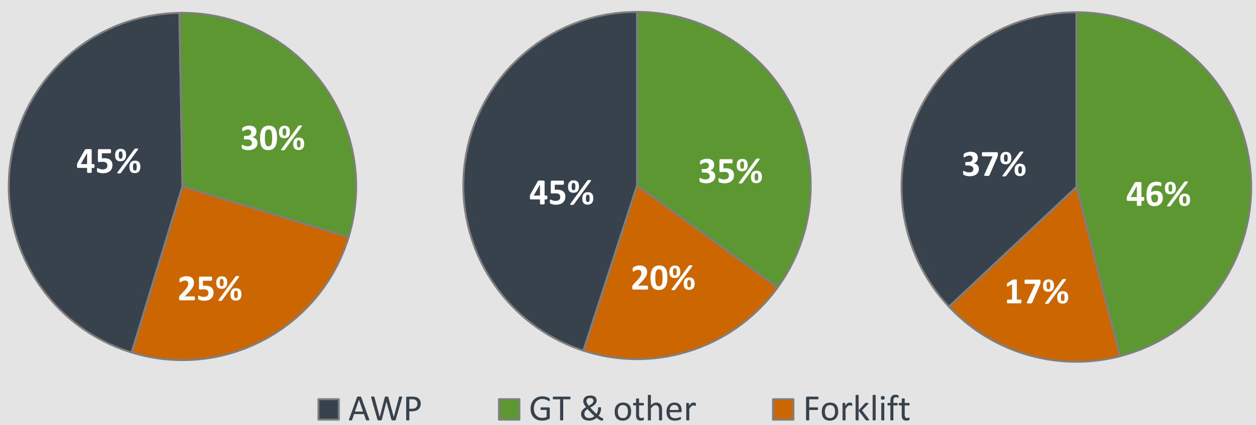
| | 2015 | 2012 |
|---|---|---|
| Same store | 27% | 18% |
| Greenfields | 15% | n/a |
| Acquisitions | 26% | n/a |

| | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| Greenfields | 17 | 24 | 31 | 50 |
| Bolt-ons | 6 | 15 | 51 | ? |
| | 23 | 39 | 82 | 50+ |

# Margin evolution of greenfields

| | Year 1 | Year 2 - 3 | Year 4 - 5 |
|---|---|---|---|
| Fleet size | ~$5m | ~$5m - 10m | ~$10m - $15m |
| RoI | 10 – 15% | 20 – 25% | 25 – 30% |
| Customer mix | Narrow | Broader | Mature |
| | Customer contractor base, high visibility projects, Sunbelt legacy accounts | Construction growth matched by pace of maintenance, municipal, industrial and non-construction | Broad customer base with healthy balance of market channel and customer size |

Fleet mix




![Ashtead group logo]

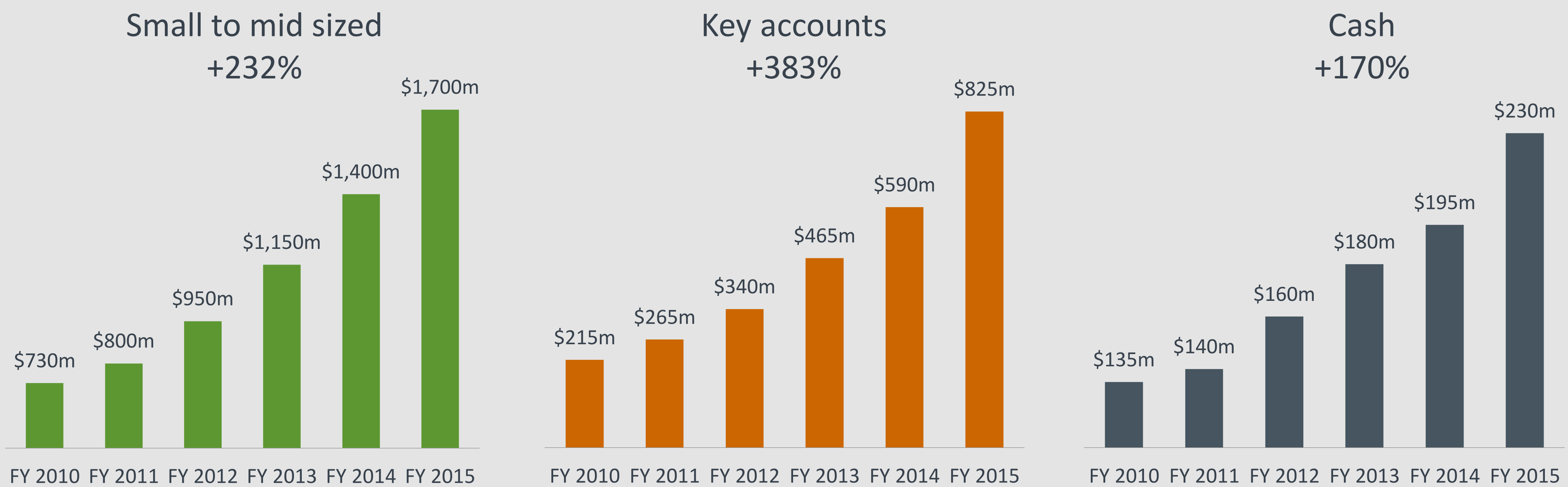
# There is a well proven track record of developing the scale and profitability of locations over time

| | | Number | | Operating margin* | | RoI* | |
|---|---|---|---|---|---|---|---|
| Location size | Fleet size | 2008 | 2015 | 2008 | 2015 | 2008 | 2015 |
| Extra large | > $15 million | 14 | 73 | 37% | 41% | 26% | 28% |
| Large | > $10 million | 35 | 108 | 35% | 38% | 25% | 27% |
| Medium | > $5 million | 174 | 181 | 30% | 34% | 22% | 24% |
| Small | < $5 million | 115 | 68 | 24% | 29% | 19% | 23% |

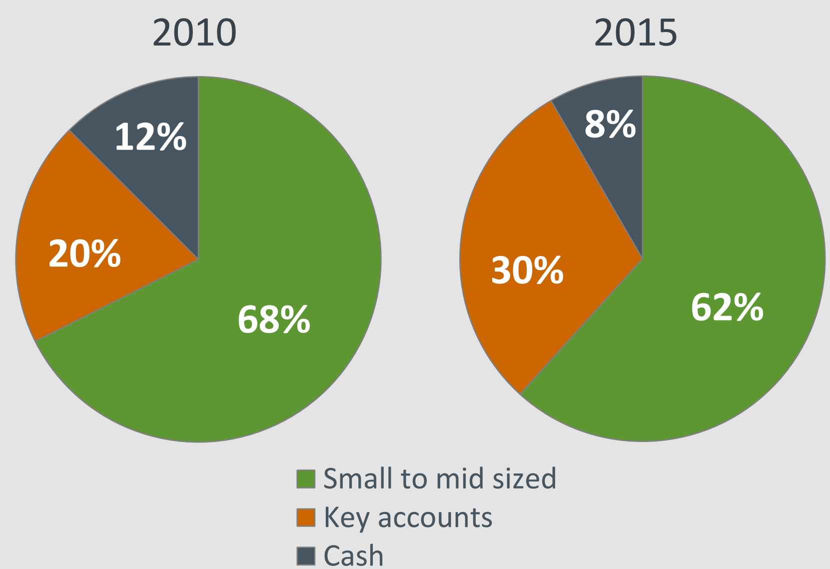
*Based on store level operating profit and excludes central costs

