13 June 2017

Audited results for the year and unaudited results for the fourth quarter ended 30 April 2017

	Fourth quarter			Year		
	2017	2016	Growth[1]	2017	2016	Growth[1]
	£m	£m	%	£m	£m	%
Underlying results[2]						
Rental revenue	727.4	584.8	11%[3]	2,901.2	2,260.3	13%
EBITDA	380.1	308.4	9%	1,504.4	1,177.6	12%
Operating profit	216.6	185.5	3%	897.6	728.2	7%
Profit before taxation	188.8	163.5	2%	793.4	645.3	7%
Earnings per share	25.3p	22.0p	1%	104.3p	85.1p	7%
Statutory results						
Revenue	830.6	666.0	11%	3,186.8	2,545.7	10%
Profit before taxation	180.6	151.3	5%	765.1	616.7	8%
Earnings per share	24.2p	20.4p	4%	100.5p	81.3p	8%

Highlights

- Group rental revenue up 13%[1]
- Group pre-tax profit[2] of £793m (2016: £645m)
- £1.1bn of capital invested in the business (2016: £1.2bn)
- £319m of free cash flow generation[4] (2016: £68m outflow)
- £437m spent on bolt-on acquisitions (2016: £65m)
- Net debt to EBITDA leverage[1] of 1.7 times (2016: 1.7 times)
- Proposed final dividend of 22.75p, making 27.5p for the full year, up 22% (2016: 22.5p)

1 Calculated at constant exchange rates applying current period exchange rates.
2 Underlying results are stated before intangible amortisation and exceptional items.
3 Q4 rental revenue growth is 14% at constant currency on a billings per day basis.
4 Throughout this announcement we refer to a number of alternative performance measures which are defined in the Glossary.

Ashtead's chief executive, Geoff Drabble, commented:

"I am delighted to be able to report another very successful year for Ashtead with Group rental revenue increasing 28% and underlying pre-tax profit increasing to £793m. The reported results were impacted favourably by weaker sterling but, with 13% growth in Group rental revenue at constant exchange rates, we have good momentum.

Our end markets remain strong and, most importantly, we continue to see structural change as our customers increasingly rely on the flexibility of rental. We continue to execute well on our strategy to support these changes through a combination of organic growth and bolt-on acquisitions. We made significant investments in the year, spending £1.1bn in capital expenditure and £437m on bolt-on acquisitions. In addition, we spent a further £48m on share buybacks in line with our capital allocation priorities.

Our strong margins ensured that, despite these levels of investment, we remained comfortably within our 1.5 to 2.0 times net debt to EBITDA range.

Looking forward, our markets remain good and Spring has seen a good seasonal uplift in fleet on rent, with record levels of physical utilisation for this time of year. We expect a similar level of capital expenditure in 2017/18, consistent with our 2021 strategic plan. A number of the investments we made were in the seasonally quieter second half of the year and we incurred one-off costs associated with acquisition and integration. Now that this work is behind us, we anticipate seeing the full benefit of these investments in the coming year.

Based on our plans we will, once again, see strong free cash flow which will provide us with further flexibility to enhance shareholder value. So, with both divisions performing well and a strong balance sheet to support our plans, the Board continues to look to the medium term with confidence."

Contacts:

Geoff Drabble	Chief executive	+44 (0)20 7726 9700
Suzanne Wood	Finance director	
Will Shaw	Director of Investor Relations	
Becky Mitchell	Maitland	+44 (0)20 7379 5151
Tom Eckersley	Maitland	

Geoff Drabble and Suzanne Wood will hold a meeting for equity analysts to discuss the results and outlook at 9.00am on Tuesday, 13 June 2017 at The London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. The meeting will be webcast live via the Company's website at www.ashtead-group.com and a replay will also be available via the website from shortly after the meeting concludes. A copy of this announcement and the slide presentation used for the call will also be available for download on the Company's website. The usual conference call for bondholders will begin at 3.30pm (10.30am 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 dial-in details should contact the Company's PR advisers, Maitland (Amy Fife) 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 2017	Revenue 2016	EBITDA 2017	EBITDA 2016	Operating profit 2017	Operating profit 2016
Sunbelt in $m	3,583.7	3,276.6	1,768.7	1,583.7	1,088.5	1,013.7
Sunbelt in £m	2,768.6	2,180.9	1,366.4	1,054.1	840.9	674.7
A-Plant	418.2	364.8	152.8	137.0	71.6	67.0
Group central costs	-	-	(14.8)	(13.5)	(14.9)	(13.5)
	3,186.8	2,545.7	1,504.4	1,177.6	897.6	728.2
Net financing costs					(104.2)	(82.9)
Profit before exceptional items, amortisation and tax					**793.4**	**645.3**
Exceptional items					-	(6.2)
Amortisation					(28.3)	(22.4)
Profit before taxation					765.1	616.7
Taxation					(264.1)	(209.1)
Profit attributable to equity holders of the Company					501.0	407.6
Margins						
Sunbelt			*49.4%*	*48.3%*	*30.4%*	*30.9%*
A-Plant			*36.5%*	*37.5%*	*17.1%*	*18.4%*
Group			*47.2%*	*46.3%*	*28.2%*	*28.6%*

Group revenue for the year increased 25% to £3,187m (2016: £2,546m) with strong growth in both Sunbelt and A-Plant. Overall revenue growth reflects the benefit of weaker sterling, partially offset, as expected, by a lower level of used equipment sales due to lower replacement capital expenditure. This revenue growth, combined with strong drop-through, generated underlying profit before tax of £793m (2016: £645m).

The Group's strategy remains unchanged with growth being driven by strong same-store growth supplemented by greenfield openings and bolt-on acquisitions, with Sunbelt and A-Plant delivering 14% and 15% rental only revenue growth respectively.

Sunbelt's revenue growth continues to benefit from cyclical and structural trends and can be explained as follows:

		$m
2016 rental only revenue		2,304
Same-stores (in existence at 1 May 2015)	+7%	155
Bolt-ons and greenfields since 1 May 2015	+7%	163
2017 rental only revenue	+14%	2,622
Ancillary revenue	+7%	661
2017 rental revenue	+12%	3,283
Sales revenue	-15%	301
2017 total revenue	+9%	3,584

The mix of our revenue growth demonstrates the successful execution of our long-term structural growth strategy. We continue to capitalise on the opportunity presented by our markets with same-store growth of 7% and bolt-ons and greenfields contributing another 7% growth as we expand our geographic footprint and our specialty businesses. As we embark on our plan for 2021, we have made good progress on new stores with 73 added in North America in the year through greenfields and bolt-ons, almost half of which were specialty locations.

Rental only revenue growth was 14% in generally strong end markets. This growth was driven by increased fleet on rent, partially offset by yield. Average physical utilisation for the year was 71% (2016: 70%). Sunbelt's total revenue, including new and used equipment, merchandise and consumable sales, increased 9% to $3,584m (2016: $3,277m), reflecting the lower level of used equipment sales as a result of lower replacement capital expenditure.

A-Plant continues to perform well and delivered rental only revenue of £304m, up 15% on the prior year (2016: £264m). This reflects increased fleet on rent. A-Plant's total revenue increased 15% to £418m (2016: £365m).

We continue to focus on operational efficiency and driving improving margins. In Sunbelt, 57% of revenue growth dropped through to EBITDA (58% US only). The strength of our mature stores' incremental margin is reflected in the fact that this was achieved despite the drag effect of yield, greenfield openings and acquisitions. Stores open for more than one year saw 60% of revenue growth drop-through to EBITDA (61% US only). This strong drop-through drove an improved EBITDA margin of 49% (2016: 48%) and contributed to an operating profit of $1,088m (2016: $1,014m). Excluding the impact of gains on used equipment sales, operating profit increased 10% over the prior year.

A-Plant's drop-through of 35%, 36% on a same store basis, contributed to an EBITDA margin of 37% (2016: 38%) and operating profit rose to £72m (2016: £67m). Excluding the impact of lower gains on used equipment sales, operating profit increased 11% over the prior year.

Reflecting the strong performance of the divisions, and with the benefit of weaker sterling, Group underlying operating profit increased 23% to £898m (2016: £728m). Net financing costs increased to £104m (2016: £83m), reflecting higher average debt and weaker sterling. As a result, Group profit before exceptional items, amortisation of intangibles and taxation was £793m (2016: £645m). After a tax charge of 34% (2016: 34%) of the underlying pre-tax profit, underlying earnings per share increased 23% to 104.3p (2016: 85.1p).

