# Responsible investment in growth

Third quarter results | 31 January 2016

Issued: 1 March 2016

Ashtead group

# Legal notice

This presentation has been prepared to inform investors and prospective investors in the secondary markets about the Group and does not constitute an offer of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in Ashtead Group plc or any of its subsidiary companies.

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 Principal Risks and Uncertainties section on pages 24-25 of the Group's Annual Report and Accounts for the year ended 30 April 2015 and in the unaudited results for the third quarter ended 31 January 2016 under "Current trading and outlook" and "Principal risks and uncertainties". Both these reports may be viewed on the Group's website at **www.ashtead-group.com**.

This presentation contains supplemental non-GAAP financial and operating information which the Group believes provides valuable insight into the performance of the business. Whilst this information is considered as important, it should be viewed as supplemental to the Group's financial results prepared in accordance with International Financial Reporting Standards and not as a substitute for them.

# Overview

- Another strong quarter demonstrating the relative strength of both our model and execution
- Tough Q3 comps so the results are particularly encouraging
  - Group rental revenue[1] +14%
  - Record EBITDA margins 45%
  - Group RoI 19%
- We continue to invest responsibly recognising the flexibility that a young fleet age and low leverage provides
- We anticipate a full year result in line with our expectations

[1] At constant exchange rates

# Suzanne Wood

## Finance director

# Q3 Group revenue and profit

| | Q3 | | |
|---|---|---|---|
| (£m) | 2016 | 2015 | Change[1] |
| **Revenue** | **612** | **513** | **15%** |
| - of which rental | 547 | 463 | 14% |
| Operating costs | (335) | (288) | 12% |
| **EBITDA** | **277** | **225** | **18%** |
| Depreciation | (116) | (92) | 22% |
| **Operating profit** | **161** | **133** | **16%** |
| Net interest | (22) | (19) | 7% |
| **Profit before amortisation and tax** | **139** | **114** | **17%** |
| **Earnings per share (p)** | **18.0** | **14.5** | **18%** |
| *Margins* | | | |
| *- EBITDA* | *45%* | *44%* | |
| *- Operating profit* | *26%* | *26%* | |

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

# Nine months Group revenue and profit

| (£m) | Nine months 2016 | Nine months 2015 | Change[1] |
|---|---|---|---|
| **Revenue** | **1,880** | **1,500** | **19%** |
| - of which rental | 1,676 | 1,359 | 17% |
| Operating costs | (1,011) | (819) | 17% |
| **EBITDA** | **869** | **681** | **21%** |
| Depreciation | (326) | (254) | 22% |
| **Operating profit** | **543** | **427** | **20%** |
| Net interest | (61) | (48) | 19% |
| **Profit before amortisation and tax** | **482** | **379** | **20%** |
| **Earnings per share (p)** | **63.1** | **48.4** | **23%** |
| *Margins* | | | |
| *- EBITDA* | *46%* | *45%* | |
| *- Operating profit* | *29%* | *28%* | |

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

# Nine months Sunbelt revenue and profit

| | Nine months | | |
|---|---|---|---|
| ($m) | 2016 | 2015 | Change |
| **Revenue** | **2,468** | **2,047** | **21%** |
| - of which rental | 2,205 | 1,862 | 18% |
| Operating costs | (1,278) | (1,064) | 20% |
| **EBITDA** | **1,190** | **983** | **21%** |
| Depreciation | (419) | (336) | 25% |
| **Operating profit** | **771** | **647** | **19%** |
| *Margins* | | | |
| *- EBITDA* | *48%* | *48%* | |
| *- Operating profit* | *31%* | *32%* | |



Ashtead group

# Nine months A-Plant revenue and profit

| | Nine months | | |
|---|---|---|---|
| (£m) | 2016 | 2015 | Change |
| **Revenue** | **264** | **242** | **9%** |
| - of which rental | 232 | 215 | 8% |
| Operating costs | (165) | (158) | 4% |
| **EBITDA** | **99** | **84** | **17%** |
| Depreciation | (52) | (46) | 12% |
| **Operating profit** | **47** | **38** | **24%** |
| | | | |
| *Margins* | | | |
| *- EBITDA* | *37%* | *35%* | |
| *- Operating profit* | *18%* | *16%* | |

# Net debt and leverage

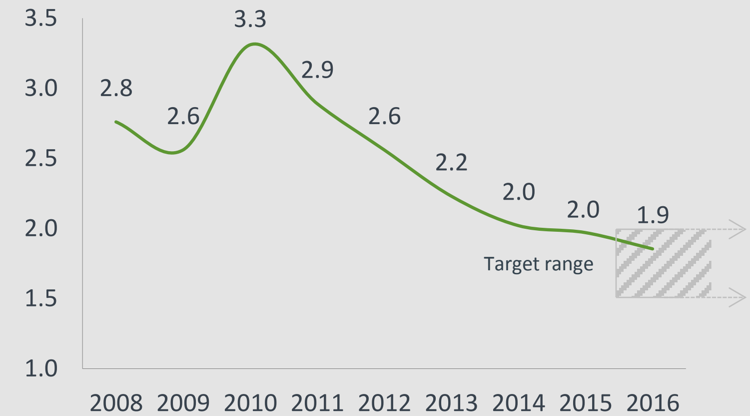
## Net debt to EBITDA continues to reduce despite the fleet investment

| (£m) | Jan 2016 | Jan 2015 |
|---|---|---|
| **Net debt at 30 April** | **1,687** | **1,149** |
| Translation impact | 146 | 169 |
| **Opening debt at closing exchange rates** | **1,833** | **1,318** |
| Change from cash flows | 334 | 448 |
| Non-cash movements | 2 | 3 |
| **Net debt at period end** | **2,169** | **1,769** |
| *Comprising:* | | |
| First lien senior secured bank debt | 1,188 | 837 |
| Second lien secured notes | 985 | 931 |
| Finance lease obligations | 6 | 5 |
| Cash in hand | (10) | (4) |
| **Total net debt** | **2,169** | **1,769** |
| **Net debt to EBITDA leverage* (x)** | **1.9** | **2.0** |