Note: 2008 reflects prior peak performance post the acquisition of NationsRent

# Where is our share coming from?

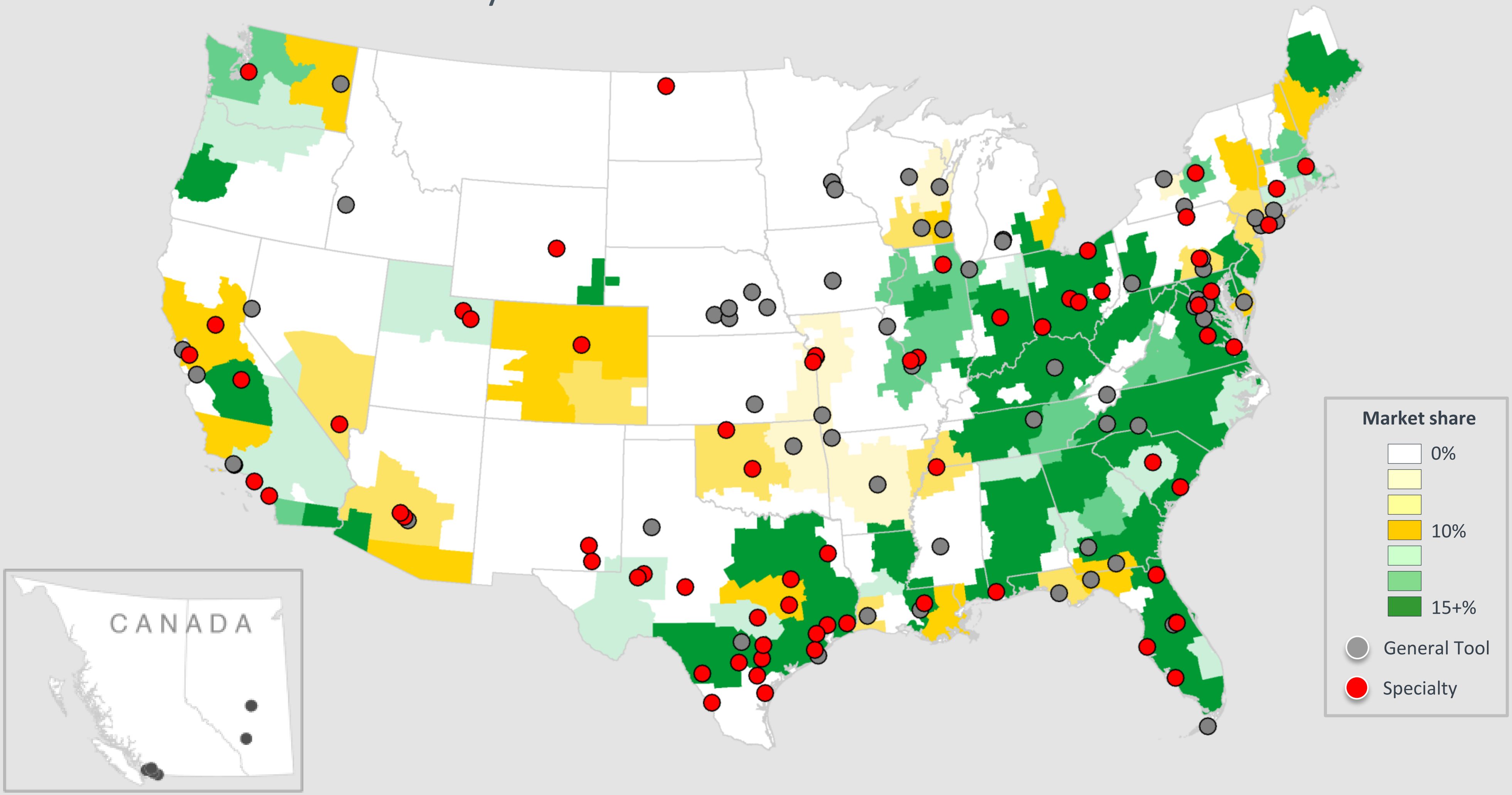



- We have clearly gained significant market share in all areas
- Over time our key account momentum has improved due to;
  - breadth of product offering
  - geographic coverage
- Our core remains small to mid sized contractors but we now have a far better balance



# Good progress in broadening geography and developing specialty

## 144 locations added in three years

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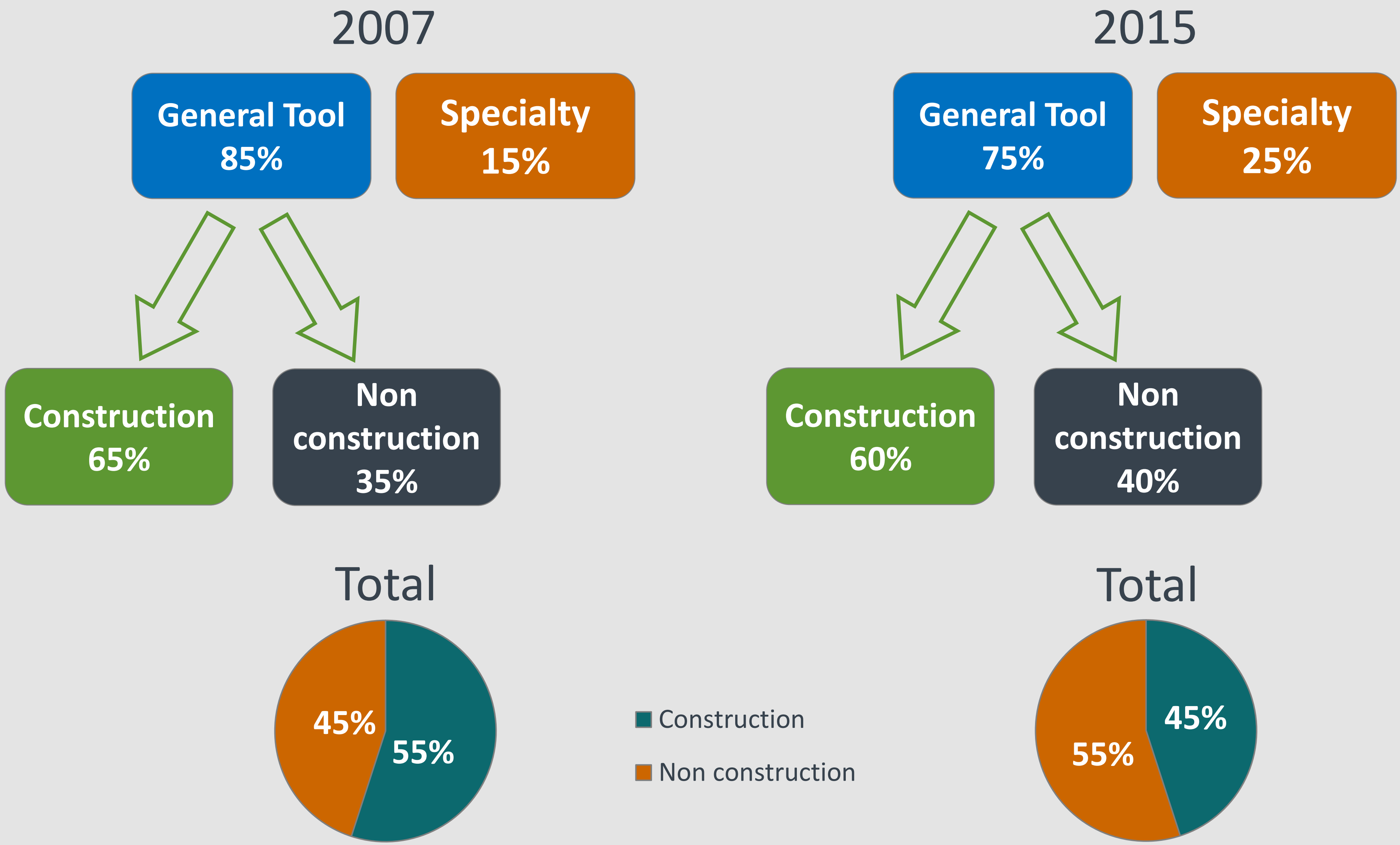
# We are diversifying our business

## Greater long term resilience



# The market

## In our core markets we believe we remain relatively early cycle supporting our investment decisions

| Rental revenue forecasts | 2015 | 2016 | 2017 |
| --- | --- | --- | --- |
| Industry rental revenue | +8% | +7% | +8% |