With amortisation of £28m (2016: £22m), statutory profit before tax was £765m (2016: £617m). After a tax charge of 35% (2016: 34%), basic earnings per share were 100.5p (2016: 81.3p). The cash tax charge was 7%. Following the utilisation of brought forward tax losses during the year, we expect to become a more significant cash tax payer in the US in 2017/18.

Capital expenditure and acquisitions

Capital expenditure for the year was £1,086m gross and £917m net of disposal proceeds (2016: £1,240m gross and £1,040m net). Reflecting this investment, the Group's rental fleet at 30 April 2017 at cost was £5.8bn. Our average fleet age is now 29 months (2016: 25 months).

We invested £437m, including acquired debt, (2016: £65m) on 15 bolt-on acquisitions during the year as we continue to both expand our footprint and diversify into specialty markets.

We are expecting a similar level of capital expenditure in 2017/18, consistent with the strategic plan we outlined earlier this year, which anticipates circa double-digit growth through to 2021.

Return on Investment[1]

Sunbelt's pre-tax return on investment (excluding goodwill and intangible assets) in the 12 months to 30 April 2017 was 22% (2016: 24%). This remains well ahead of the Group's pre-tax weighted average cost of capital although it has been affected in the short term by our investment in greenfields and bolt-on acquisitions and our young fleet age. In the UK, return on investment (excluding goodwill and intangible assets) was 13% (2016: 15%). This was impacted adversely during the year by the large number of acquisitions which we are in the process of integrating and optimising their potential. For the Group as a whole, return on investment (including goodwill and intangible assets) was 17% (2016: 19%).

Cash flow and net debt

As expected, debt increased during the year as we invested in the fleet and made a number of bolt-on acquisitions. In addition, weaker sterling increased reported debt by £228m in the year. During the year, we spent £48m on share buybacks.

Net debt at 30 April 2017 was £2,528m (2016: £2,002m) while, reflecting our strong earnings growth, the ratio of net debt to EBITDA remained at 1.7 times (2016: 1.7 times) on a constant currency basis. This is in the middle of the Group's target range for net debt to EBITDA of 1.5 to 2 times.

In December 2016, the Group increased the size of its senior credit facility ('ABL facility') to $3.1bn, while other terms and conditions remained unchanged. 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 committed for an average of four years. At 30 April 2017, availability under the senior secured debt facility was $1,305m, with an additional $1,565m of suppressed availability - substantially above the $310m level at which the Group's entire debt package is covenant free.

Dividends

In accordance with our progressive dividend policy, with consideration to both profitability and cash generation at a level that is sustainable across the cycle, the Board is recommending a final dividend of 22.75p per share (2016: 18.5p) making 27.5p for the year (2016: 22.5p), an increase of 22%. If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 15 September 2017 to shareholders on the register on 18 August 2017.

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 prioritises:

- same-store fleet growth and greenfield openings;
- bolt-on acquisitions;
- a progressive dividend with consideration to both profitability and cash generation that is sustainable through the cycle; and
- additional capital returns to shareholders through share buybacks.

During the year we spent £48m on share buybacks. While balancing capital efficiency and security with financial flexibility in a cyclical business, we will consider further returns to shareholders in accordance with our capital allocation priorities.

[1] *Underlying operating profit divided by the sum of net tangible and intangible fixed assets, plus net working capital but excluding net debt and deferred tax.*

Current trading and outlook

Our markets remain good and Spring has seen a good seasonal uplift in fleet on rent, together with record levels of physical utilisation for this time of year. So, with both divisions performing well and a strong balance sheet to support our plans, the Board continues to look to the medium term with confidence.

Directors' responsibility statement on the annual report

The responsibility statement below has been prepared in connection with the Company's Annual Report & Accounts for the year ended 30 April 2017. Certain parts thereof are not included in this announcement.

"We confirm to the best of our knowledge:

a) the consolidated financial statements, prepared in accordance with IFRS as issued by the International Accounting Standards Board and IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;

b) the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces; and

c) the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board

Eric Watkins
Company secretary
12 June 2017"

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 30 APRIL 2017

	2017			2016		
	Before amortisation	Amortisation	Total	Before exceptional items and amortisation	Exceptional items and amortisation	Total
	£m	£m	£m	£m	£m	£m
Fourth quarter – unaudited						
Revenue						
Rental revenue	727.4	-	727.4	584.8	-	584.8
Sale of new equipment, merchandise and consumables	32.5	-	32.5	26.1	-	26.1
Sale of used rental equipment	70.7	-	70.7	55.1	-	55.1
	830.6	-	830.6	666.0	-	666.0
Operating costs						
Staff costs	(194.6)	-	(194.6)	(161.3)	-	(161.3)
Used rental equipment sold	(49.4)	-	(49.4)	(38.5)	-	(38.5)
Other operating costs	(206.5)	-	(206.5)	(157.8)	5.8	(152.0)
	(450.5)	-	(450.5)	(357.6)	5.8	(351.8)
EBITDA*	380.1	-	380.1	308.4	5.8	314.2
Depreciation	(163.5)	-	(163.5)	(122.9)	-	(122.9)
Amortisation of intangibles	-	(8.2)	(8.2)	-	(6.0)	(6.0)
Impairment of intangibles	-	-	-	-	(12.0)	(12.0)
Operating profit	216.6	(8.2)	208.4	185.5	(12.2)	173.3
Interest expense	(27.8)	-	(27.8)	(22.0)	-	(22.0)
Profit on ordinary activities before taxation	188.8	(8.2)	180.6	163.5	(12.2)	151.3
Taxation	(63.0)	2.6	(60.4)	(53.4)	4.3	(49.1)
Profit attributable to equity holders of the Company	125.8	(5.6)	120.2	110.1	(7.9)	102.2
Basic earnings per share	25.3p	(1.1p)	24.2p	22.0p	(1.6p)	20.4p
Diluted earnings per share	25.1p	(1.1p)	24.0p	21.8p	(1.5p)	20.3p

* EBITDA is presented here as an additional performance measure as it is commonly used by investors and lenders.

All revenue and profit for the period is generated from continuing operations.

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

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 APRIL 2017

	2017			2016		
	Before amortisation	Amortisation	Total	Before exceptional items and amortisation	Exceptional items and amortisation	Total
	£m	£m	£m	£m	£m	£m
Year to 30 April 2017 - audited						
Revenue						
Rental revenue	2,901.2	-	2,901.2	2,260.3	-	2,260.3
Sale of new equipment, merchandise and consumables	123.5	-	123.5	94.2	-	94.2
Sale of used rental equipment	162.1	-	162.1	191.2	-	191.2
	3,186.8	-	3,186.8	2,545.7	-	2,545.7
Operating costs						
Staff costs	(736.6)	-	(736.6)	(593.6)	-	(593.6)
Used rental equipment sold	(126.5)	-	(126.5)	(143.8)	-	(143.8)
Other operating costs	(819.3)	-	(819.3)	(630.7)	5.8	(624.9)
	(1,682.4)	-	(1,682.4)	(1,368.1)	5.8	(1,362.3)
EBITDA*	1,504.4	-	1,504.4	1,177.6	5.8	1,183.4
Depreciation	(606.8)	-	(606.8)	(449.4)	-	(449.4)
Amortisation of intangibles	-	(28.3)	(28.3)	-	(22.4)	(22.4)
Impairment of intangibles	-	-	-	-	(12.0)	(12.0)
Operating profit	897.6	(28.3)	869.3	728.2	(28.6)	699.6
Investment income	0.1	-	0.1	0.1	-	0.1
Interest expense	(104.3)	-	(104.3)	(83.0)	-	(83.0)
Profit on ordinary activities before taxation	793.4	(28.3)	765.1	645.3	(28.6)	616.7
Taxation	(273.2)	9.1	(264.1)	(218.7)	9.6	(209.1)
Profit attributable to equity holders of the Company	520.2	(19.2)	501.0	426.6	(19.0)	407.6
Basic earnings per share	104.3p	(3.8p)	100.5p	85.1p	(3.8p)	81.3p
Diluted earnings per share	103.8p	(3.8p)	100.0p	84.7p	(3.7p)	81.0p

* EBITDA is presented here as an additional performance measure as it is commonly used by investors and lenders.