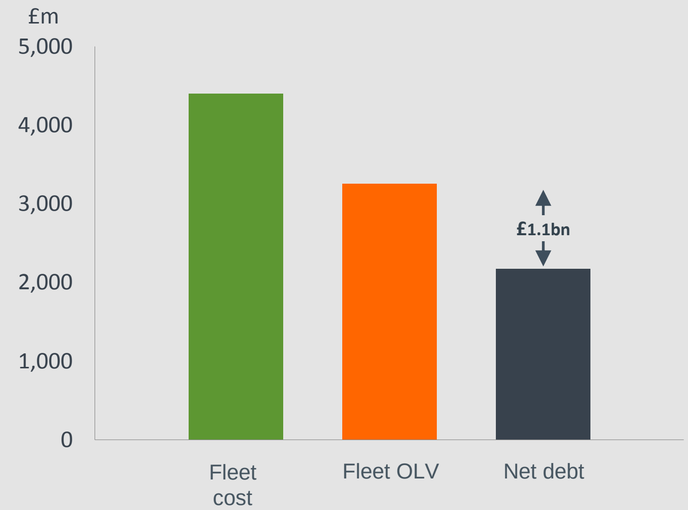
*At constant exchange rates

- Fixed/floating rate mix – 45%/55%

**Leverage***




* At constant (January 2016) exchange rates

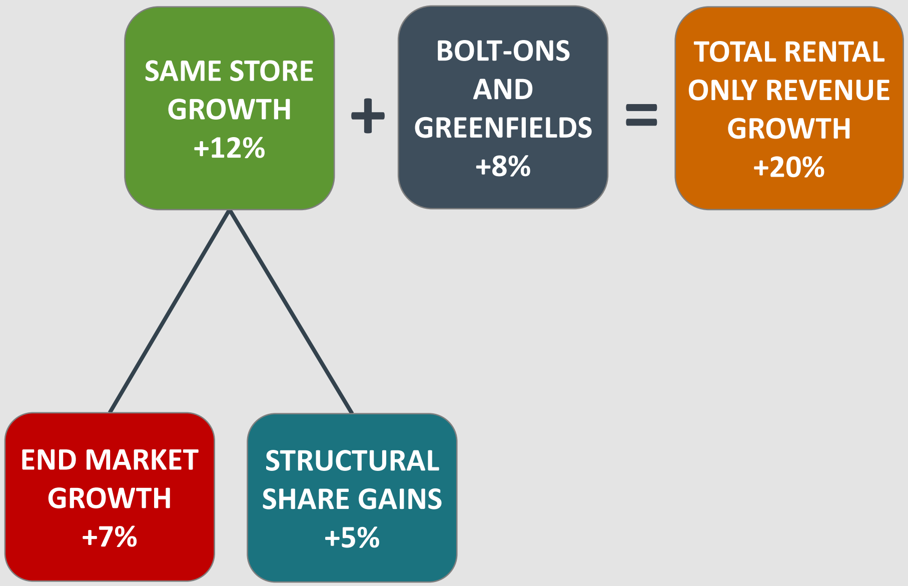


# Geoff Drabble

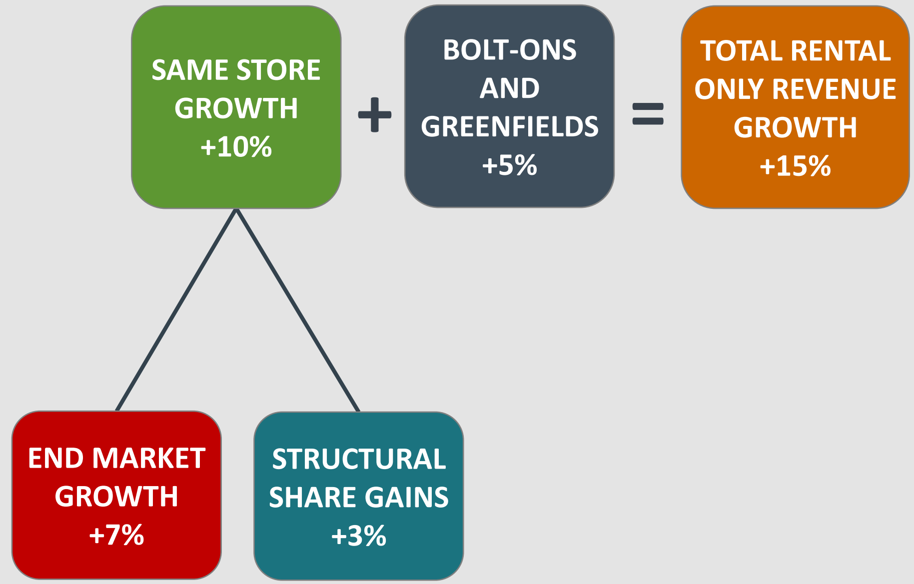
## Chief executive

# Capitalising on structural and cyclical factors to drive revenue growth

**Nine months ended 31 January 2016**



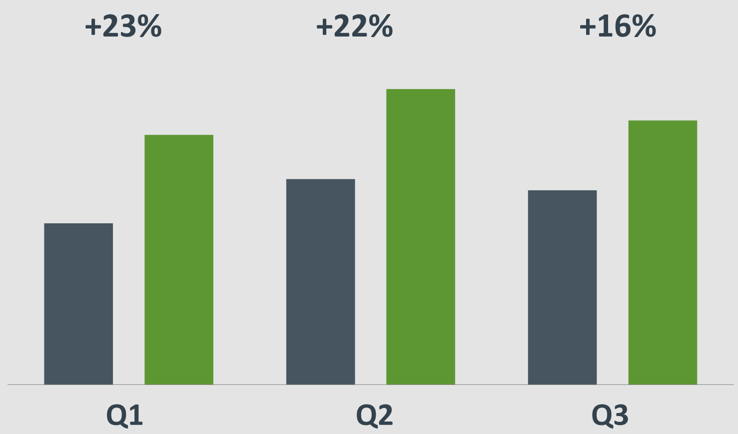

**Quarter ended 31 January 2016**



# Sunbelt revenue drivers – rental only

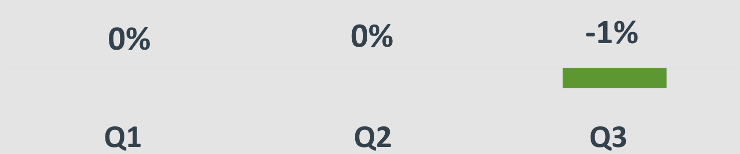
## Continuation of strong performance

**Average fleet on rent**

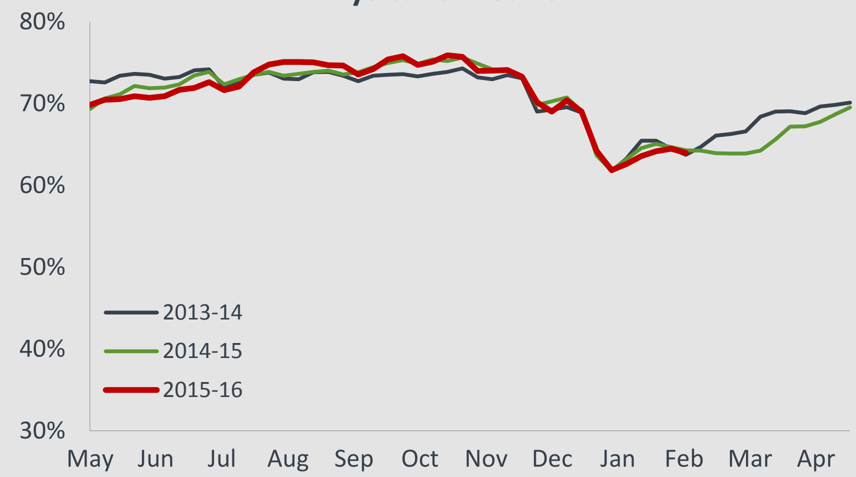



- Volume growth of $594m (2015: $545m)