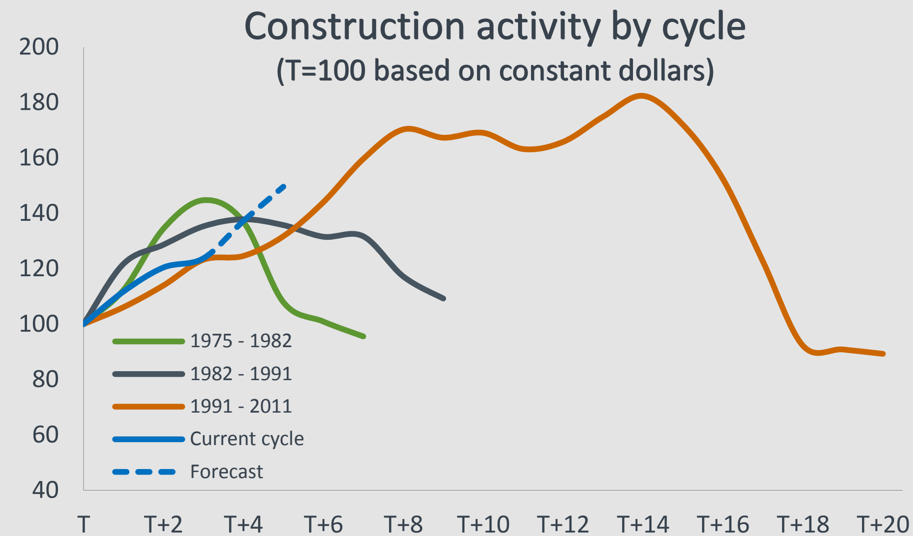
Source: IHS Global Insight (April 2015)

| Total building starts (Millions of square feet) | 2015 | 2016 | 2017 |
| --- | --- | --- | --- |
| Total building | +13% | +17% | +10% |
| Commercial and Industrial | +11% | +11% | +5% |
| Institutional | +8% | +11% | +14% |
| Residential | +14% | +19% | +12% |

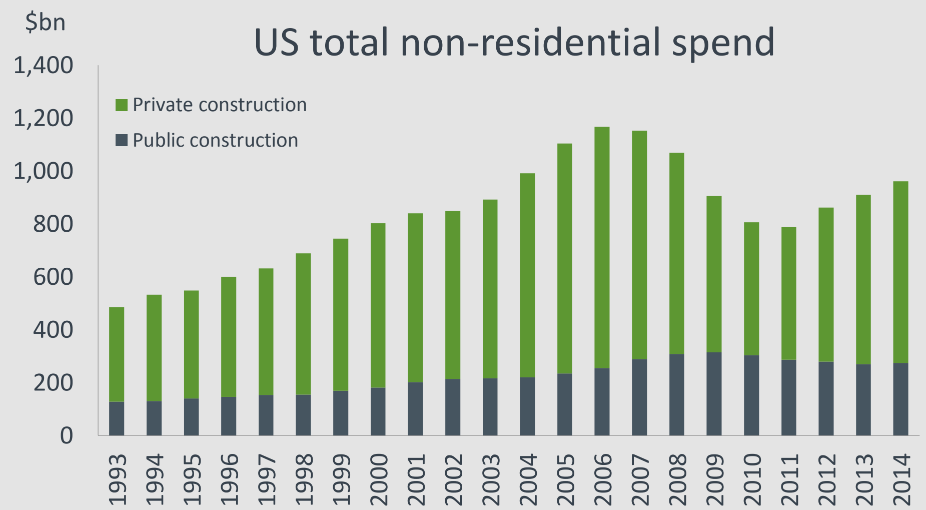
Source: McGraw Hill (March 2015)

| Put in place construction | 2015 | 2016 | 2017 |
| --- | --- | --- | --- |
| Total construction | +4% | +3% | +5% |

Source: Maximus Advisors (May 2015)




Source: McGraw Hill Construction




Source: US Bureau of Statistics

# So what's new for 2016 at Sunbelt?

- Remain committed to our organic growth plans

| | 2015 Q3 Forecast | 2015 Actual | Current 2016 outlook | Anticipated volume growth (%) |
|---|---|---|---|---|
| Sunbelt ($m) | | | | |
| - rental fleet | 1,225 | 1,268 | 1,200 – 1,300 | mid – high teens |
| - non-rental fleet | 80 | 100 | 100 | |
| | 1,305 | 1,368 | 1,300 – 1,400 | |

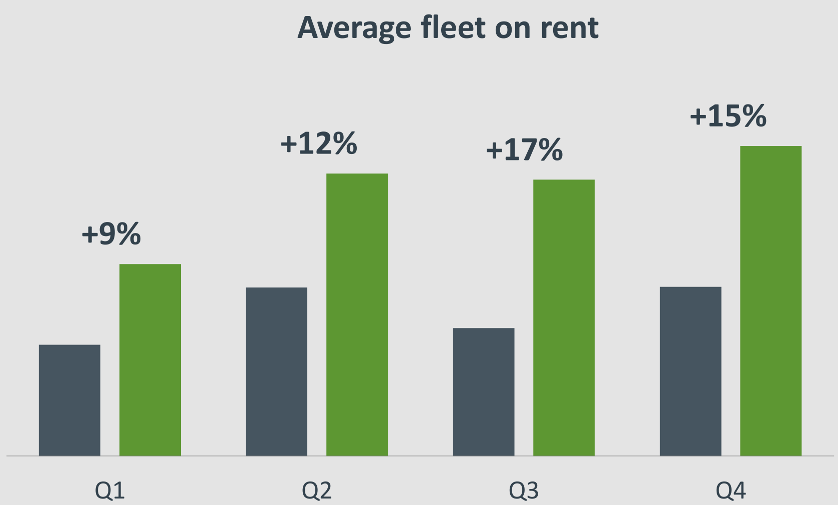
- $40m of 2015/16 fleet spend pulled forward to Q4 to be ready for the market – bolt-ons and greenfields need time to assimilate new fleet

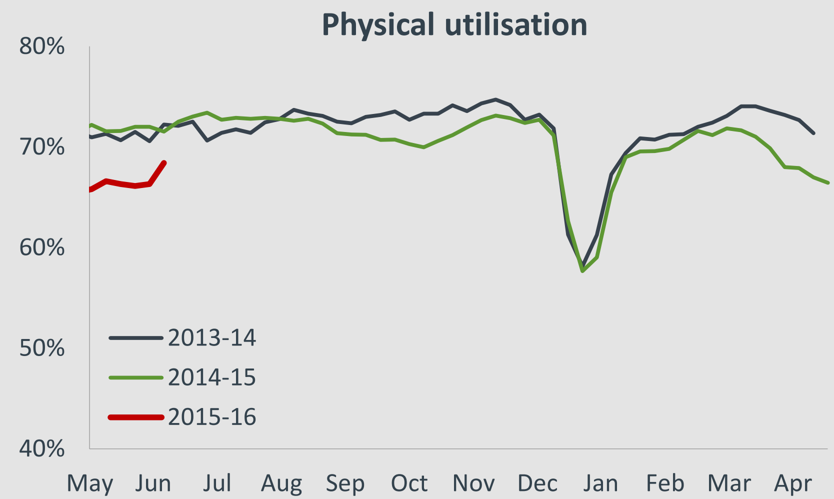
- Continued focus on greenfields (circa 50 planned)

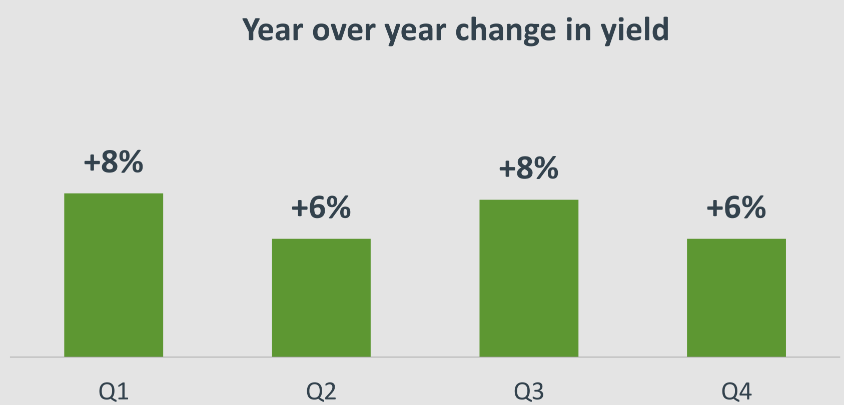
- Selective bolt-on M&A with primary focus again on specialty