All revenue and profit for the period is generated from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Three months to 30 April		Audited Year to 30 April	
	2017	2016	2017	2016
	£m	£m	£m	£m
Profit attributable to equity holders of the Company for the period	120.2	102.2	501.0	407.6
Items that will not be classified to profit or loss:				
Remeasurement of the defined benefit pension plan	(5.7)	(0.6)	(5.7)	(0.6)
Tax on defined benefit pension plan	1.0	0.1	1.0	0.1
	(4.7)	(0.5)	(4.7)	(0.5)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	(43.4)	(30.7)	152.6	49.7
Total comprehensive income for the period	72.1	71.0	648.9	456.8

CONSOLIDATED BALANCE SHEET AT 30 APRIL 2017

	Audited 2017	2016
	£m	£m
Current assets		
Inventories	44.2	41.3
Trade and other receivables	591.9	455.7
Current tax asset	6.9	7.5
Cash and cash equivalents	6.3	13.0
	649.3	517.5
Non-current assets		
Property, plant and equipment		
- rental equipment	4,092.8	3,246.9
- other assets	411.8	341.9
	4,504.6	3,588.8
Goodwill	797.7	556.7
Other intangible assets	174.4	83.8
Net defined benefit pension plan asset	-	2.2
	5,476.7	4,231.5
Total assets	6,126.0	4,749.0
Current liabilities		
Trade and other payables	537.0	480.5
Current tax liability	6.5	3.6
Debt due within one year	2.6	2.5
Provisions	28.6	28.9
	574.7	515.5
Non-current liabilities		
Debt due after more than one year	2,531.4	2,012.2
Provisions	19.1	17.6
Deferred tax liabilities	1,027.0	723.3
Net defined benefit pension plan liability	3.7	-
	3,581.2	2,753.1
Total liabilities	4,155.9	3,268.6
Equity		
Share capital	49.9	55.3
Share premium account	3.6	3.6
Capital redemption reserve	6.3	0.9
Own shares held by the Company	-	(33.1)
Own shares held through the ESOT	(16.7)	(16.2)
Cumulative foreign exchange translation differences	241.0	88.4
Retained reserves	1,686.0	1,381.5
Equity attributable to equity holders of the Company	1,970.1	1,480.4
Total liabilities and equity	6,126.0	4,749.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2017

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Non-distributable reserve £m	Own shares held by the Company £m	Own shares held through the ESOT £m	Cumulative foreign exchange translation differences £m	Retained reserves £m	Total £m
At 1 May 2015	55.3	3.6	0.9	90.7	(33.1)	(15.5)	38.7	970.9	1,111.5
Profit for the year	-	-	-	-	-	-	-	407.6	407.6
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	49.7	-	49.7
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	-	(0.6)	(0.6)
Tax on defined benefit pension plan	-	-	-	-	-	-	-	0.1	0.1
Total comprehensive income for the year	-	-	-	-	-	-	49.7	407.1	456.8
Dividends paid	-	-	-	-	-	-	-	(81.5)	(81.5)
Own shares purchased by the ESOT	-	-	-	-	-	(12.0)	-	-	(12.0)
Share-based payments	-	-	-	-	-	11.3	-	(6.6)	4.7
Tax on share-based payments	-	-	-	-	-	-	-	0.9	0.9
Transfer of non-distributable reserve	-	-	-	(90.7)	-	-	-	90.7	-
At 30 April 2016	55.3	3.6	0.9	-	(33.1)	(16.2)	88.4	1,381.5	1,480.4
Profit for the year	-	-	-	-	-	-	-	501.0	501.0
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	152.6	-	152.6
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	-	(5.7)	(5.7)
Tax on defined benefit pension plan	-	-	-	-	-	-	-	1.0	1.0
Total comprehensive income for the year	-	-	-	-	-	-	152.6	496.3	648.9
Dividends paid	-	-	-	-	-	-	-	(116.1)	(116.1)
Own shares purchased by the ESOT	-	-	-	-	-	(7.2)	-	-	(7.2)
Own shares purchased by the Company	-	-	-	-	(48.0)	-	-	-	(48.0)
Share-based payments	-	-	-	-	-	6.7	-	(1.0)	5.7
Tax on share-based payments	-	-	-	-	-	-	-	6.4	6.4
Cancellation of own shares	(5.4)	-	5.4	-	81.1	-	-	(81.1)	-
At 30 April 2017	49.9	3.6	6.3	-	-	(16.7)	241.0	1,686.0	1,970.1

The non-distributable reserve related to the reserve created on the cancellation of the then share premium account in August 2005. This reserve became distributable in August 2015 and was transferred to distributable reserves in the year ended 30 April 2016. The own shares held by the Company were cancelled in March 2017 – see note 12.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2017

	Audited	
	2017	2016
	£m	£m
Cash flows from operating activities		
Cash generated from operations before exceptional items and changes in rental equipment	1,444.2	1,070.6
Payments for rental property, plant and equipment	(1,021.8)	(1,124.7)
Proceeds from disposal of rental property, plant and equipment	153.4	172.1
Cash generated from operations	575.8	118.0
Financing costs paid (net)	(101.5)	(79.4)
Tax paid (net)	(49.5)	(5.3)
Net cash generated from operating activities	424.8	33.3
Cash flows from investing activities		
Acquisition of businesses	(421.1)	(68.4)
Payments for non-rental property, plant and equipment	(101.7)	(109.5)
Proceeds from disposal of non-rental property, plant and equipment	7.4	8.2
Payments for purchase of intangible assets	(11.1)	-
Net cash used in investing activities	(526.5)	(169.7)
Cash flows from financing activities		
Drawdown of loans	866.8	570.2
Redemption of loans	(599.0)	(336.5)
Capital element of finance lease payments	(2.0)	(1.5)
Dividends paid	(116.1)	(81.5)
Purchase of own shares by the ESOT	(7.2)	(12.0)
Purchase of own shares by the Company	(48.0)	-
Net cash from financing activities	94.5	138.7
(Decrease)/increase in cash and cash equivalents	(7.2)	2.3
Opening cash and cash equivalents	13.0	10.5
Effect of exchange rate difference	0.5	0.2
Closing cash and cash equivalents	6.3	13.0

Reconciliation of net cash flows to net debt

	2017	2016
Decrease/(increase) in cash in the period	7.2	(2.3)
Increase in debt through cash flow	265.8	232.2
Change in net debt from cash flows	273.0	229.9
Debt acquired	21.3	0.3
Exchange differences	228.4	81.7
Non-cash movements:		
- deferred costs of debt raising	2.2	1.8
- capital element of new finance leases	1.1	0.9
Increase in net debt in the period	526.0	314.6
Net debt at 1 May	2,001.7	1,687.1
Net debt at 30 April	2,527.7	2,001.7

NOTES TO THE CONDENSED CONSOLIDATED 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 year ended, 30 April 2017 comprise the Company and its subsidiaries ('the Group').

The financial statements for the year ended 30 April 2017 were approved by the directors on 12 June 2017. This preliminary announcement of the results for the year ended 30 April 2017 contains information derived from the forthcoming 2016/17 Annual Report & Accounts and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

The statutory accounts for the year ended 30 April 2016 have been filed with the Registrar of Companies. The statutory accounts for the year ended 30 April 2017 will be delivered to the Registrar of Companies and made available on the Group's website at www.ashtead-group.com in July 2017. The auditor's report in respect of both years 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 financial statements for the year ended and quarter ended 30 April 2017 have been prepared in accordance with relevant IFRS and the accounting policies set out in the Group's Annual Report and Accounts for the year ended 30 April 2016. There are no new IFRS and IFRIC Interpretations that are effective for the first time for this financial year which have a material impact on the Group.

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 these condensed consolidated financial statements and summarised in the Glossary.

The 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 11), 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.