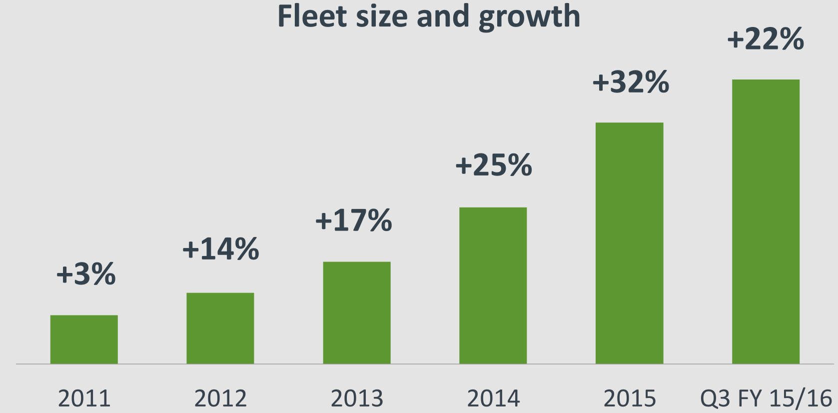
**Year over year change in yield**




**Physical utilisation**




**Fleet size and growth**



# Good progress across the business

## Driven by same-store growth

H1

| | Same-stores* | Greenfields* | Bolt-ons* | Oil & Gas | Total |
|---|---|---|---|---|---|
| Proportion of revenue | 89% | 4% | 5% | 2% | 100% |
| Fleet on rent - % change | +14% | +704% | +295% | +5% | +22% |
| Net yield | +1% | +24% | +21% | -38% | 0% |
| Physical utilisation - actual | 75% | 66% | 67% | 52% | 74% |
| Dollar utilisation - LTM | 59% | 43% | 50% | 66% | 58% |
| Drop through | 62% | 49% | 50% | -68% | 56% |

*US only – excludes Canada*

* *Excluding Oil & Gas*

Q3

| | Same-stores* | Greenfields* | Bolt-ons* | Oil & Gas | Total |
|---|---|---|---|---|---|
| Proportion of revenue | 89% | 6% | 4% | 1% | 100% |
| Fleet on rent - % change | +11% | +335% | +110% | -56% | +16% |
| Net yield | +2% | +1% | +8% | -25% | -1% |
| Physical utilisation - actual | 69% | 60% | 61% | 48% | 68% |
| Dollar utilisation - LTM | 59% | 43% | 49% | 51% | 57% |
| Drop through | 64% | 52% | 49% | -63% | 59% |

*US only – excludes Canada*

* *Excluding Oil & Gas*

# The market

## The majority of our markets are very strong with good long-term prospects

| Rental revenue forecasts | 2016 | 2017 | 2018 |
|---|---|---|---|
| Industry rental revenue | +7% | +6% | +6% |

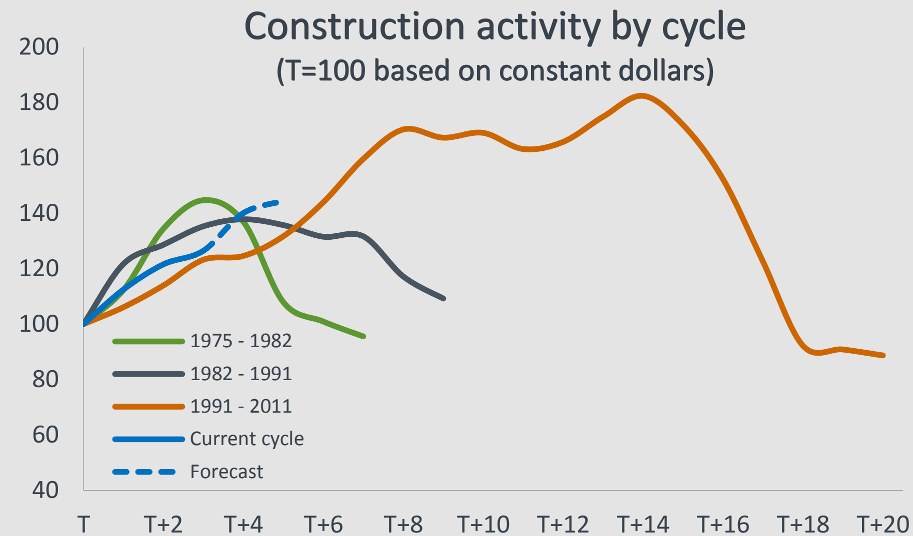
Source: IHS Global Insight (February 2016)

| Total building starts (Millions of square feet) | 2016 | 2017 | 2018 |
|---|---|---|---|
| Total building | +13% | +14% | +0% |
| Commercial and Industrial | +9% | +11% | +4% |
| Institutional | +7% | +12% | +9% |
| Residential | +14% | +15% | -3% |

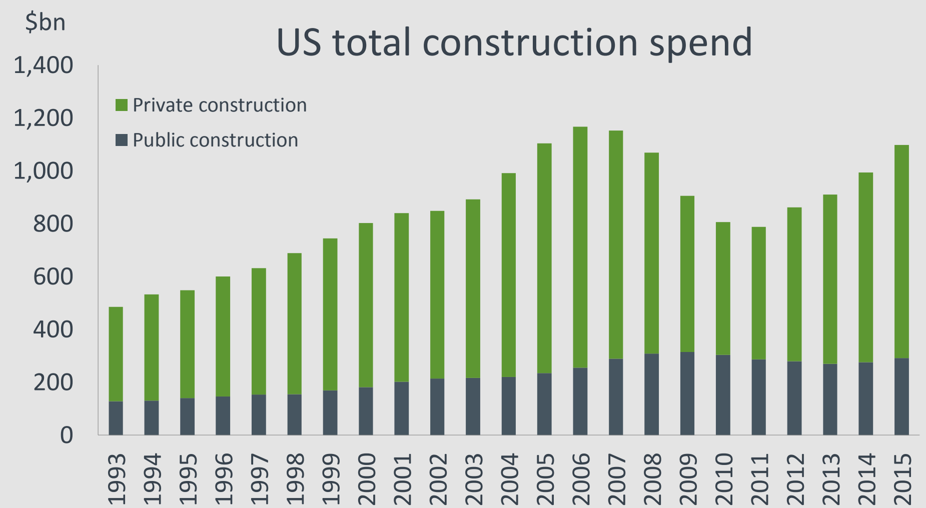
Source: Dodge Data & Analytics (December 2015)

| Put in place construction | 2016 | 2017 | 2018 |
|---|---|---|---|
| Total construction | +5% | +6% | +5% |