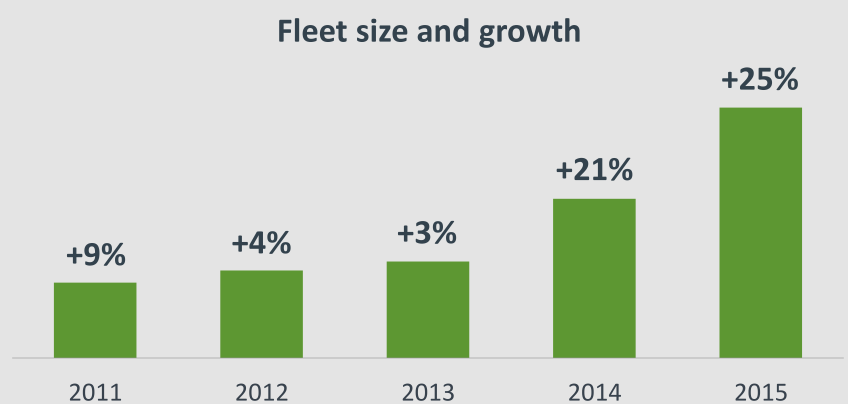
# A-Plant revenue drivers – rental only

## Growth continues backed by fleet investment

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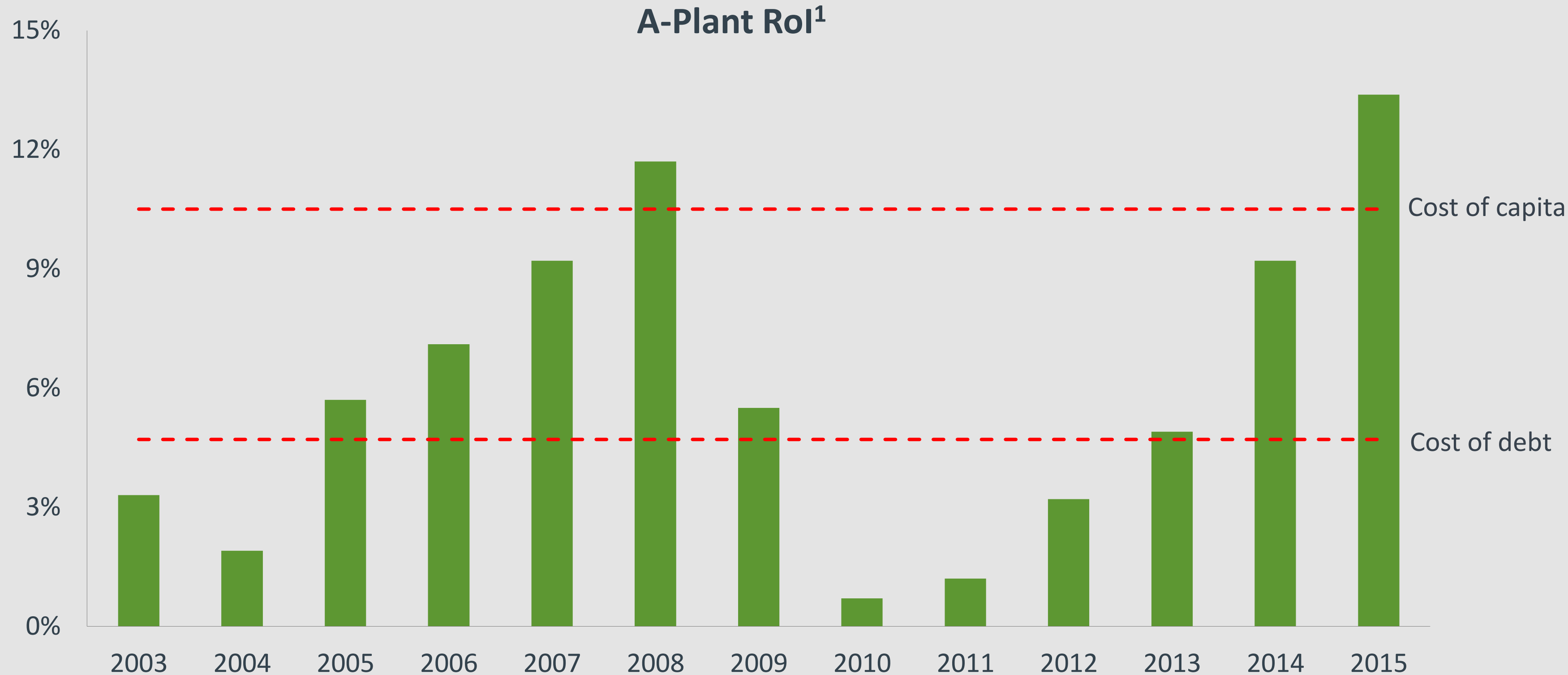
# Not only are we gaining market share but it is clearly profitable growth




[1] Excluding goodwill and intangibles

- EBITDA drop through – 56%

# UK construction industry forecasts

## Markets remain positive – as in the US a broader customer base will help as there will be ups and downs

| (£m constant 2010 prices) | 2013 Actual | 2014 Actual | 2015 Forecast | 2016 Forecast | 2017 Projection | 2018 Projection | % of Total |
|---|---|---|---|---|---|---|---|
| Residential | 31,294 | 36,721 | 39,602 | 41,248 | 42,245 | 43,266 | 30% |
| | | +17.3% | +7.8% | +4.2% | +2.4% | +2.4% | |
| Private commercial | 34,556 | 35,956 | 37,995 | 39,737 | 41,345 | 42,818 | 30% |
| | | +4.1% | +5.7% | +4.6% | +4.0% | +3.6% | |
| Public and infrastructure | 47,157 | 48,744 | 50,448 | 52,190 | 54,143 | 57,121 | 40% |
| | | +3.4% | +3.5% | +3.5% | +3.7% | +5.5% | |
| Total | 113,007 | 121,421 | 128,045 | 133,175 | 137,733 | 143,205 | 100% |
| | | +7.4% | +5.5% | +4.0% | +3.4% | +4.0% | |

Source: Consumer Products Association (Spring 2015)

# So what's new at A-Plant for 2016?

- Follow the plan in terms of broadening the business
- We are a rental company – we believe in the benefits of the broadest, youngest fleet in the industry

| | 2015 Q3 Forecast | 2015 Actual | Current 2016 outlook | Anticipated volume growth (%) |
|---|---|---|---|---|
| A-Plant (£m) | | | | |
| - rental fleet | 135 | 154 | 130 – 150 | low – mid teens |
| - non-rental fleet | 15 | 19 | 15 | |
| | 150 | 173 | 145 – 165 | |

- Continued organic fleet growth and deaging
- Again a Q4 pull forward to improve responsiveness
- Bolt-on M&A in specialty areas will continue

# Summary

- Both divisions performing well
- Well positioned to capitalise on both structural and cyclical opportunities
- No significant change to plans with continued emphasis on organic fleet growth
- Bolt-on and greenfield strategy continues
- Commitment to responsible growth unchanged (leverage <2x EBITDA)
- Dividend increased to 15.25p for the year
- The Board looks forward to the medium term with confidence



