Ashtead group

Powering the platform

Half-year results

10 December 2019

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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 32-35 of the Group's Annual Report and Accounts for the year ended 30 April 2019 and in the unaudited results for the second quarter ended 31 October 2019 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.

HIGHLIGHTS

- Strong growth in revenue and profitability
- North American markets continue to demonstrate strength
- Good progress in our market development through greenfields and key bolt-on acquisitions
- Invested £1bn in capital expenditure and £231m on bolt-ons
- Completed £250m in share buybacks
- Leverage maintained within our 1.5 to 2.0 times net debt to EBITDA range (excluding the impact of IFRS 16)
- Interim dividend increased by 10% to 7.15p per share
- Outlook remains positive and we continue to look to the medium term with confidence

Michael Pratt
Financial review

GROUP

(£m)	2019 As reported	2019 IFRS 16 impact	2019 Pre IFRS 16	2018	Change[1]
Revenue	**2,681**	**-**	**2,681**	**2,250**	**14%**
- of which rental	2,447	-	2,447	2,074	13%
Operating costs	(1,354)	(50)	(1,404)	(1,151)	17%
EBITDA	**1,327**	**(50)**	**1,277**	**1,099**	**11%**
Depreciation	(526)	44	(482)	(397)	17%
Operating profit	**801**	**(6)**	**795**	**702**	**8%**
Net interest	(111)	21	(90)	(69)	25%
Profit before amortisation and tax	**690**	**15**	**705**	**633**	**6%**
Earnings per share	**111.8p**	**2.4p**	**114.2p**	**98.8p**	**11%**
Margins					
- *EBITDA*	*49%*		*48%*	*49%*	
- *Operating profit*	*30%*		*30%*	*31%*	

The results in the table above are the Group's underlying results and are stated before intangible amortisation

[1] At constant exchange rates and excluding the impact of IFRS 16

SUNBELT US

($m)	Half year 2019 As reported	Half year 2019 Pre IFRS 16	2018	Change[1]
Revenue	**2,887**	**2,887**	**2,500**	**15%**
- of which rental	2,667	2,667	2,329	15%
Operating costs	(1,385)	(1,438)	(1,222)	18%
EBITDA	**1,502**	**1,449**	**1,278**	**13%**
Depreciation	(555)	(509)	(431)	18%
Operating profit	**947**	**940**	**847**	**11%**
Margins				
- *EBITDA*	*52%*	*50%*	*51%*	
- *Operating profit*	*33%*	*33%*	*34%*	
Return on investment	*22%*	*23%*	*24%*	

The results in the table above are Sunbelt US's underlying results and are stated before intangible amortisation

[1] Excluding the impact of IFRS 16

SUNBELT CANADA

(C$m)	Half year 2019 As reported	Half year 2019 Pre IFRS 16	Half year 2018	Half year Change[1]
Revenue	**200**	**200**	**167**	**20%**
- of which rental	167	167	140	19%
Operating costs	(115)	(120)	(100)	19%
EBITDA	**85**	**80**	**67**	**20%**
Depreciation	(45)	(40)	(31)	32%
Operating profit	**40**	**40**	**36**	**10%**
Margins				
- *EBITDA*	*42%*	*40%*	*40%*	
- *Operating profit*	*20%*	*20%*	*22%*	
Return on investment	*11%*	*11%*	*12%*	

The results in the table above are Sunbelt Canada's underlying results and are stated before intangible amortisation
[1] Excluding the impact of IFRS 16

A-PLANT

(£m)	Half year			
	2019		2018	Change[1]
	As reported	Pre IFRS 16		
Revenue	**256**	**256**	**251**	**2%**
- of which rental	218	218	221	-2%
Operating costs	(170)	(175)	(156)	12%
EBITDA	**86**	**81**	**95**	**-14%**
Depreciation	(56)	(51)	(51)	2%
Operating profit	**30**	**30**	**44**	**-33%**
Margins				
- *EBITDA*	*34%*	*32%*	*38%*	
- *Operating profit*	*12%*	*12%*	*18%*	
Return on investment	*7%*	*7%*	*10%*	

The results in the table above are A-Plant's underlying results and are stated before intangible amortisation
[1] Excluding the impact of IFRS 16