Source: Maximus Advisors (February 2016)




Source: Dodge Data & Analytics

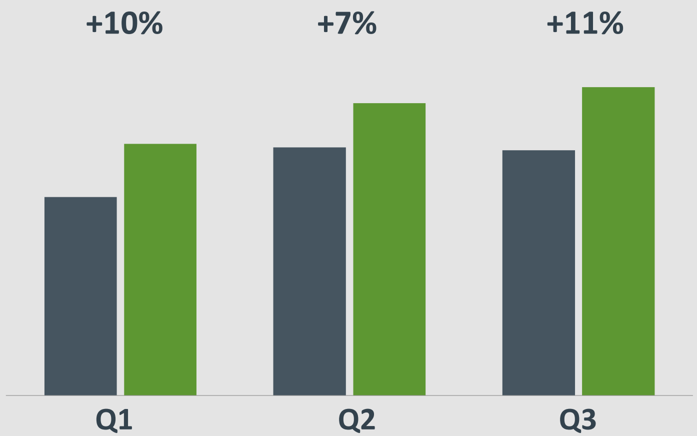



Source: US Bureau of Statistics

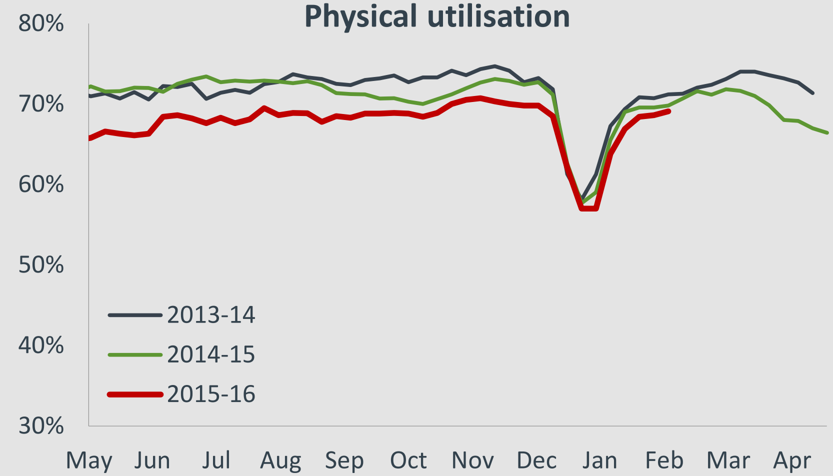
# A-Plant revenue drivers

## Growth continues backed by fleet investment

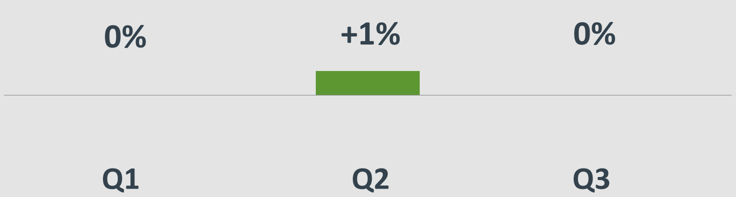
Average fleet on rent



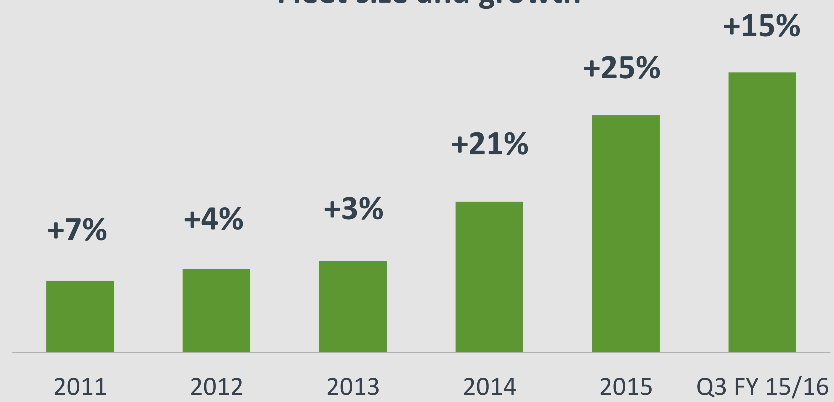

Physical utilisation




Year over year change in yield

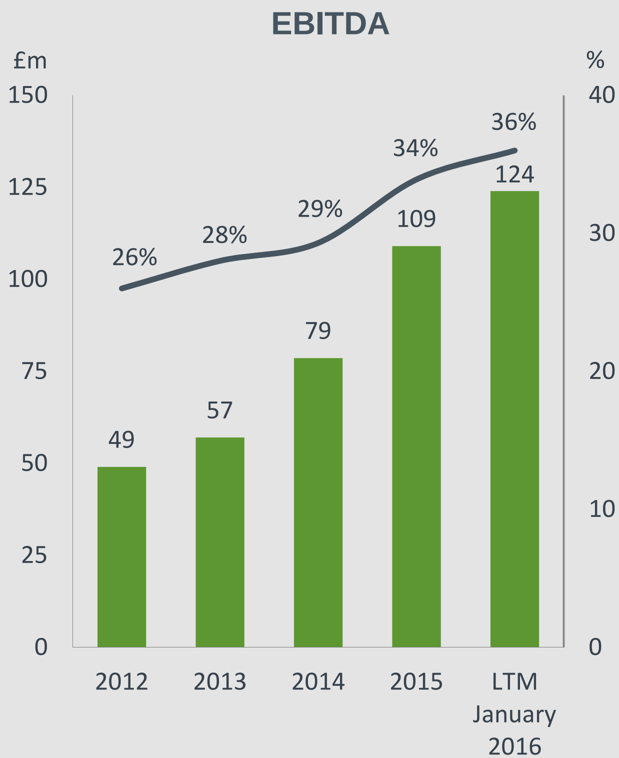


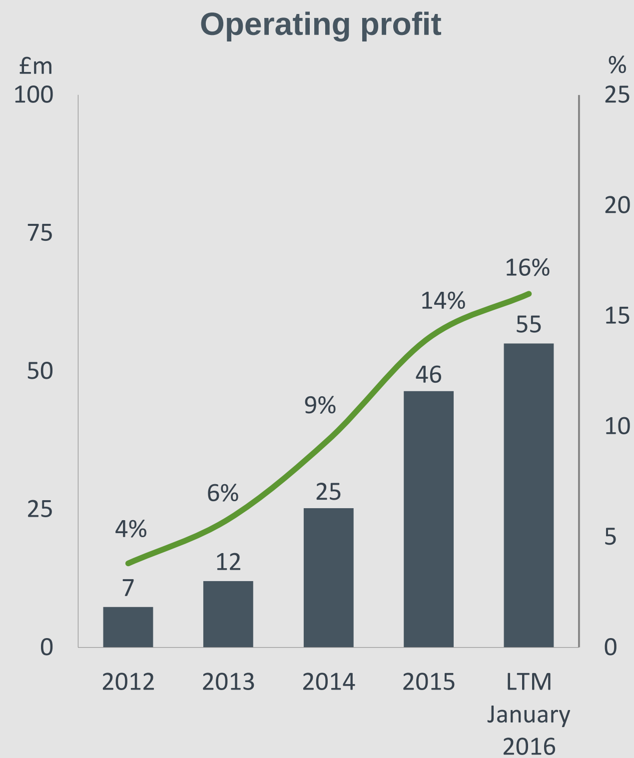

Fleet size and growth

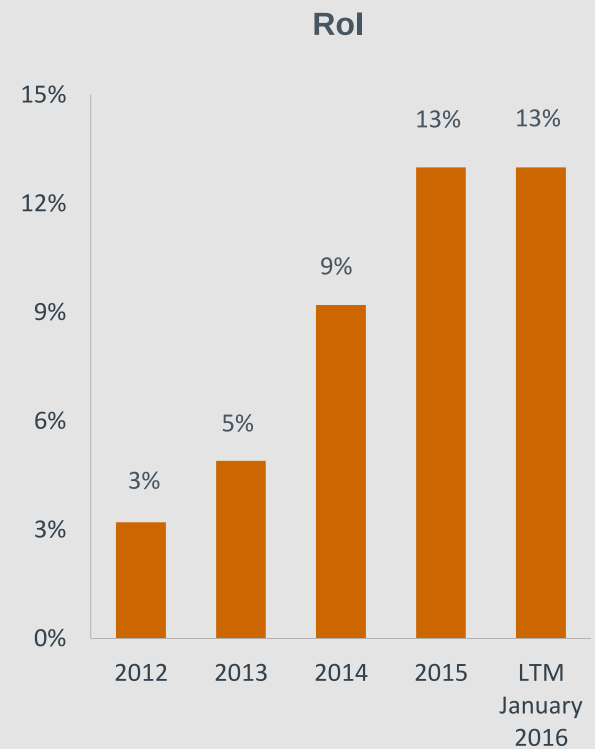


# A-Plant continues to gain market share profitably

## Margins and returns continue to improve




- Drop through year to date of 74% (Q3: 80%)

# Group capital expenditure across the cycle

| (£m) | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Rental fleet spend** | | | | | | | | | | | | |
| - replacement | 303 | 231 | 263 | 229 | 202 | 55 | 207 | 169 | 182 | 137 | 93 | 64 |
| - growth | 676 | 426 | 258 | 197 | - | - | - | 126 | 74 | 65 | 27 | - |
| | **979** | **657** | **521** | **426** | **202** | **55** | **207** | **295** | **256** | **202** | **120** | **64** |
| **Non-rental fleet** | 84 | 84 | 59 | 50 | 23 | 8 | 31 | 36 | 34 | 18 | 6 | 8 |
| | **1,063** | **741** | **580** | **476** | **225** | **63** | **238** | **331** | **290** | **220** | **126** | **72** |

This is the phase in the cycle that we will now be replacing

# Strong fleet growth planned for 2016/17

## Reasonable caution around Q4 pull-forward until markets become clearer and hence the range

| | | 2014 | 2015 | Q3 2016 forecast | 2017 outlook | Anticipated volume growth (%) |
|---|---|---|---|---|---|---|
| Sunbelt ($m) | | | | | | |
| rental fleet | - replacement | 308 | 395 | 540 | 175 - 250 | |
| | - growth | 655 | 873 | 860 | 600 - 900 | Double digit growth |
| non-rental fleet | | 119 | 100 | 100 | 100 | |
| | | 1,082 | 1,368 | 1,500 | 875 - 1,250 | |
| A-Plant (£m) | | | | | | |