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# Appendices

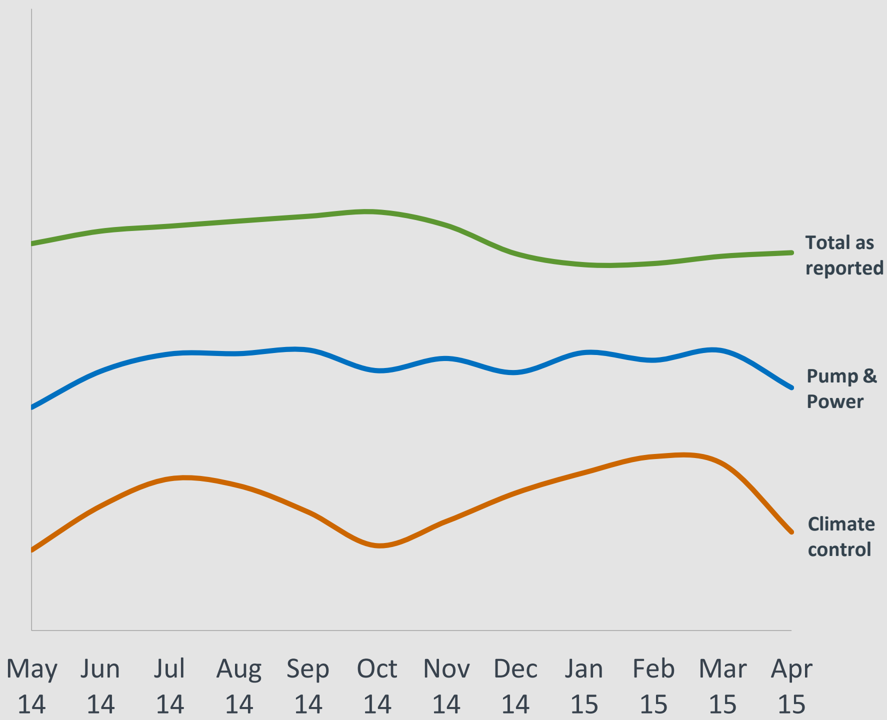
# Oil and Gas

- 5% of our business
- Year-on-year comparators get tougher as on an accelerating trend through to December 2014
- In Q4 actual rental revenue +$5m
- Both rate and volume have steadied over the last 8 weeks
- Anticipated year-on-year decline in revenue of c.$35-45m and operating profit of c.$15-20m assuming no reallocation of fleet

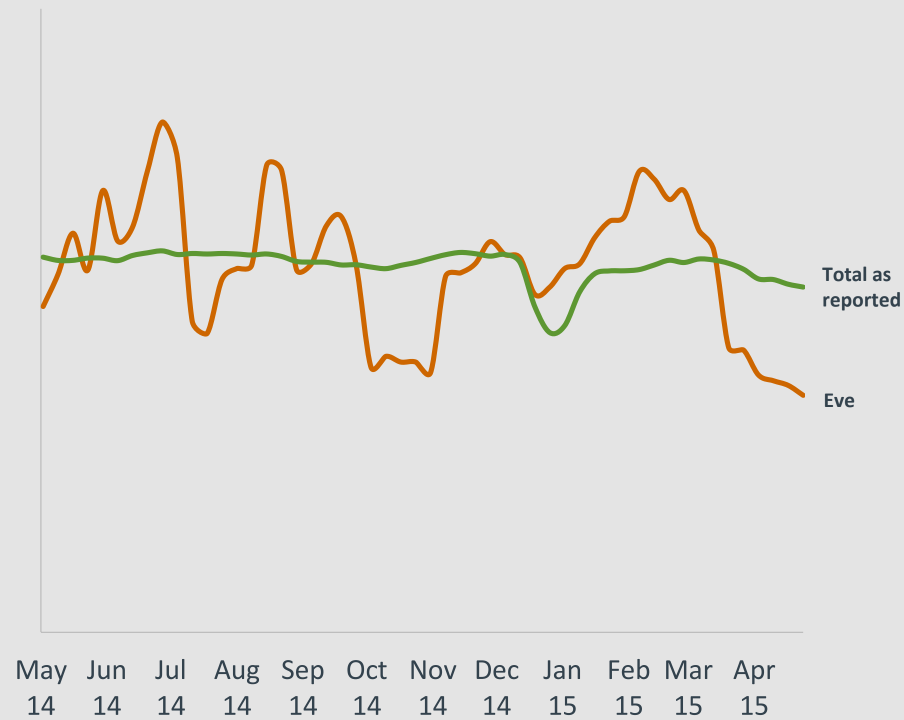
# Diversification of business does alter some metrics

## Physical utilisation

### Sunbelt




### A-Plant

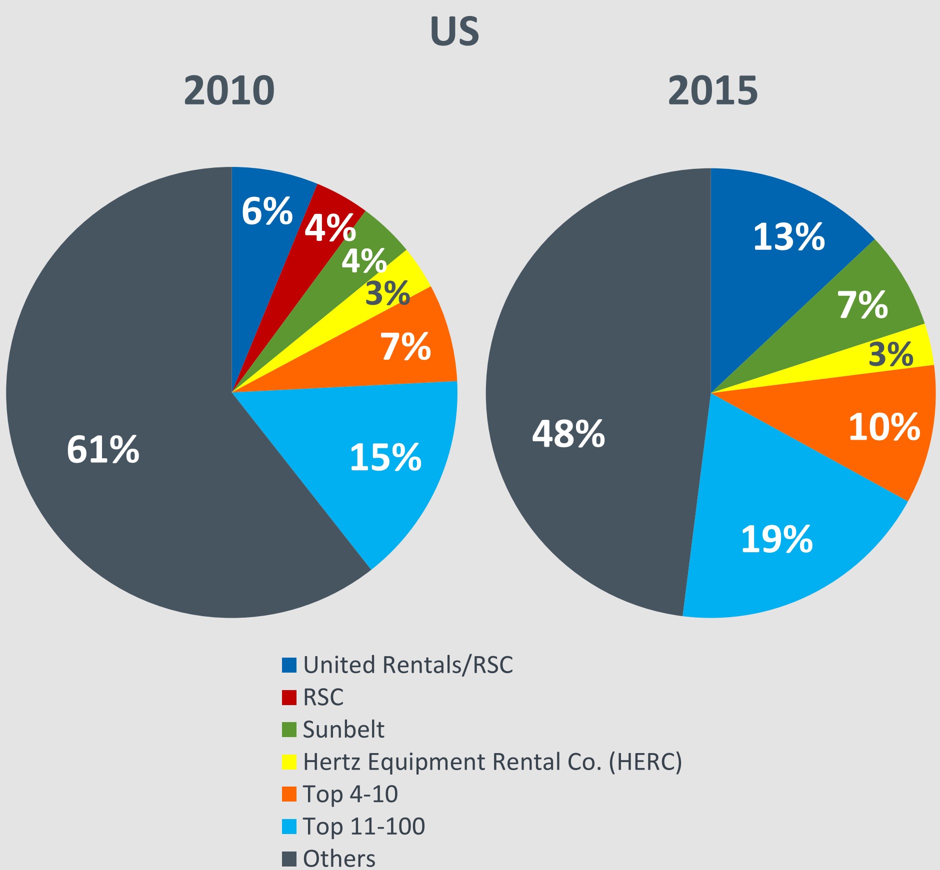


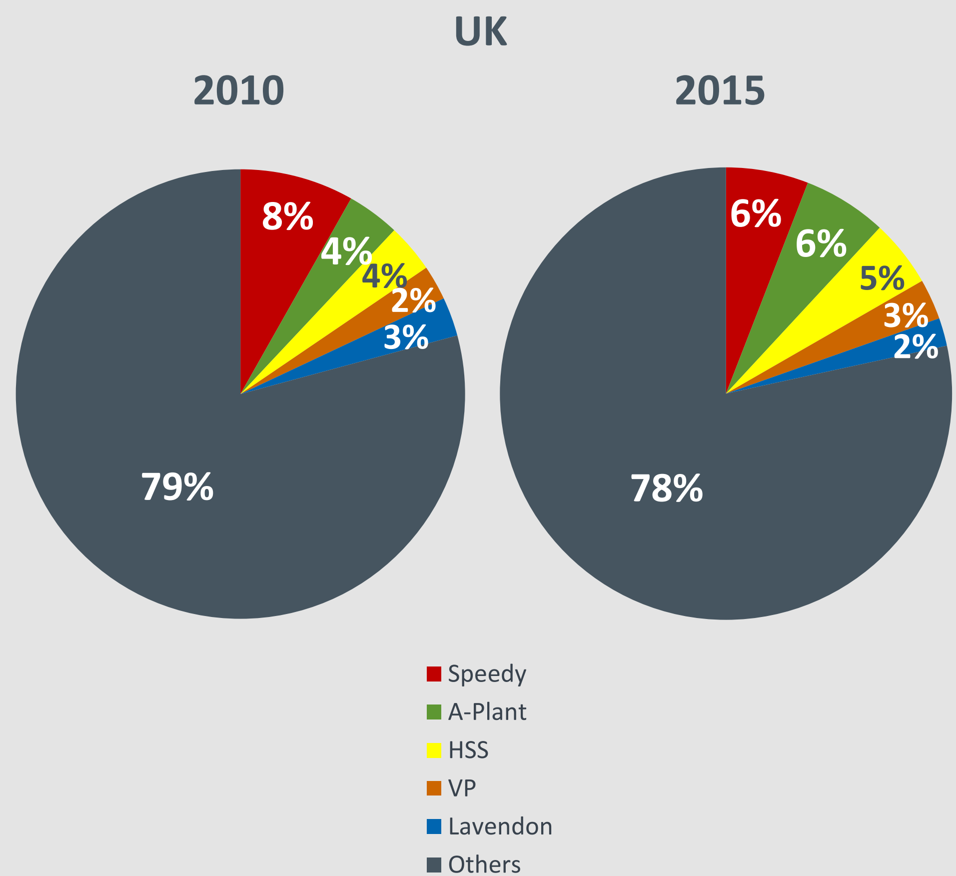
# Product mix and cycle make a difference on metrics

| | High RoI | Medium RoI | Low RoI |
|---|---|---|---|
| |  |  |  |
| $ utilisation | 90% | 55% | 40% |
| Physical utilisation | Low | Medium | High |
| Cycle | Mid to end | Full | Early |