The exchange rates used in respect of the US dollar are:

	2017	2016
Average for the three months ended 30 April	1.25	1.43
Average for the year ended 30 April	1.29	1.50
At 30 April	1.29	1.47

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Segmental analysis

	Revenue	Operating profit before exceptional items and amortisation	Exceptional items and amortisation	Operating profit
	£m	£m	£m	£m
Three months to 30 April				
2017				
Sunbelt	714.1	198.9	(5.8)	193.1
A-Plant	116.5	21.2	(2.4)	18.8
Corporate costs	-	(3.5)	-	(3.5)
	830.6	216.6	(8.2)	208.4
2016				
Sunbelt	565.1	170.0	(11.0)	159.0
A-Plant	100.9	20.0	(1.2)	18.8
Corporate costs	-	(4.5)	-	(4.5)
	666.0	185.5	(12.2)	173.3
Year to 30 April				
2017				
Sunbelt	2,768.6	840.9	(20.2)	820.7
A-Plant	418.2	71.6	(8.1)	63.5
Corporate costs	-	(14.9)	-	(14.9)
	3,186.8	897.6	(28.3)	869.3
2016				
Sunbelt	2,180.9	674.7	(23.7)	651.0
A-Plant	364.8	67.0	(4.9)	62.1
Corporate costs	-	(13.5)	-	(13.5)
	2,545.7	728.2	(28.6)	699.6

	Segment assets	Cash	Taxation assets	Total assets
	£m	£m	£m	£m
At 30 April 2017				
Sunbelt	5,337.1	-	-	5,337.1
A-Plant	775.3	-	-	775.3
Corporate items	0.4	6.3	6.9	13.6
	6,112.8	6.3	6.9	6,126.0
At 30 April 2016				
Sunbelt	4,117.9	-	-	4,117.9
A-Plant	610.1	-	-	610.1
Corporate items	0.5	13.0	7.5	21.0
	4,728.5	13.0	7.5	4,749.0

Sunbelt includes Sunbelt Rentals of Canada Inc..

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Operating costs and other income

	2017 Before amortisation £m	2017 Amortisation £m	2017 Total £m	2016 Before exceptional items and amortisation £m	2016 Exceptional items and amortisation £m	2016 Total £m
Three months to 30 April						
Staff costs:						
Salaries	176.7	-	176.7	147.0	-	147.0
Social security costs	14.6	-	14.6	11.8	-	11.8
Other pension costs	3.3	-	3.3	2.5	-	2.5
	194.6	-	194.6	161.3	-	161.3
Used rental equipment sold	49.4	-	49.4	38.5	-	38.5
Other operating costs:						
Vehicle costs	42.0	-	42.0	31.3	-	31.3
Spares, consumables & external repairs	34.4	-	34.4	28.1	-	28.1
Facility costs	25.8	-	25.8	20.0	-	20.0
Other external charges	104.3	-	104.3	78.4	(5.8)	72.6
	206.5	-	206.5	157.8	(5.8)	152.0
Depreciation and amortisation:						
Depreciation	163.5	-	163.5	122.9	-	122.9
Amortisation of intangibles	-	8.2	8.2	-	6.0	6.0
Impairment of intangibles	-	-	-	-	12.0	12.0
	163.5	8.2	171.7	122.9	18.0	140.9
	614.0	8.2	622.2	480.5	12.2	492.7
Year to 30 April						
Staff costs:						
Salaries	671.5	-	671.5	541.4	-	541.4
Social security costs	52.5	-	52.5	42.3	-	42.3
Other pension costs	12.6	-	12.6	9.9	-	9.9
	736.6	-	736.6	593.6	-	593.6
Used rental equipment sold	126.5	-	126.5	143.8	-	143.8
Other operating costs:						
Vehicle costs	168.0	-	168.0	131.5	-	131.5
Spares, consumables & external repairs	147.7	-	147.7	118.6	-	118.6
Facility costs	94.4	-	94.4	73.9	-	73.9
Other external charges	409.2	-	409.2	306.7	(5.8)	300.9
	819.3	-	819.3	630.7	(5.8)	624.9
Depreciation and amortisation:						
Depreciation	606.8	-	606.8	449.4	-	449.4
Amortisation of intangibles	-	28.3	28.3	-	22.4	22.4
Impairment of intangibles	-	-	-	-	12.0	12.0
	606.8	28.3	635.1	449.4	34.4	483.8
	2,289.2	28.3	2,317.5	1,817.5	28.6	1,846.1

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Exceptional items and amortisation

Exceptional items are those items of financial performance that are material and non-recurring in nature. Amortisation relates to the periodic write-off of intangible assets. The Group believes these items should be disclosed separately within the consolidated income statement to assist in the understanding of the financial performance of the Group. Underlying profit and earnings per share are stated before exceptional items and amortisation of intangibles.

	Three months to 30 April		Year to 30 April	
	2017	2016	2017	2016
	£m	£m	£m	£m
Impairment of intangibles	-	12.0	-	12.0
Release of provision for contingent consideration	-	(5.8)	-	(5.8)
Amortisation of intangibles	8.2	6.0	28.3	22.4
	8.2	12.2	28.3	28.6
Taxation	(2.6)	(4.3)	(9.1)	(9.6)
	5.6	7.9	19.2	19.0

The £12m impairment of intangibles in the prior year relates to acquired customer lists within our Oil & Gas business. The impairment reflected our expectation that revenue from these customers would be much lower than anticipated when the businesses were acquired due to the fall in the oil price and its impact on the oil and gas industry. The £6m release of contingent consideration in the prior year relates to a provision for contingent consideration on acquisitions, which was payable depending on revenue targets. These were expected to be achieved in full. Where this was no longer the case, the excess provision was released. Both these exceptional items were non-cash.

6. Net financing costs

	Three months to 30 April		Year to 30 April	
	2017	2016	2017	2016
	£m	£m	£m	£m
Investment income:				
Net interest on the net defined benefit asset	-	-	(0.1)	(0.1)
Interest expense:				
Bank interest payable	9.6	6.0	34.1	22.1
Interest payable on second priority senior secured notes	17.3	15.2	66.9	57.7
Interest payable on finance leases	0.1	-	0.3	0.3
Non-cash unwind of discount on provisions	0.3	0.3	0.9	1.1
Amortisation of deferred debt raising costs	0.5	0.5	2.1	1.8
Total interest expense	27.8	22.0	104.3	83.0
Net financing costs	27.8	22.0	104.2	82.9

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Taxation

The tax charge for the year has been computed using a tax rate of 39% in North America (2016: 39%) and 20% in the UK (2016: 20%). The blended rate for the Group as a whole is 35% (2016: 34%).

The tax charge of £273.2m (2016: £218.7m) on the underlying profit before taxation of £793.4m (2016: £645.3m) can be explained as follows:

	Year to 30 April 2017	Year to 30 April 2016
	£m	£m
Current tax		
- current tax on income for the period	54.5	22.2
- adjustments to prior year	(0.1)	0.6
	54.4	22.8
Deferred tax		
- origination and reversal of temporary differences	215.9	195.6
- adjustments to prior year	2.9	0.3
	218.8	195.9
Tax on underlying activities	273.2	218.7
Comprising:		
- UK	16.1	17.5
- North America	257.1	201.2
	273.2	218.7

In addition, the tax credit of £9.1m (2016: £9.6m) on exceptional items and amortisation of £28.3m (2016: £28.6m) consists of a deferred tax credit of £1.6m relating to the UK (2016: £1.0m) and £7.5m (2016: £8.6m) relating to North America.

8. Earnings per share

Basic and diluted earnings per share for the three and twelve months ended 30 April 2017 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 30 April 2017	Three months to 30 April 2016	Year to 30 April 2017	Year to 30 April 2016
Profit for the financial period (£m)		120.2	102.2	501.0	407.6
Weighted average number of shares (m)	- basic	497.5	501.5	498.7	501.5
	- diluted	499.7	503.0	500.9	503.4
Basic earnings per share		24.2p	20.4p	100.5p	81.3p
Diluted earnings per share		24.0p	20.3p	100.0p	81.0p

8. Earnings per share (continued)

Underlying earnings per share (defined in any period as the earnings before exceptional items and amortisation of intangibles 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 30 April		Year to 30 April	
	2017	2016	2017	2016
Basic earnings per share	24.2p	20.4p	100.5p	81.3p
Amortisation of intangibles and exceptional items	1.7p	2.4p	5.7p	5.7p
Tax on amortisation	(0.6p)	(0.8p)	(1.9p)	(1.9p)
Underlying earnings per share	25.3p	22.0p	104.3p	85.1p

9. Dividends

During the year, a final dividend in respect of the year ended 30 April 2016 of 18.5p (2015: 12.25p) per share and an interim dividend for the year ended 30 April 2017 of 4.75p (2016: 4.0p) were paid to shareholders costing £116.1m (2016: £81.5m).

In addition, the directors are proposing a final dividend in respect of the year ended 30 April 2017 of 22.75p (2016: 18.5p) per share which will absorb £113m of shareholders' funds, based on the 497m shares qualifying for dividend at 12 June 2017. Subject to approval by shareholders, it will be paid on 15 September 2017 to shareholders who are on the register of members on 18 August 2017.