| rental fleet | - replacement | 49 | 46 | 90 | 40 - 60 | |
| | - growth | 37 | 108 | 50 | 40 - 60 | Mid to high single digit growth |
| non-rental fleet | | 13 | 19 | 20 | 20 | |
| | | 99 | 173 | 160 | 100 - 140 | |
| Group (£m) | | | | | | |
| Capex forecast * (gross) | | 741 | 1,063 | 1,200 | 700 - 1,000 | |
| Disposal proceeds | | (99) | (121) | (200) | (60 - 80) | |
| Capex forecast * (net) | | 642 | 942 | 1,000 | 640 - 920 | |

** Forecast and outlook at £1:$1.45*

# Summary

- Strategy focused on organic growth and bolt-on acquisitions remains unchanged
- Investment has created a platform allowing us to capitalize on;
  - Recovering markets
  - Structural growth
- Anticipate multiple years of mid-cycle opportunity generating further earnings growth and strong cash generation
- Sustainable, responsible growth

# Appendices

# Divisional performance – Q3

| | Revenue | | | EBITDA | | | Profit | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | Change[1] | 2016 | 2015 | Change[1] | 2016 | 2015 | Change[1] |
| Sunbelt ($m) | 783 | 680 | +15% | 371 | 317 | +17% | 223 | 198 | +13% |
| Sunbelt (£m) | 526 | 436 | +21% | 249 | 204 | +23% | 151 | 128 | +18% |
| A-Plant | 86 | 77 | +11% | 30 | 24 | +24% | 12 | 8 | +47% |
| Group central costs | - | - | - | (2) | (3) | -18% | (2) | (3) | -17% |
| | **612** | **513** | **+19%** | **277** | **225** | **+23%** | **161** | **133** | **+21%** |
| Net financing costs | | | | | | | (22) | (19) | +13% |
| Profit before amortisation and tax | | | | | | | **139** | **114** | **+22%** |
| Amortisation | | | | | | | (6) | (4) | +44% |
| Profit before taxation | | | | | | | **133** | **110** | **+21%** |
| Taxation | | | | | | | (47) | (40) | +19% |
| Profit after taxation | | | | | | | **86** | **70** | **+23%** |
| *Margins* | | | | | | | | | |
| *- Sunbelt* | | | | *47%* | *47%* | | *29%* | *29%* | |
| *- A-Plant* | | | | *35%* | *31%* | | *14%* | *10%* | |
| *- Group* | | | | *45%* | *44%* | | *26%* | *26%* | |