# Gaining market share in both US and UK

## In both markets there are winners and losers but generally the big are getting bigger




Source: Management estimates based on IHS Global Insight market estimates

# Divisional performance – Q4

| | Revenue | | | EBITDA | | | Profit | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | Change[1] | 2015 | 2014 | Change[1] | 2015 | 2014 | Change[1] |
| Sunbelt ($m) | 695 | 530 | +31% | 310 | 232 | +33% | 186 | 137 | +36% |
| Sunbelt (£m) | 458 | 318 | +44% | 206 | 140 | +47% | 124 | 82 | +51% |
| A-Plant | 81 | 67 | +21% | 25 | 17 | +45% | 9 | 4 | +122% |
| Group central costs | - | - | - | (3) | (3) | - | (3) | (3) | -10% |
| | **539** | **385** | **+40%** | **228** | **154** | **+48%** | **130** | **83** | **+57%** |
| Net financing costs | | | | | | | (20) | (14) | +47% |
| Profit before exceptionals, amortisation and tax | | | | | | | **110** | **69** | **+59%** |
| Exceptionals and amortisation | | | | | | | (5) | 2 | - |
| Profit before taxation | | | | | | | **105** | **71** | **+48%** |
| Taxation | | | | | | | (37) | (19) | +94% |
| Profit after taxation | | | | | | | **68** | **52** | **+30%** |
| *Margins* | | | | | | | | | |
| *- Sunbelt* | | | | *45%* | *44%* | | *27%* | *26%* | |
| *- A-Plant* | | | | *31%* | *26%* | | *11%* | *6%* | |
| *- Group* | | | | *42%* | *40%* | | *24%* | *21%* | |

[1] As reported

# Divisional performance – twelve months

| | Revenue | | | EBITDA | | | Profit | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | Change[1] | 2015 | 2014 | Change[1] | 2015 | 2014 | Change[1] |
| Sunbelt ($m) | 2,742 | 2,189 | +25% | 1,293 | 988 | +31% | 833 | 631 | +32% |
| Sunbelt (£m) | 1,716 | 1,366 | +26% | 809 | 616 | +31% | 521 | 394 | +32% |
| A-Plant | 323 | 269 | +20% | 109 | 79 | +39% | 46 | 25 | +83% |
| Group central costs | - | - | - | (10) | (10) | +3% | (10) | (10) | +3% |
| | **2,039** | **1,635** | **+25%** | **908** | **685** | **+33%** | **557** | **409** | **+36%** |
| Net financing costs | | | | | | | (67) | (47) | +43% |
| Profit before exceptionals, amortisation and tax | | | | | | | **490** | **362** | **+35%** |
| Exceptionals and amortisation | | | | | | | (16) | (5) | - |
| Profit before taxation | | | | | | | **474** | **357** | **+33%** |
| Taxation | | | | | | | (171) | (126) | +36% |
| Profit after taxation | | | | | | | **303** | **231** | **+31%** |
| *Margins* | | | | | | | | | |
| *- Sunbelt* | | | | *47%* | *45%* | | *30%* | *29%* | |
| *- A-Plant* | | | | *34%* | *29%* | | *14%* | *9%* | |
| *- Group* | | | | *45%* | *42%* | | *27%* | *25%* | |

[1] As reported

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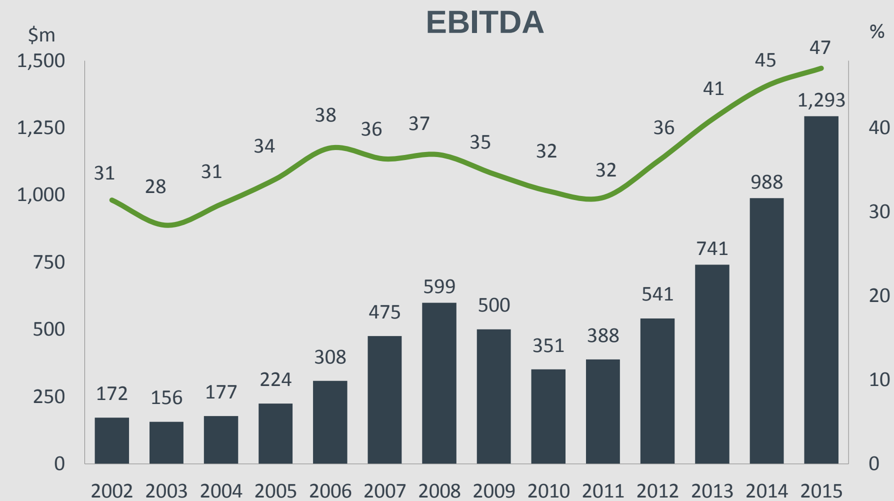
# Margins continue to improve

## US margins have exceeded the previous peak with substantial opportunity for future earnings growth and margin expansion