10. Property, plant and equipment

	2017		2016	
Net book value	Rental equipment £m	Total £m	Rental equipment £m	Total £m
At 1 May	3,246.9	3,588.8	2,534.2	2,811.1
Exchange difference	370.8	406.7	99.4	109.2
Reclassifications	(1.8)	-	(1.7)	-
Additions	983.2	1,085.6	1,126.6	1,240.0
Acquisitions	153.6	162.1	27.4	29.4
Disposals	(125.1)	(131.8)	(145.3)	(151.5)
Depreciation	(534.8)	(606.8)	(393.7)	(449.4)
At 30 April	4,092.8	4,504.6	3,246.9	3,588.8

11. Borrowings

	30 April 2017 £m	30 April 2016 £m
Current		
Finance lease obligations	2.6	2.5
Non-current		
First priority senior secured bank debt	1,449.2	1,055.2
Finance lease obligations	1.8	2.9
6.5% second priority senior secured notes, due 2022	699.4	618.2
5.625% second priority senior secured notes, due 2024	381.0	335.9
	2,531.4	2,012.2

11. Borrowings (continued)

The senior secured bank debt and the senior secured notes are secured by way of, respectively, first and second priority fixed and floating charges over substantially all the Group's property, plant and equipment, inventory and trade receivables.

Our asset-based senior bank facility was increased to $3.1bn in December 2016 and remains committed until July 2020. Other terms and conditions remained unchanged. The $900m 6.5% senior secured notes mature in July 2022, whilst the $500m 5.625% senior secured notes mature in October 2024. Our debt facilities therefore remain committed for the long term, with an average of four years remaining. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is approximately 4%. The terms of the $900m and $500m senior secured notes are such that financial performance covenants are only measured at the time new debt is raised.

There is one financial performance covenant under the first priority senior bank facility. That is, the fixed charge ratio (comprising LTM EBITDA before exceptional items less LTM net capital expenditure paid in cash over the sum of scheduled debt repayments plus cash interest, cash tax payments and dividends paid in the last twelve months) which must be equal to or greater than 1.0. This covenant does not apply when availability exceeds $310m. As a matter of good practice, we calculate the covenant ratio each quarter. At 30 April 2017, the fixed charge ratio exceeded the covenant requirement.

At 30 April 2017, availability under the senior secured bank facility was $1,305m ($1,126m at 30 April 2016), with an additional $1,565m of suppressed availability, meaning that the covenant did not apply at 30 April 2017 and is unlikely to apply in forthcoming quarters.

<u>Fair value of financial instruments</u>

At 30 April 2017, the Group had no derivative financial instruments.

With the exception of the Group's second priority senior secured notes, the carrying value of non-derivative financial assets and liabilities is considered to materially equate to their fair value.

The carrying value of the second priority senior secured notes due 2022, excluding deferred debt-raising costs, was £708m at 30 April 2017 (£627m at 30 April 2016), while the fair value was £735m (£661m at 30 April 2016). The carrying value of the second priority senior secured notes due 2024, excluding deferred debt raising costs, was £386m at 30 April 2017 (£341m at 30 April 2016) while the fair value was £414m (£353m at 30 April 2016). The fair value of the second priority senior secured notes has been calculated using quoted market prices at 30 April 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. Share capital

Ordinary shares of 10p each:

	2017 Number	2016 Number	2017 £m	2016 £m
Issued and fully paid	499,225,712	553,325,554	49.9	55.3

During the period, the Company purchased 4.1m ordinary shares at a total cost of £48m under the share buyback programme announced in June 2016. Following the purchase of these shares, the Company held 54m (2016: 50m) shares in treasury. These shares were cancelled in March 2017. At 30 April 2017, 1.7m shares (2016: 1.8m) were held by the Company's Employee Share Ownership Trust.

13. Notes to the cash flow statement

a) Cash flow from operating activities

	Year to 30 April	
	2017 £m	2016 £m
Operating profit before exceptional items and amortisation	897.6	728.2
Depreciation	606.8	449.4
EBITDA before exceptional items	1,504.4	1,177.6
Profit on disposal of rental equipment	(35.6)	(47.4)
Profit on disposal of other property, plant and equipment	(0.1)	(1.4)
Decrease/(increase) in inventories	6.5	(15.1)
Increase in trade and other receivables	(56.9)	(36.8)
Increase/(decrease) in trade and other payables	20.2	(10.9)
Exchange differences	-	(0.1)
Other non-cash movements	5.7	4.7
Cash generated from operations before exceptional items and changes in rental equipment	1,444.2	1,070.6

b) Analysis of net debt

Net debt consists of total borrowings less cash and cash equivalents. Borrowings exclude accrued interest. Foreign currency denominated balances are retranslated to pounds sterling at rates of exchange ruling at the balance sheet date.

	1 May 2016 £m	Exchange movement £m	Debt acquired £m	Cash flow £m	Non-cash movements £m	30 April 2017 £m
Cash	(13.0)	(0.5)	-	7.2	-	(6.3)
Debt due within one year	2.5	-	7.2	(9.0)	1.9	2.6
Debt due after one year	2,012.2	228.9	14.1	274.8	1.4	2,531.4
Total net debt	2,001.7	228.4	21.3	273.0	3.3	2,527.7

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

13. Notes to the cash flow statement (continued)

c) Acquisitions

	Year to 30 April 2017 £m	2016 £m
Cash consideration paid:		
- acquisitions in the period	414.0	64.9
- contingent consideration	7.1	3.5
	421.1	68.4

During the year, 15 acquisitions were made with cash paid of £414m (2016: £65m), after taking account of net cash acquired of £5m. Further details are provided in note 14.

Contingent consideration of £7m (2016: £3m) was paid relating to prior year acquisitions.

14. Acquisitions

During the year, the following acquisitions were completed:

(i) On 2 May 2016 Sunbelt acquired the business and assets of I & L Rentals, LLC ('I & L') for a cash consideration of £46m ($67m). I & L is a general equipment rental business in Hawaii.

(ii) On 20 May 2016 Sunbelt acquired the business and assets of LoadBanks of America ('LBA'), a division of Austin Welder & Generator Services, Inc. for a cash consideration of £4m ($6m). LBA provides testing solutions for power systems.

(iii) On 20 May 2016 A-Plant acquired the entire issued share capital of Mather & Stuart Limited ('Mather & Stuart') for a cash consideration of £11m and acquired debt of £3m. Mather & Stuart is a temporary power rental business.

(iv) On 6 June 2016 Sunbelt acquired the business and assets of Portable Rental Solutions, Inc. and One Source Cooling, LLC (collectively 'PRS') for a cash consideration of £7m ($11m). PRS is a temporary heating and cooling business in Texas.

(v) On 12 August 2016 Sunbelt acquired certain business and assets of CanSource Direct Inc. and CSL Safety Training Ltd. (together 'CSD') for an aggregate cash consideration of £5m (C$9m). CSD is an aerial work platform rental business in Alberta, Canada.

(vi) On 24 August 2016 Sunbelt acquired the rental business and assets of Tower Tech, Inc. ('Tower Tech') for a cash consideration of £10m ($13m). Tower Tech is a cooling solutions business in Oklahoma.

(vii) On 27 September 2016 A-Plant acquired the entire issued share capital of Tool and Engineering Services Limited ('TES') for a cash consideration of £1m. TES is a welding equipment rental business.

(viii) On 6 October 2016 Sunbelt acquired certain business and assets of the Post Falls branch of BlueLine Rental, LLC ('Post Falls') for a cash consideration of £3m ($4m). Post Falls is a general equipment rental business in Idaho.

(ix) On 12 October 2016 A-Plant acquired the entire issued share capital of Lion Trackhire Limited ('Lion') for a cash consideration of £22m. Including acquired debt, the total consideration was £38m. Lion provides temporary access solutions to the events and industrial sectors.

14. Acquisitions (continued)

(x) On 12 October 2016 Sunbelt acquired the business and assets of Rick's Action Rental, LLC ('RAR') for a cash consideration of £0.3m ($0.4m). RAR is a general equipment rental business in Michigan.

(xi) On 31 October 2016 A-Plant acquired the entire issued share capital of Opti-cal Survey Equipment Limited ('Opti-cal') for an initial cash consideration of £11m, with contingent consideration of up to £3m payable over the next two years. Opti-cal is a survey equipment business.

(xii) On 18 November 2016 Sunbelt acquired the business and assets of four branches of BlueLine Rental, LLC in New Mexico and El Paso, Texas for a cash consideration of £22m ($27m). These are general equipment rental businesses.