[1] As reported

# Divisional performance – LTM

| | Revenue | | | EBITDA | | | Profit | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | Change[1] | 2016 | 2015 | Change[1] | 2016 | 2015 | Change[1] |
| Sunbelt ($m) | 3,163 | 2,578 | +23% | 1,500 | 1,216 | +23% | 957 | 784 | +22% |
| Sunbelt (£m) | 2,073 | 1,576 | +32% | 985 | 743 | +32% | 628 | 479 | +31% |
| A-Plant | 345 | 309 | +11% | 124 | 102 | +22% | 56 | 42 | +34% |
| Group central costs | - | - | - | (12) | (11) | +10% | (12) | (11) | +9% |
| | **2,418** | **1,885** | **+28%** | **1,097** | **834** | **+32%** | **672** | **510** | **+32%** |
| Net financing costs | | | | | | | (80) | (61) | +31% |
| Profit before exceptionals, amortisation and tax | | | | | | | **592** | **449** | **+32%** |
| Exceptionals and amortisation | | | | | | | (22) | (9) | +148% |
| Profit before taxation | | | | | | | **570** | **440** | **+30%** |
| Taxation | | | | | | | (197) | (152) | +29% |
| Profit after taxation | | | | | | | **373** | **288** | **+30%** |
| *Margins* | | | | | | | | | |
| *- Sunbelt* | | | | *47%* | *47%* | | *30%* | *30%* | |
| *- A-Plant* | | | | *36%* | *33%* | | *16%* | *13%* | |
| *- Group* | | | | *45%* | *44%* | | *28%* | *27%* | |