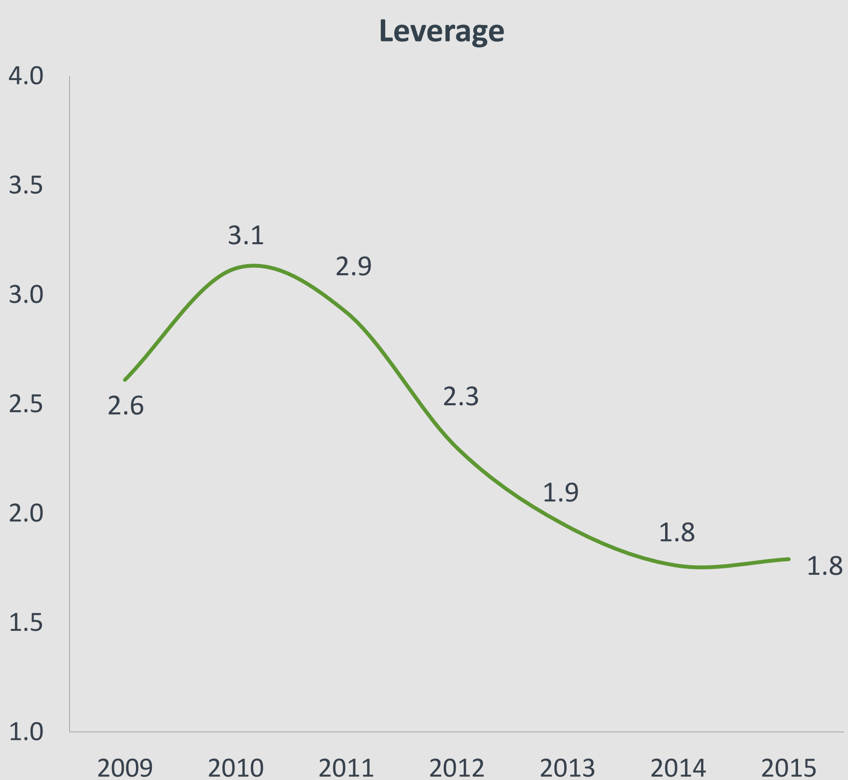
### Sunbelt

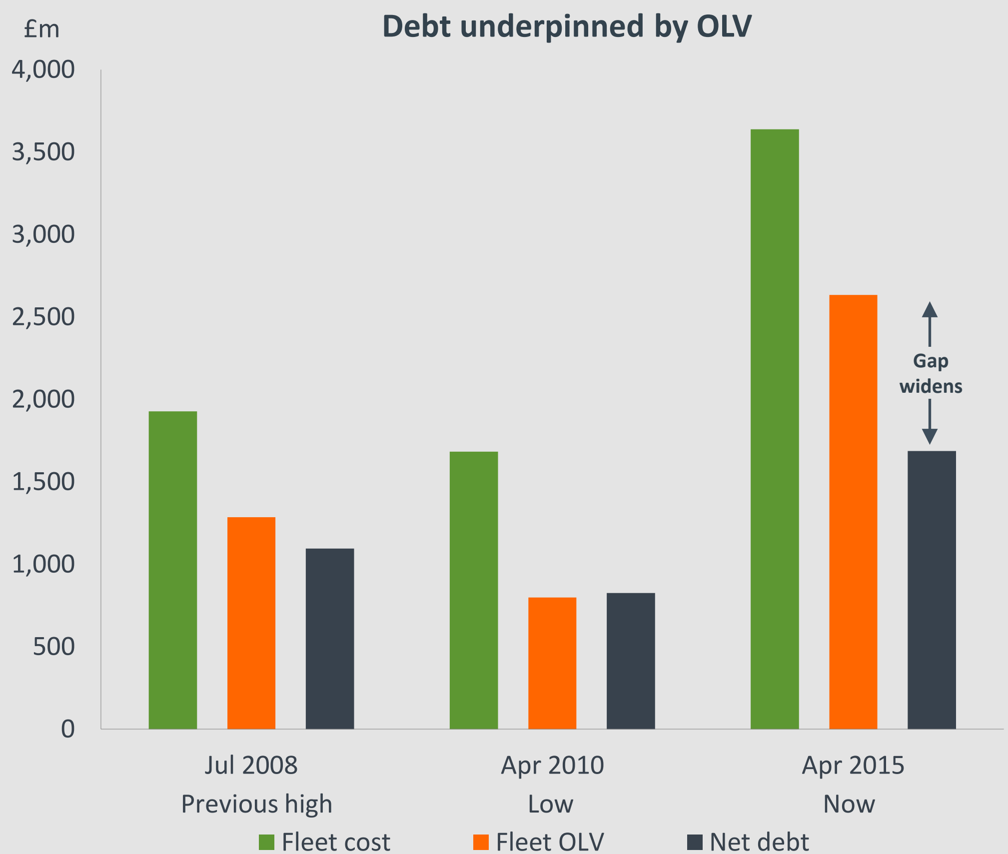

### A-Plant


# Financial strength

## Growth potential is underpinned by the financial strength of the business

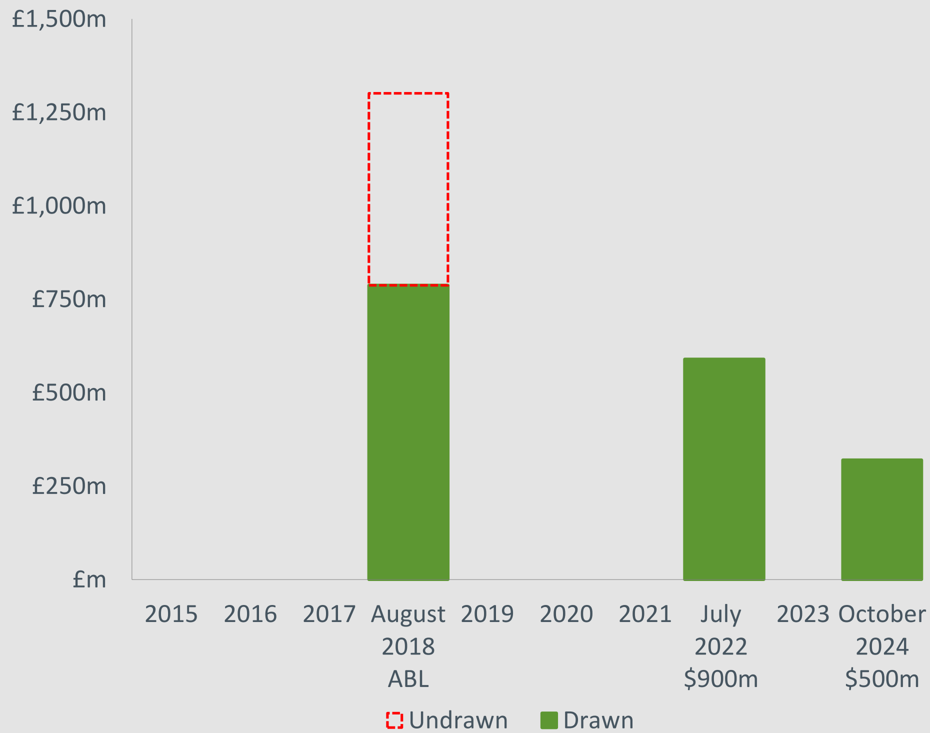



Note: At constant (April 2015) exchange rates




Note: At constant exchange rates

# Robust debt structure with substantial capacity to fund further growth




- 6 year average remaining commitment
- No amortisation
- No financial monitoring covenants
  - whilst availability exceeds $200m (April 2015 : $756m)