(xiii) On 17 January 2017 Sunbelt acquired the business and assets of Arsenal Equipment Rentals, LLC ('Arsenal') for a cash consideration of £31m ($39m). Arsenal is a general equipment rental business in California.

(xiv) On 31 March 2017, Sunbelt acquired the entire issued share capital of Pride Equipment Corporation and Pride Corporation (together 'Pride') for an aggregate cash consideration of £222m ($277m). Estimated additional consideration of £9m ($11m) is expected to become payable later in 2017 by way of tax equalisation. Pride is an aerial work platform rental business in New York.

(xv) On 26 April 2017, Sunbelt acquired the business and assets of Van's Equipment Denver, LLC and Van's Equipment South, LLC for a cash consideration of £19m ($25m). These are general equipment rental businesses.

14. 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 Group £m
Net assets acquired	
Trade and other receivables	24.9
Inventory	4.1
Property, plant and equipment	
- rental equipment	153.6
- other assets	8.5
Creditors	(12.5)
Debt	(21.3)
Current tax	(0.9)
Deferred tax	(4.7)
Intangible assets (non-compete agreements and customer relationships)	100.8
	252.5
Consideration:	
- cash paid and due to be paid (net of cash acquired)	416.1
- contingent consideration payable in cash	2.8
- deferred consideration (tax equalisation) payable in cash	9.1
	428.0
Goodwill	175.5

The goodwill arising can be attributed to the key management personnel and workforce of the acquired businesses and to the synergies and other benefits the Group expects to derive from the acquisitions. The synergies and other benefits include elimination of duplicate costs, improving utilisation of the acquired rental fleet, using the Group's financial strength to invest in the acquired business and drive improved returns through a semi-fixed cost base and the application of the Group's proprietary software to optimise revenue opportunities. £149m of the goodwill is expected to be deductible for income tax purposes.

The fair value of trade receivables at acquisition was £25m. The gross contractual amount for trade receivables due was £26m, net of a £1m provision for debts which may not be collected.

Due to the operational integration of acquired businesses with Sunbelt and A-Plant 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. On an annual basis they generate approximately £170m of revenue.

The revenue and operating profit of these acquisitions from 1 May 2016 to their date of acquisition was not material.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. Contingent liabilities

The Group is subject to periodic legal claims in the ordinary course of its business, none of which is expected to have a material impact on the Group's financial position.

16. Events after the balance sheet date

Since the balance sheet date, the Group has completed four acquisitions as follows:

(i) On 5 May 2017, Sunbelt acquired the business and assets of Noble Rents, Inc. ('Noble') for a cash consideration of £26m ($34m). Noble is a general equipment rental business in California.

(ii) On 22 May 2017, Sunbelt acquired the business and assets of RGR Equipment, LLC ('RGR') for a cash consideration of £45m ($58m). RGR is an aerial work platform rental business in Missouri.

(iii) On 31 May 2017, A-Plant acquired the entire share capital of Plantfinder (Scotland) Limited and the business and assets of Clyde Security Containers Limited (together 'Plantfinder') for a cash consideration of £24m. Plantfinder is an aerial work platform rental business.

(iv) On 1 June 2017, Sunbelt acquired the business and assets of MSP Equipment Rentals, Inc. ('MSP') for a cash consideration of £18m ($23m). MSP is an aerial work platform rental business in Delaware.

The initial accounting for these acquisitions is incomplete. Had the acquisitions taken place on 1 May 2016, their contribution to revenue and operating profit would not have been material.

REVIEW OF FOURTH QUARTER, BALANCE SHEET AND CASH FLOW

Fourth quarter

	Revenue		EBITDA		Operating profit	
	2017	2016	2017	2016	2017	2016
Sunbelt in $m	893.8	808.6	426.6	393.4	248.0	242.8
Sunbelt in £m	714.1	565.1	341.3	274.8	199.0	170.0
A-Plant	116.5	100.9	42.3	38.1	21.2	20.0
Group central costs	-	-	(3.5)	(4.5)	(3.6)	(4.5)
	830.6	666.0	380.1	308.4	216.6	185.5
Net financing costs					(27.8)	(22.0)
Profit before exceptional items, amortisation and tax					**188.8**	**163.5**
Exceptional items					-	(6.2)
Amortisation					(8.2)	(6.0)
Profit before taxation					180.6	151.3
Margins						
Sunbelt			*47.7%*	*48.7%*	*27.7%*	*30.0%*
A-Plant			*36.3%*	*37.8%*	*18.2%*	*19.9%*
Group			*45.8%*	*46.3%*	*26.1%*	*27.9%*

Group revenue increased 25% to £831m in the fourth quarter (2016: £666m) with strong growth in both businesses, and the benefit of weaker sterling. This revenue growth, combined with continued focus on operational efficiency, generated underlying profit before tax of £189m (2016: £163m).

As for the year, the Group's growth was driven by strong same-store growth supplemented by greenfield openings and bolt-on acquisitions. Sunbelt's revenue growth for the quarter can be analysed as follows:

		$m
2016 rental only revenue		559
Same-stores (in existence at 1 February 2016)	+7%	37
Bolt-ons and greenfields since 1 February 2016	+5%	33
2017 rental only revenue	+12%	629
Ancillary revenue	+3%	164
2017 rental revenue	+10%	793
Sales revenue	+12%	101
2017 total revenue	+11%	894

Our same-store growth of 7% is about double that of the rental market as we continue to take market share. In addition, bolt-ons and greenfields have contributed a further 5% growth as we execute our long-term structural growth strategy of expanding our geographic footprint and our specialty businesses. Rental only revenue growth of 12% was driven by an increase in fleet on rent.

A-Plant continues to perform well and delivered rental only revenue up 10% at £77m (2016: £70m) in the quarter. This reflected increased fleet on rent. Total rental revenue increased 13% to £93m (2016: £83m).

Group operating profit increased 17% to £217m (2016: £186m). Net financing costs increased to £28m (2016: £22m) reflecting the higher level of debt in the period and the impact of weaker sterling. As a result, Group profit before exceptional items, amortisation and taxation was £189m (2016: £163m). After amortisation of £8m, the statutory profit before taxation was £181m (2016: £151m).

Balance sheet

Fixed assets

Capital expenditure in the year totalled £1,086m (2016: £1,240m) with £983m invested in the rental fleet (2016: £1,127m). Expenditure on rental equipment was 91% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division was:

		2017		2016
	Replacement	Growth	Total	Total
Sunbelt in $m	402.9	656.8	1,059.7	1,442.7
Sunbelt in £m	311.4	507.7	819.1	984.8
A-Plant	74.0	90.1	164.1	141.8
Total rental equipment	385.4	597.8	983.2	1,126.6
Delivery vehicles, property improvements & IT equipment			102.4	113.4
Total additions			1,085.6	1,240.0

In a strong North American rental market, $657m of rental equipment capital expenditure was spent on growth while, with a lower replacement need, only $403m was invested in replacement of existing fleet. The growth proportion is estimated on the basis of the assumption that replacement capital expenditure in any period is equal to the original cost of equipment sold.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 30 April 2017 was 29 months (2016: 25 months) on a net book value basis. Sunbelt's fleet had an average age of 29 months (2016: 25 months) while A-Plant's fleet had an average age of 29 months (2016: 27 months).

	Rental fleet at original cost			LTM rental	LTM dollar	LTM physical
	30 April 2017	30 April 2016	LTM average	revenue	utilisation	utilisation
Sunbelt in $m	6,562	5,663	6,163	3,283	53%	71%
Sunbelt in £m	5,072	3,866	4,764	2,536	53%	71%
A-Plant	774	615	712	365	51%	69%
	5,846	4,481	5,476	2,901		

Dollar utilisation is defined as rental revenue divided by average fleet at original (or 'first') cost and, measured over the last twelve months to 30 April 2017, was 53% at Sunbelt (2016: 56%) and 51% at A-Plant (2016: 52%). The reduction in Sunbelt reflects the drag effect of yield, greenfield openings and acquisitions and the increased cost of fleet. Physical utilisation is time based utilisation, which is calculated as the daily average of the original cost of equipment on rent as a percentage of the total value of equipment in the fleet at the measurement date. Measured over the last twelve months to 30 April 2017, average physical utilisation at Sunbelt was 71% (2016: 70%) and 69% at A-Plant (2016: 68%). At Sunbelt, physical utilisation is measured for equipment with an original cost in excess of $7,500 which comprised approximately 86% of its fleet at 30 April 2017.