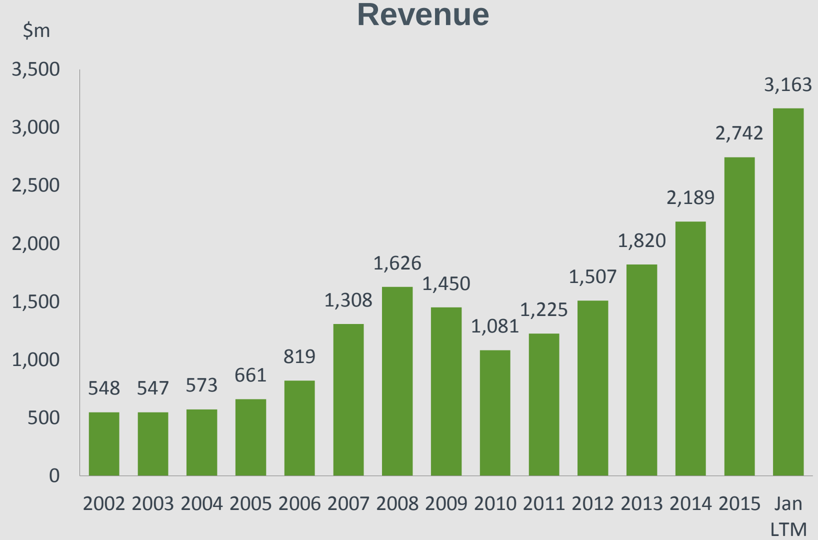
[1] As reported

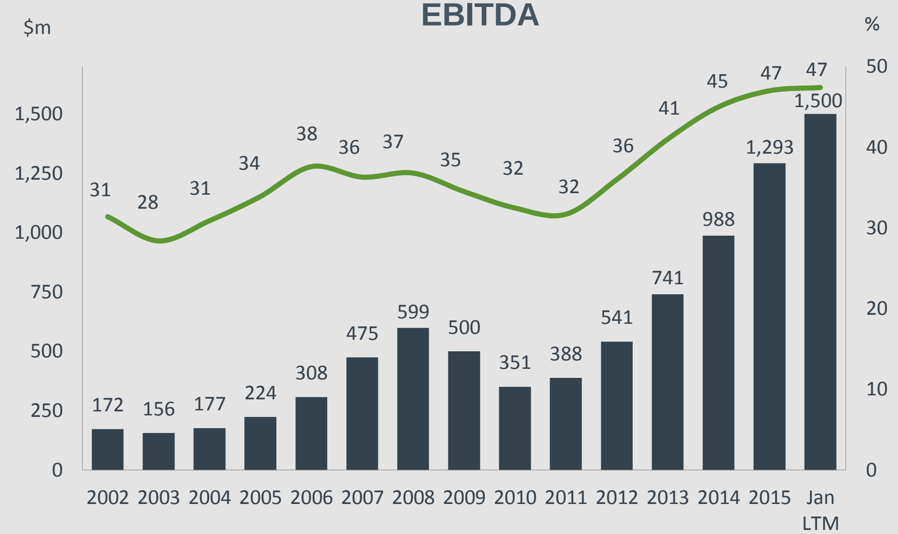
# Margins continue to improve

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

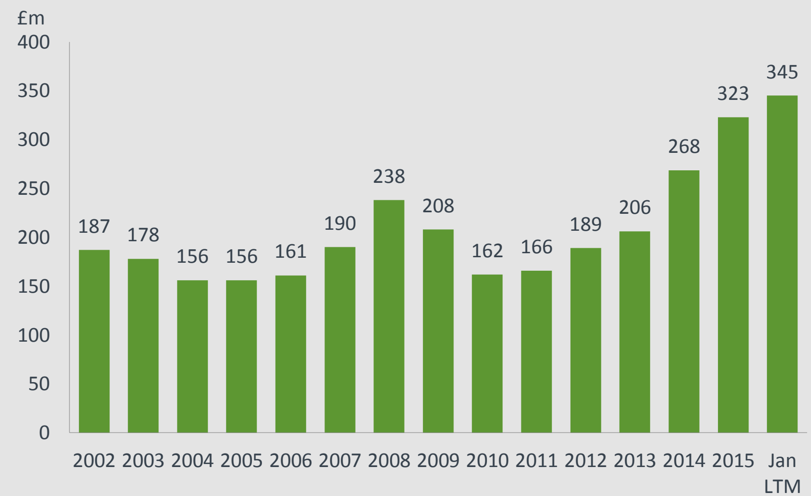
Revenue | EBITDA

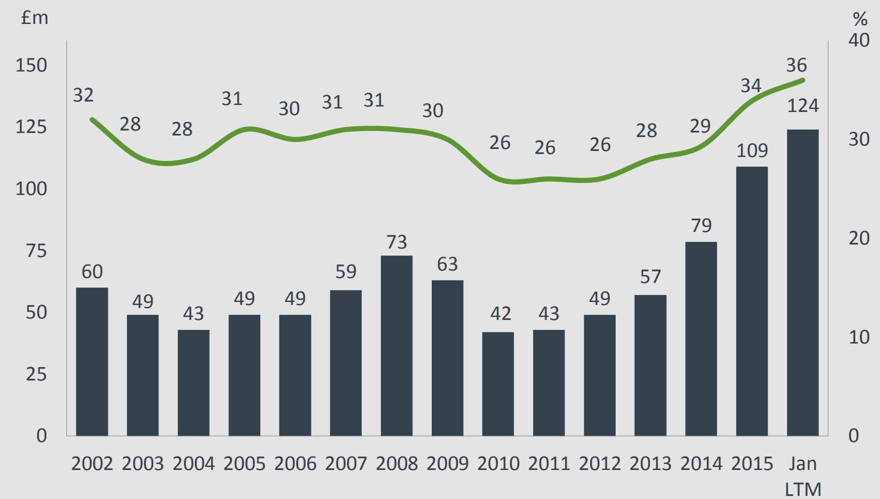
Sunbelt



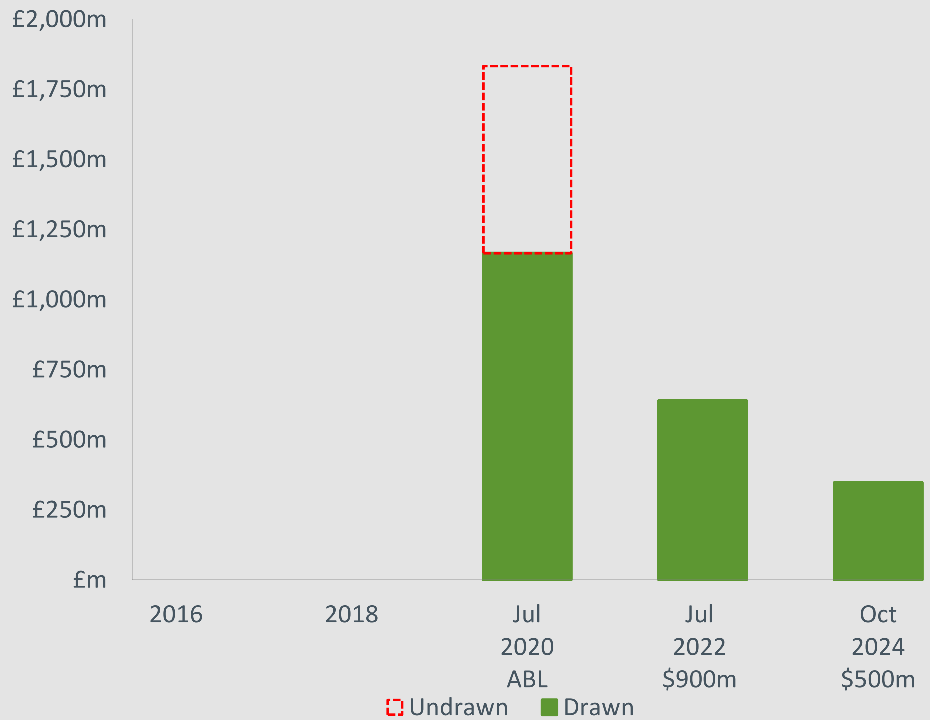




A-Plant



# Robust debt structure with substantial capacity to fund further growth



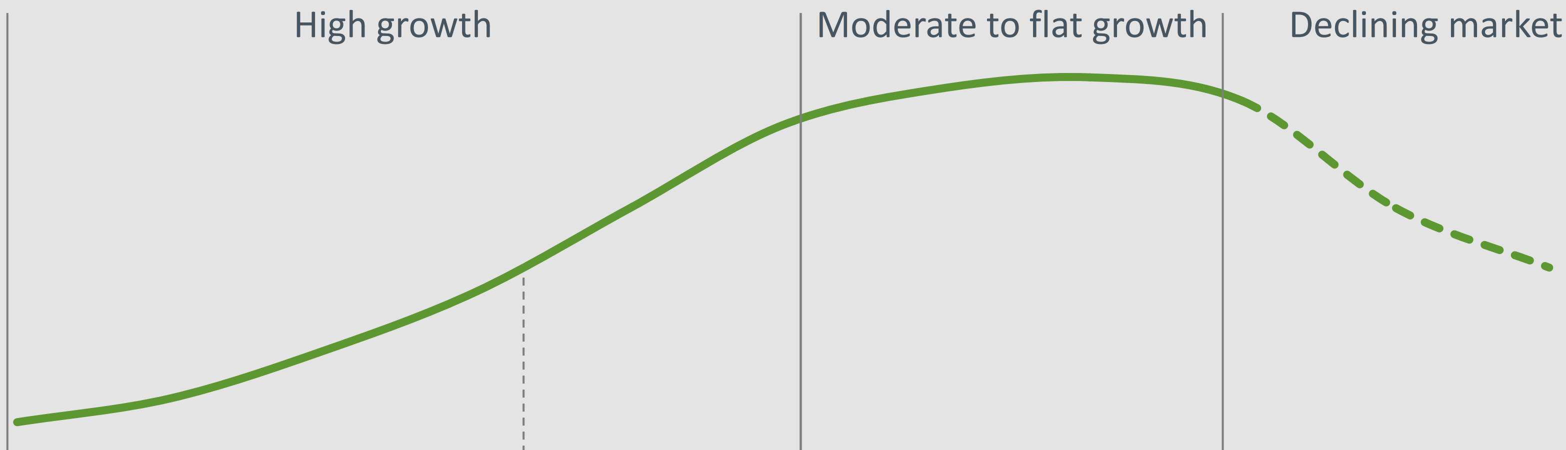

- 6 year average remaining commitment
- No amortisation
- No financial monitoring covenants
  - whilst availability exceeds $260m (January 2016 : $984m)