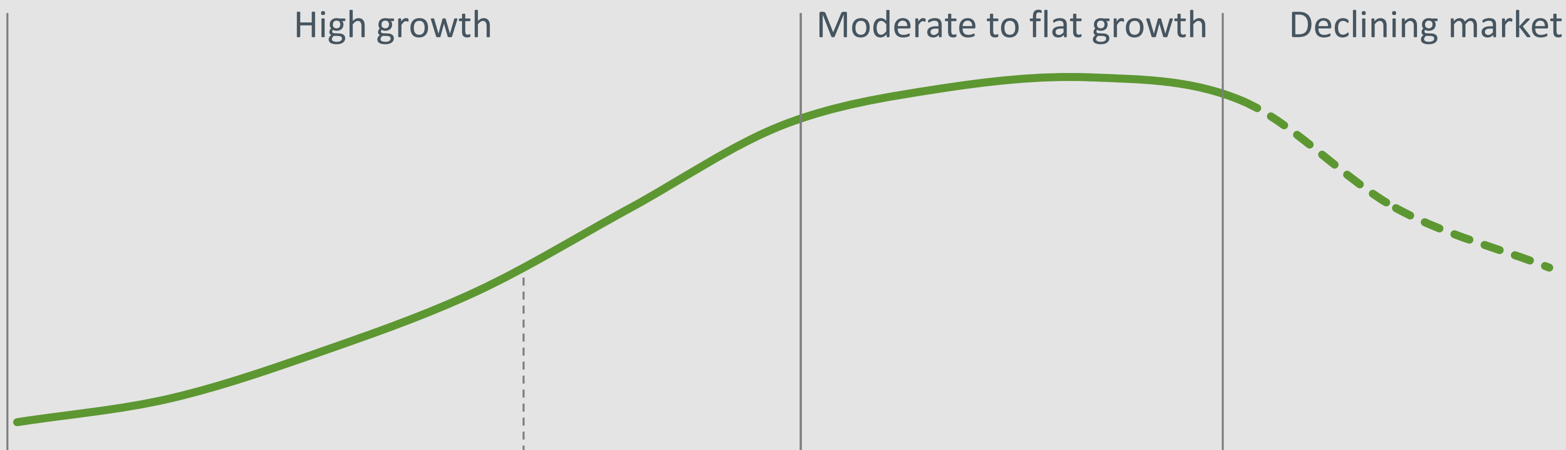
# Cash flow

| (£m) | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EBITDA before exceptional items** | **908** | **685** | **519** | **381** | **284** | **255** | **359** | **380** | **310** | **225** | **170** | **147** | **150** |
| EBITDA margin | 45% | 42% | 38% | 34% | 30% | 30% | 33% | 38% | 35% | 35% | 32% | 29% | 28% |
| **Cash inflow from operations before fleet changes and exceptionals** | **841** | **646** | **501** | **365** | **280** | **266** | **374** | **356** | **319** | **215** | **165** | **140** | **157** |
| Cash conversion ratio | 93% | 94% | 97% | 96% | 99% | 104% | 104% | 94% | 97% | 96% | 97% | 95% | 105% |
| Replacement capital expenditure | (349) | (335) | (329) | (272) | (203) | (43) | (236) | (231) | (245) | (167) | (101) | (83) | (89) |
| Disposal proceeds | 103 | 102 | 96 | 90 | 60 | 31 | 92 | 93 | 78 | 50 | 36 | 32 | 29 |
| Interest and tax | (95) | (56) | (48) | (57) | (71) | (54) | (64) | (83) | (69) | (41) | (31) | (33) | (40) |
| **Cash flow before discretionary items** | **500** | **357** | **220** | **126** | **66** | **200** | **166** | **135** | **83** | **57** | **69** | **56** | **57** |
| Growth capital expenditure | (588) | (406) | (254) | (135) | - | - | - | (120) | (63) | (63) | (10) | - | (18) |
| M&A | (242) | (103) | (34) | (22) | (35) | (1) | 89 | (6) | (327) | (44) | 1 | 15 | (1) |
| Exceptional costs | - | (2) | (16) | (3) | (12) | (8) | (9) | (10) | (69) | (20) | (6) | (17) | (8) |
| **Cash flow available to equity holders** | **(330)** | **(154)** | **(84)** | **(35)** | **19** | **191** | **246** | **(1)** | **(376)** | **(70)** | **54** | **54** | **30** |
| Dividends paid | (61) | (41) | (20) | (15) | (15) | (13) | (13) | (10) | (7) | (2) | - | - | (9) |
| Share issues/returns | (21) | (23) | (10) | (4) | - | - | (16) | (24) | 144 | 69 | - | - | - |
| | **(412)** | **(218)** | **(114)** | **(53)** | **4** | **178** | **217** | **(35)** | **(239)** | **(3)** | **54** | **54** | **21** |

- Healthy EBITDA margins ensure significant top line cash generation throughout the cycle
- It is only periods of high growth capex and M&A as we scale up the business that are increasing debt

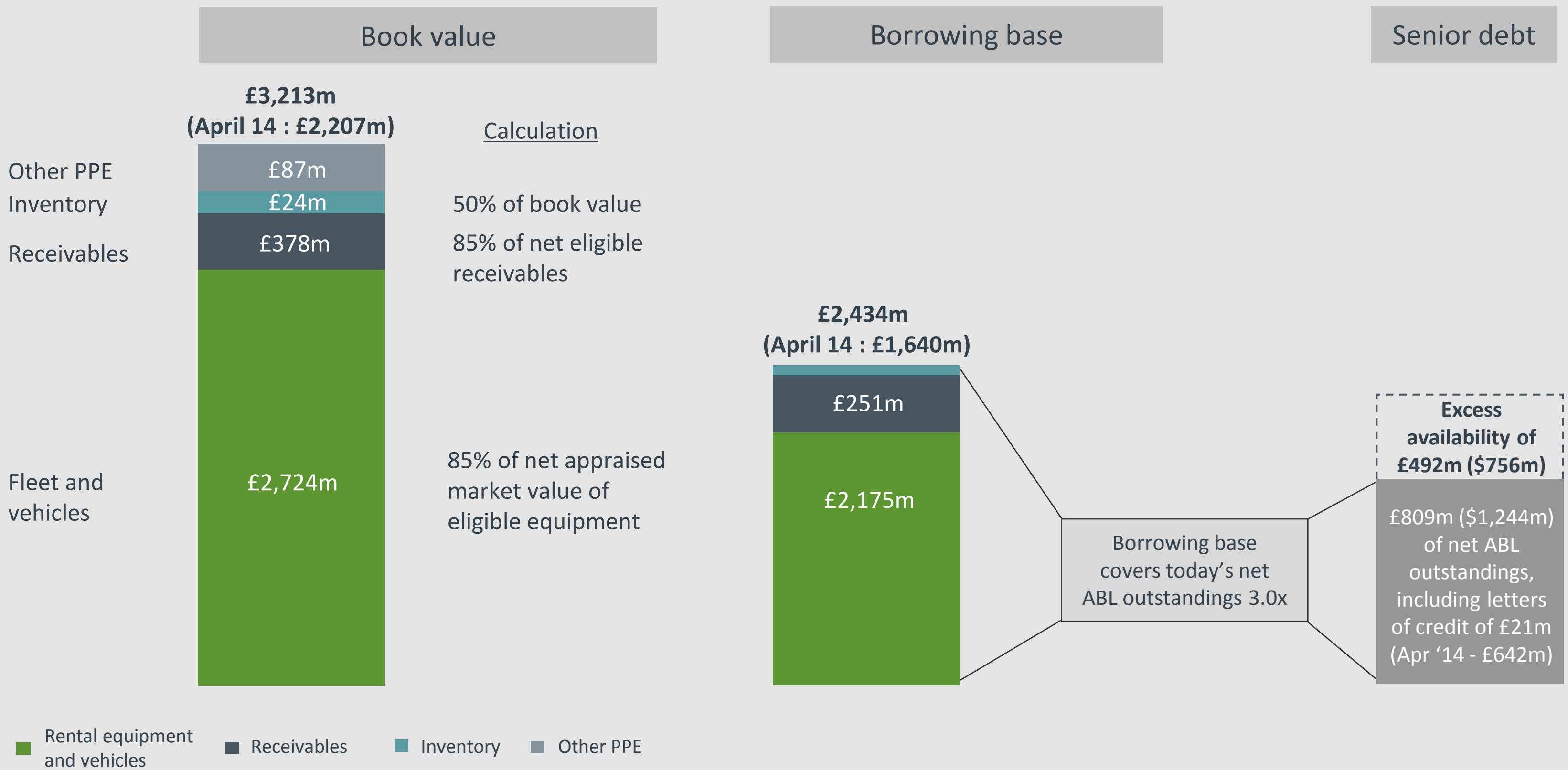
# Cyclical cash generation

## Cash positive once growth moderates – highly generative during downturn




| | 2011 | 2012 | 2013 | 2014 | 2015 | ⟵ Ongoing ⟶ | Moderate / flat growth | Cyclical downturn |
|---|---|---|---|---|---|---|---|---|
| Cash flow from operations | 280 | 365 | 501 | 646 | 841 | Growing | Growing | Decreasing but remains positive |
| Capital expenditure | 225 | 476 | 580 | 741 | 1,063 | High | Moderating | Significantly reduced |
| Sunbelt average fleet growth | - | +9% | +16% | +21% | +29% | High (>12%) | Low (<12%) | Flat to declining |
| Free cash flow | 54 | (13) | (50) | (51) | (88) | Negative | Positive | Highly positive |
| Leverage (absent significant M&A) | 2.9 | 2.3 | 1.9 | 1.8 | 1.8 | Declining | Lower end of 1-2 range | Initial increase, subsequent decline |
| Dividend | 3.0p | 3.5p | 7.5p | 11.5p | 15.25p | Increasing | Lower rate of increase | Maintained |

# $756m of availability at 30 April 2015




- Borrowing base reflects July 2014 asset values

# Debt and covenants

**Debt**

| Facility | Interest rate | Maturity |
| --- | --- | --- |
| $2bn first lien revolver | LIBOR +175-225bp | August 2018 |
| $900m second lien notes | 6.5% | July 2022 |
| $500m second lien notes | 5.625% | October 2024 |
| Capital leases | ~7% | Various |

**Ratings**

| | S&P | Moody's |
| --- | --- | --- |
| Corporate family | BB | Ba2 |
| Second lien | BB | Ba3 |

**Availability**

- Covenants are not measured if availability is above $200m

**Leverage covenant**

- Gross funded debt to EBITDA cannot exceed 4.0x
- EBITDA is measured before one time items and at constant exchange rates
- 1.8x at April 2015

**Fixed charge coverage covenant**

- EBITDA less net cash capex to interest paid, tax paid, dividends paid and debt amortisation must equal or exceed 1.0x
- Less than 1.0x at April 2015

Ashtead group