Trade receivables

Receivable days at 30 April 2017 were 50 days (2016: 49 days). The bad debt charge for the last twelve months ended 30 April 2017 as a percentage of total turnover was 0.8% (2016: 0.7%). Trade receivables at 30 April 2017 of £506m (2016: £395m) are stated net of allowances for bad debts and credit notes of £38m (2016: £27m) with the allowance representing 7.1% (2016: 6.4%) of gross receivables.

Trade and other payables

Group payable days were 69 days in 2017 (2016: 59 days) with capital expenditure related payables, which have longer payment terms, totalling £237m (2016: £247m). 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

	Year to 30 April 2017 £m	2016 £m
EBITDA before exceptional items	1,504.4	1,177.6
Cash inflow from operations before exceptional items and changes in rental equipment	1,444.2	1,070.6
*Cash conversion ratio**	*96.0%*	*90.9%*
Replacement rental capital expenditure	(413.9)	(452.6)
Payments for non-rental capital expenditure	(112.8)	(109.5)
Rental equipment disposal proceeds	153.4	172.1
Other property, plant and equipment disposal proceeds	7.4	8.2
Tax (net)	(49.5)	(5.3)
Financing costs	(101.5)	(79.4)
Cash inflow before growth capex and payment of exceptional costs	**927.3**	**604.1**
Growth rental capital expenditure	(607.9)	(672.1)
Free cash flow	**319.4**	**(68.0)**
Business acquisitions	(421.1)	(68.4)
Total cash absorbed	**(101.7)**	**(136.4)**
Dividends	(116.1)	(81.5)
Purchase of own shares by the Company	(48.0)	-
Purchase of own shares by the ESOT	(7.2)	(12.0)
Increase in net debt due to cash flow	**(273.0)**	**(229.9)**

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

Cash inflow from operations before payment of exceptional costs and the net investment in the rental fleet increased by 35% to £1,444m. The cash conversion ratio for the year improved to 96% (2016: 91%) reflecting a lower increase in working capital and lower gains on disposal of rental equipment than in the prior year.

Total payments for capital expenditure (rental equipment, other PPE and purchased intangibles) during the year were £1,135m (2016: £1,234m). Disposal proceeds received totalled £161m (2016: £180m), giving net payments for capital expenditure of £974m in the year (2016: £1,054m). Financing costs paid totalled £102m (2016: £79m) while tax payments were £49m (2016: £5m).

Financing costs paid typically differ from the charge in the income statement due to the timing of interest payments in the year and non-cash interest charges.

Accordingly, the Group generated £927m (2016: £604m) of net cash before discretionary investments made to enlarge the size and hence earning capacity of its rental fleet and on acquisitions. After growth capital expenditure, there was a free cash inflow of £319m (2016: outflow of £68m) and, after acquisition expenditure of £421m (2016: £68m), a net cash outflow of £102m (2016: £136m).

Net debt

	2017 £m	2016 £m
First priority senior secured bank debt	1,449.2	1,055.2
Finance lease obligations	4.4	5.4
6.5% second priority senior secured notes, due 2022	699.4	618.2
5.625% second priority senior secured notes, due 2024	381.0	335.9
	2,534.0	2,014.7
Cash and cash equivalents	(6.3)	(13.0)
Total net debt	2,527.7	2,001.7

Net debt at 30 April 2017 was £2,528m with the increase since 30 April 2016 reflecting the net cash outflow set out above and the significant impact of weaker sterling (£228m). The Group's EBITDA for the year ended 30 April 2017 was £1,504m and the ratio of net debt to EBITDA was 1.7 times at 30 April 2017 (2016: 1.7 times) on a constant currency basis and 1.7 times (2016: 1.7 times) on a reported basis.

Financial risk management

The Group's trading and financing activities expose it to various financial risks that, if left unmanaged, could adversely impact on current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

The Group's activities expose it primarily to interest rate and currency risk. Interest rate risk is monitored on a continuous basis and managed, where appropriate, through the use of interest rate swaps whereas the use of forward foreign exchange contracts to manage currency risk is considered on an individual non-trading transaction basis. The Group is not exposed to commodity price risk or equity price risk as defined in IFRS 7.

Interest rate risk

The Group has fixed and variable rate debt in issue with 43% of the drawn debt at a fixed rate as at 30 April 2017. The Group's accounting policy requires all borrowings to be held at amortised cost. As a result, the carrying value of fixed rate debt is unaffected by changes in credit conditions in the debt markets and there is therefore no exposure to fair value interest rate risk. The Group's debt that bears interest at a variable rate comprises all outstanding borrowings under the senior secured credit facility. The interest rates currently applicable to this variable rate debt are LIBOR as applicable to the currency borrowed plus 150bp.

The Group periodically utilises interest rate swap agreements to manage and mitigate its exposure to changes in interest rates. However, during the year ended and as at 30 April 2017, the Group had no such swap agreements outstanding. The Group may, at times, hold cash and cash equivalents, which earn interest at a variable rate.

Currency exchange risk

Currency exchange risk is predominantly translation risk as there are no significant transactions in the ordinary course of business that take place between foreign entities. The Group's reporting currency is the pound sterling. However, a majority of our assets, liabilities, revenue and costs is denominated in US dollars. The Group has arranged its financing such that, at 30 April 2017, 94% of its debt was denominated in US (and Canadian) dollars so that there is a natural partial offset between its dollar-denominated net assets and earnings and its dollar-denominated debt and interest expense. At 30 April 2017, dollar denominated debt represented approximately 61% of the value of dollar-denominated net assets (other than debt). Based on the current currency mix of our profits and on dollar debt levels, interest and exchange rates at 30 April 2017, a 1% change in the US dollar exchange rate would impact pre-tax profit by £7m.

The Group's exposure to exchange rate movements on trading transactions is relatively limited. All Group companies invoice revenue in their respective local currency and generally incur expense and purchase assets in their local currency. Consequently, the Group does not routinely hedge either forecast foreign exchange exposures or the impact of exchange rate movements on the translation of overseas profits into sterling. Where the Group does hedge, it maintains appropriate hedging documentation. Foreign exchange risk on significant non-trading transactions (e.g. acquisitions) is considered on an individual basis.

Credit risk

The Group's principal financial assets are cash and bank balances and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group has a large number of unrelated customers, serving over 600,000 during the financial year, and does not have any significant credit exposure to any particular customer. Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the markets they serve. The Group believes that management of credit risk on a devolved basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management practice are observed across the Group, such as the use of credit reference agencies and the maintenance of credit control functions.

Liquidity risk

Liquidity risk is the risk that the Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment.

The Group generates significant free cash flow before investment (defined as cash flow from operations less replacement capital expenditure net of proceeds of asset disposals, interest paid and tax paid). This free cash flow before investment is available to the Group to invest in growth capital expenditure, acquisitions, dividend payments and other returns to shareholders or to reduce debt.

In addition to the strong free cash flow from normal trading activities, additional liquidity is available through the Group's senior secured debt facility. At 30 April 2017, availability under the $3.1bn facility was $1,305m (£1,008m).

Principal risks and uncertainties

The Group faces a number of risks and uncertainties in its day-to-day operations and it is management's role to mitigate and manage these risks. The Board has established a formal risk management process which has identified the following principal risks and uncertainties which could affect employees, operations, revenue, profits, cash flows and assets of the Group.

In addition, we are cognisant of the result of the referendum in favour of the UK leaving the European Union. Whilst we do not believe the impact of the UK leaving the European Union will have a material impact on the Group, we continue to monitor developments in this area and the impact on our UK business, which contributed 13% of Group revenue and 7% of Group underlying profit before taxation in 2016/17. The risk of the macro-economic effects of the UK leaving the EU is addressed through the Group's 'economic conditions' risk. In the period since the referendum, the principal impact on the Group has been due to weaker sterling which has increased the sterling value of our US dollar denominated revenue, profits and net assets. Our borrowing facilities are US dollar denominated, with the majority of our debt drawn in US dollars, weaker sterling has had minimal impact on our availability.

<u>Economic conditions</u>

Potential impact
In the longer term, there is a link between demand for our services and levels of economic activity. The construction industry, which affects our business, is cyclical and typically lags the general economic cycle by between 12 and 24 months.

Mitigation
- Prudent management through the different phases of the cycle.
- Flexibility in the business model.
- Capital structure and debt facilities arranged in recognition of the cyclical nature of our market and able to withstand market shocks.