# Cash flow across the cycle

| (£m) | Jan LTM | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EBITDA before exceptional items** | **1,097** | **908** | **685** | **519** | **381** | **284** | **255** | **359** | **380** | **310** | **225** | **170** | **147** | **150** |
| EBITDA margin | 45% | 45% | 42% | 38% | 34% | 30% | 30% | 33% | 38% | 35% | 35% | 32% | 29% | 28% |
| **Cash inflow from operations before fleet changes and exceptionals** | **1,021** | **841** | **646** | **501** | **365** | **280** | **266** | **374** | **356** | **319** | **215** | **165** | **140** | **157** |
| Cash conversion ratio | 93% | 93% | 94% | 97% | 96% | 99% | 104% | 104% | 94% | 97% | 96% | 97% | 95% | 105% |
| Replacement capital expenditure | (541) | (349) | (335) | (329) | (272) | (203) | (43) | (236) | (231) | (245) | (167) | (101) | (83) | (89) |
| Disposal proceeds | 158 | 103 | 102 | 96 | 90 | 60 | 31 | 92 | 93 | 78 | 50 | 36 | 32 | 29 |
| Interest and tax | (73) | (95) | (56) | (48) | (57) | (71) | (54) | (64) | (83) | (69) | (41) | (31) | (33) | (40) |
| **Cash flow before discretionary items** | **565** | **500** | **357** | **220** | **126** | **66** | **200** | **166** | **135** | **83** | **57** | **69** | **56** | **57** |
| Growth capital expenditure | (638) | (588) | (406) | (254) | (135) | - | - | - | (120) | (63) | (63) | (10) | - | (18) |
| M&A | (136) | (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** | **(209)** | **(330)** | **(154)** | **(84)** | **(35)** | **19** | **191** | **246** | **(1)** | **(376)** | **(70)** | **54** | **54** | **30** |
| Dividends paid | (76) | (61) | (41) | (20) | (15) | (15) | (13) | (13) | (10) | (7) | (2) | - | - | (9) |
| Share issues/repurchases | (12) | (21) | (23) | (10) | (4) | - | - | (16) | (24) | 144 | 69 | - | - | - |
| | **(297)** | **(412)** | **(218)** | **(114)** | **(53)** | **4** | **178** | **217** | **(35)** | **(239)** | **(3)** | **54** | **54** | **21** |

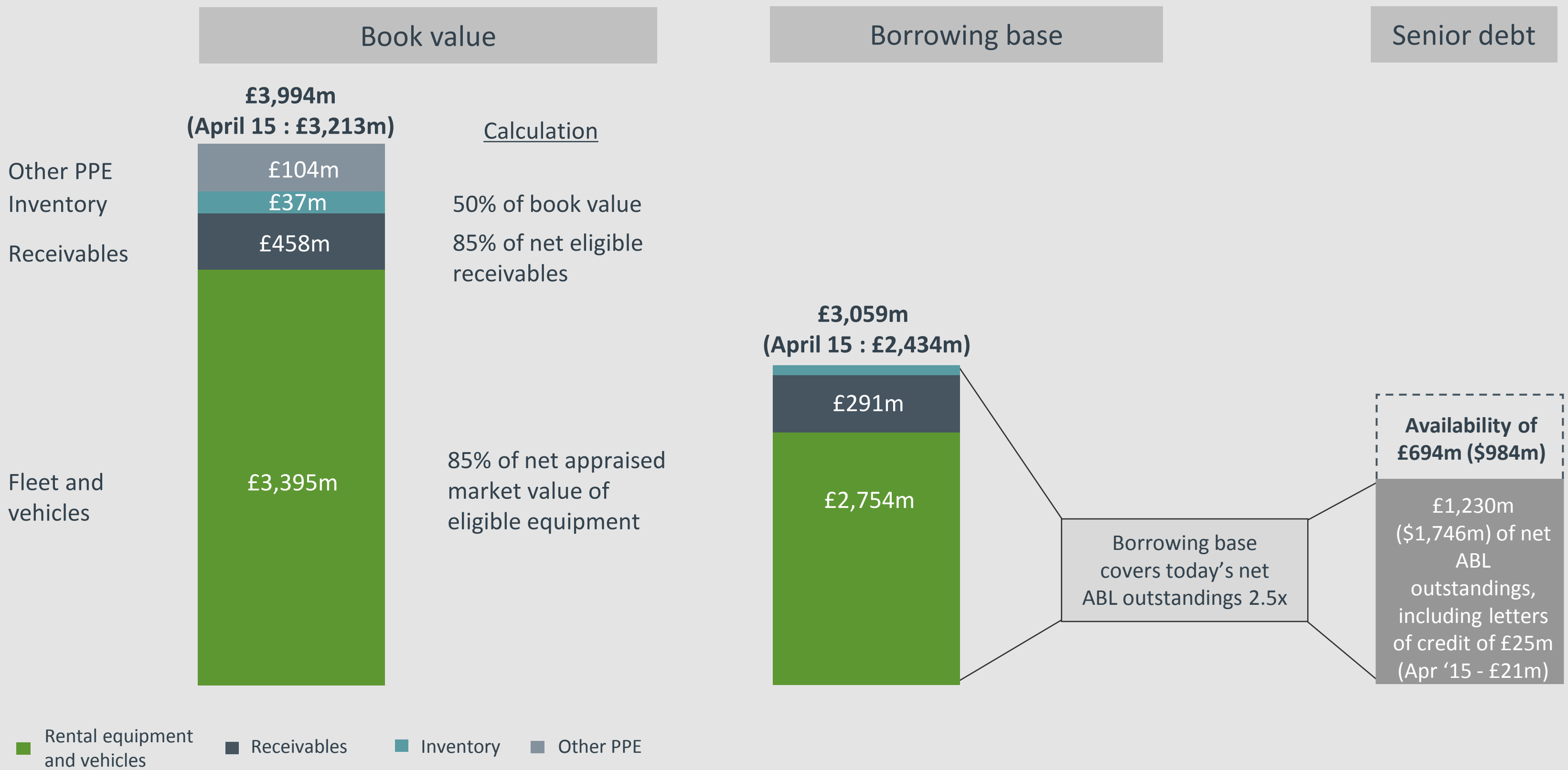
# Cyclical cash generation

## 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 (>15%) | Low (<15%) | 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 1.5-2.0 range | Initial increase, subsequent decline |
| Dividend | 3.0p | 3.5p | 7.5p | 11.5p | 15.25p | Increasing | Increasing | Maintained |

# $984m of availability at 31 January 2016




- Borrowing base reflects July 2015 asset values

# Debt and covenants

**Debt**

| Facility | Interest rate | Maturity |
|---|---|---|
| $2.6bn first lien revolver | LIBOR +125-175bp | July 2020 |
| $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 $260m

**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 31 January 2016

Ashtead group