Change
Our performance is benefiting from the economic cycle and we expect to see further upside as the economic recovery continues. However, our longer term planning is focused on the next downturn to ensure we have the financial firepower at the bottom of the cycle to achieve the next 'step-change' in business performance.

<u>Competition</u>

Potential impact
The already competitive market could become even more competitive and we could suffer increased competition from large national competitors or small companies operating at a local level resulting in reduced market share and lower revenue.

Mitigation
- Create commercial advantage by providing the highest level of service, consistently and at a price which offers value.
- Differentiation of service.
- Excel in the areas that provide barriers to entry to newcomers: industry-leading IT, experienced personnel and a broad network and equipment fleet.
- Regularly estimate and monitor our market share and track the performance of our competitors.

Change
Our competitive position continues to improve. We are growing faster than our larger competitors and the market, and continue to take market share from our smaller, less well financed competitors. We have 7% market share in the US and 7% in the UK.

Financing

Potential impact
Debt facilities are only ever committed for a finite period of time and we need to plan to renew our facilities before they mature and guard against default. Our loan agreements also contain conditions (known as covenants) with which we must comply.

Mitigation
- Maintain conservative (1.5 to 2 times) net debt to EBITDA leverage which helps minimise our refinancing risk.
- Maintain long debt maturities.
- Use of an asset-based senior facility means none of our debt contains quarterly financial covenants when availability under the facility exceeds $310m.

Change
At 30 April 2017, our facilities were committed for an average of four years, leverage was at 1.7 times and availability under the senior debt facility was $1,305m.

Business continuity

Potential impact
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. A cyber security incident could lead to a loss of commercially sensitive data, a loss of data integrity within our systems or loss of financial assets through fraud. A cyber attack or serious uncured failure in our systems could result in us being unable to deliver service to our customers. As a result, we could suffer reputational loss, financial loss and penalties.

Mitigation
- Robust and well-protected data centres with multiple data links to protect against the risk of failure.
- Detailed business recovery plans which are tested periodically.
- Separate near-live back-up data centres which are designed to be able to provide the necessary services in the event of a failure at the primary site.
- Use of antivirus and malware software, firewalls, email scanning and internet monitoring as an integral part of our security plan.

Change
Our business continuity plans were reviewed and updated during the year and our disaster recovery plans were tested successfully.

People

Potential impact
Retaining and attracting good people is key to delivering superior performance and customer service.

Excessive staff turnover is likely to impact on our ability to maintain the appropriate quality of service to our customers and would ultimately impact our financial performance adversely.

Mitigation
- Provide well-structured and competitive reward and benefit packages that ensure our ability to attract and retain the employees we need.
- Ensure that our staff have the right working environment and equipment to enable them to do the best job possible and maximise their satisfaction at work.

- Invest in training and career development opportunities for our people to support them in their careers.

Change
Our compensation and incentive programmes have continued to evolve to reflect market conditions and the economic environment. Staff turnover was at a similar level to the prior year as our well-trained, knowledgeable staff have become targets for our competitors.

We continue to invest in training and career development with over 250 courses offered across both businesses.

<u>Health and safety</u>

Potential impact
We need to comply with laws and regulations governing occupational health and safety matters. Furthermore, accidents could happen which might result in injury to an individual, claims against the Group and damage to our reputation.

Mitigation
- Maintain appropriate health and safety policies and procedures regarding the need to comply with laws and regulations and to reasonably guard our employees against the risk of injury.
- Induction and training programmes reinforce health and safety policies.
- Programmes to support our customers exercising their responsibility to their own workforces when using our equipment.
- Maintain appropriate insurance coverage.

Change
The overall incident rate continued to decrease in Sunbelt and A-Plant. In terms of reportable incidents, the RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) reportable rate increased to 0.32 (2016: 0.27) in Sunbelt and decreased to 0.20 in A-Plant (2016: 0.42).

<u>Environmental</u>

Potential impact
We need to comply with the numerous laws governing environmental protection matters. These laws regulate such issues as wastewater, stormwater, solid and hazardous wastes and materials, and air quality. Breaches potentially create hazards to our employees, damage to our reputation and expose the Group to, amongst other things, the cost of investigating and remediating contamination and also fines and penalties for non-compliance.

Mitigation
- Policies and procedures in place at all our stores regarding the need to adhere to local laws and regulations.
- Procurement policies reflect the need for the latest available emissions management and fuel efficiency tools in our fleet.
- Monitoring and reporting of carbon emissions.

Change
We continue to seek to reduce the environmental impact of our business and invest in technology to reduce the environmental impact on our customers' businesses. In 2016/17 we reduced our carbon emission intensity ratio to 79 (2016: 93) in Sunbelt and 80 (2016: 91) in A-Plant.

Laws and regulations

Potential impact
Failure to comply with the frequently changing regulatory environment could result in reputational damage or financial penalty.

Mitigation
- Maintaining a legal function to oversee management of these risks and to achieve compliance with relevant legislation.
- Group-wide ethics policy and whistle-blowing arrangements.
- Evolving policies and practices to take account of changes in legal obligations.
- Training and induction programmes ensure our staff receive appropriate training and briefing on the relevant policies.

Change
We monitor regulatory and legislation changes to ensure our policies and practices reflect them and we comply with relevant legislation.

Our whistle-blowing arrangements are well established and the Company Secretary reports matters arising to the Audit Committee during the course of the year. During the year over 2,200 people in Sunbelt and 1,100 people in A-Plant underwent induction training and additional training programmes were undertaken in safety.

OPERATING STATISTICS

	Number of rental stores		Staff numbers	
	2017	2016	2017	2016
Sunbelt	629	559	10,734	10,125
A-Plant	179	156	3,473	2,968
Corporate office	-	-	13	13
Group	808	715	14,220	13,106

Sunbelt's rental store number includes 23 Sunbelt at Lowes stores at 30 April 2017 (2016: 25).

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 are commonly used by investors or across the industry and which the directors have adopted in order to provide additional useful information on the underlying trends, performance and position of the Group. The APMs are not defined by IFRS and therefore may not be directly comparable with other companies' APMs.

Availability: represents the amount on a given date that can be borrowed in addition to any current borrowings under the terms of our $3.1bn asset-backed senior bank facility.

Capital expenditure: represents additions to rental equipment and other tangible assets (excluding assets acquired through a business combination).

Cash conversion ratio: represents cash flow from operations before exceptional items and changes in rental equipment as a percentage of underlying EBITDA.

Constant currency: calculated by applying the current period exchange rate to the comparative period result.

Dollar utilisation: dollar utilisation is trailing 12-month rental revenue divided by average fleet at original (or 'first') cost measured over a 12-month period.

EBITDA: EBITDA is earnings before interest, tax, depreciation and amortisation. A reconciliation of EBITDA is shown on the income statement.

Drop-through: calculated as the incremental rental revenue which converts into EBITDA.

Exceptional items: those items that are material and non-recurring in nature that the Group believes should be disclosed separately to assist in the understanding of the financial performance of the Group. Details are provided in note 5 of the condensed financial statements.

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.

Free cash flow: cash generated from operating activities less net capital expenditure, interest and tax paid. Net capital expenditure comprises payments for capital expenditure less disposal proceeds received in relation to rental equipment and other asset disposals.

Leverage: leverage is net debt divided by underlying EBITDA. Leverage calculated at constant exchange rates uses the current period exchange rate.

Net debt: net debt is total debt less cash balances, as reported. An analysis of net debt is provided in note 13(b) of the condensed financial statements.

Physical utilisation: physical utilisation is measured as the daily average of the amount of itemised fleet at cost on rent as a percentage of the total fleet at cost and for Sunbelt is measured only for equipment whose cost is over $7,500.

Return on Investment ("RoI"): last 12-month underlying operating profit divided by the last 12-month average of the sum of net tangible and intangible fixed assets, plus net working capital but excluding net debt, deferred tax and fair value measurements. Amounts relating to Sunbelt and A-Plant exclude goodwill and intangible assets.

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.

Staff turnover: staff turnover is calculated as the number of leavers in a year (excluding redundancies) divided by the average headcount during the year.

Suppressed availability: represents the amount on a given date that the asset base exceeds the facility size under the terms of our $3.1bn asset-backed senior bank facility.

Underlying: underlying results are results stated before exceptional items and the amortisation of acquired intangibles. A reconciliation is shown on the income statement.

Yield: is the return we generate from our equipment. The change in yield is a combination of the rental rate charged, rental period and product and customer mix.