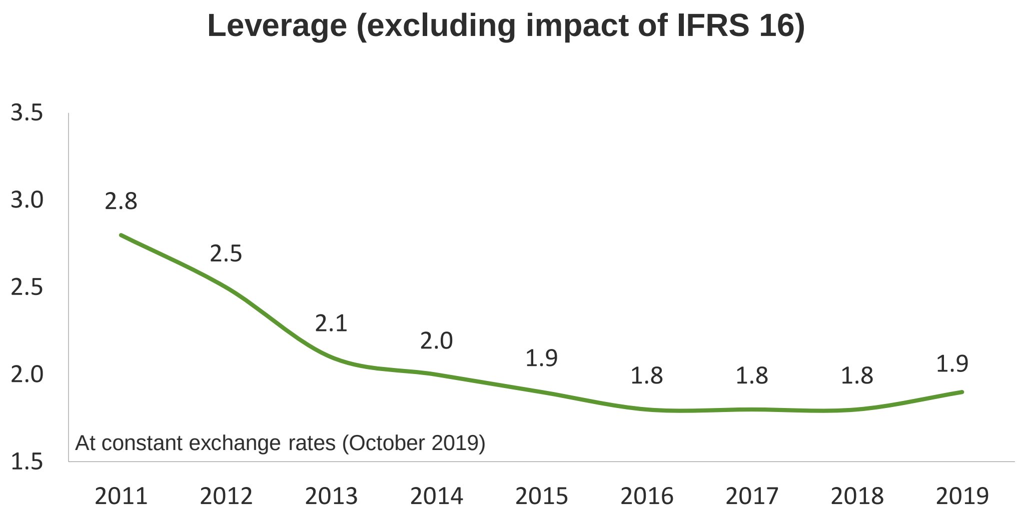
CASH FLOW

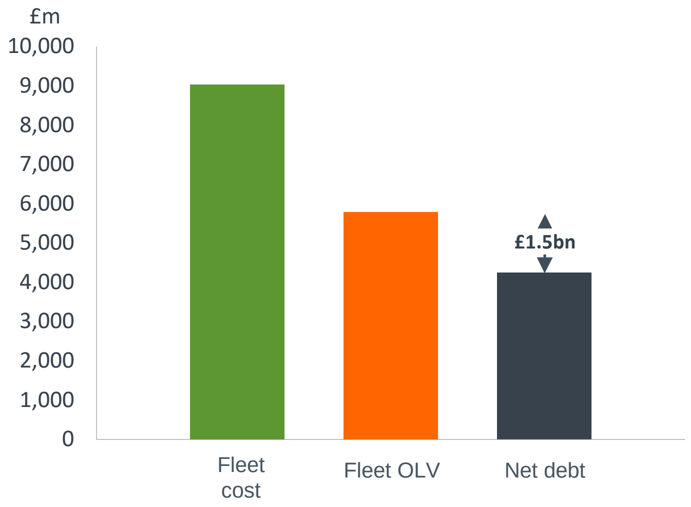
(£m)	2019	2018	Change[3]
EBITDA before exceptional items	1,327	1,099	11%
Cash conversion ratio[1]	*93%*	*88%*	
Cash inflow from operations[2]	**1,228**	**967**	16%
Replacement and non-rental capital expenditure	(412)	(348)	
Rental equipment and other disposal proceeds received	110	97	
Interest and tax paid	(173)	(83)	
Cash inflow before discretionary expenditure	**753**	**633**	
Growth capital expenditure	(525)	(611)	
Free cash flow	**228**	**22**	
Business acquisitions	(246)	(335)	
Dividends paid	(154)	(133)	
Purchase of own shares by the Company / ESOT	(267)	(224)	
Increase in net debt	**(439)**	**(670)**	

1 Cash inflow from operations as a percentage of EBITDA
2 Before fleet changes and exceptional items
3 At constant exchange rates and excluding the impact of IFRS 16

NET DEBT AND LEVERAGE

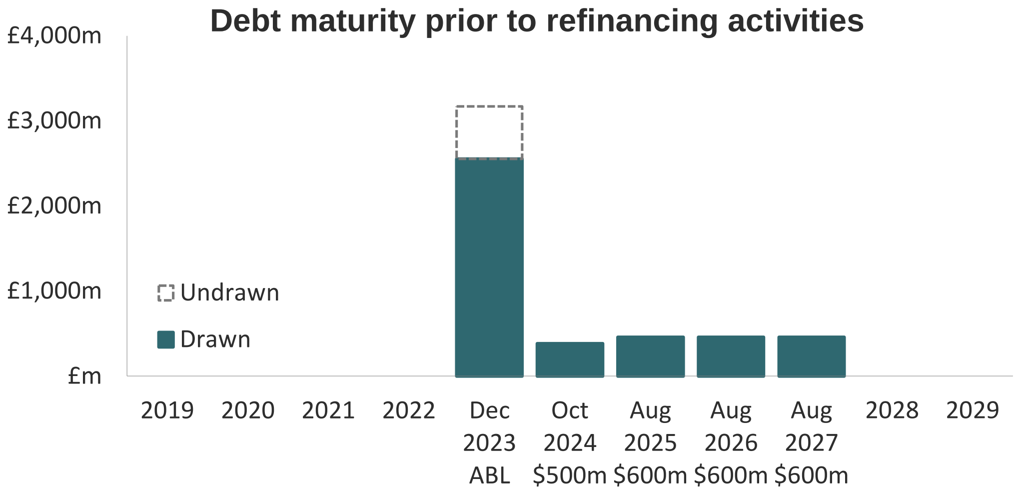
(£m)	2019	2018
Net debt at 30 April	**3,745**	**2,712**
Impact of transition to IFRS 16	883	-
Opening debt including IFRS 16	**4,628**	**2,712**
Translation impact	30	200
Opening debt at closing exchange rates	**4,658**	**2,912**
Change from cash flows	439	670
New lease liabilities	137	1
Debt acquired	-	27
Deferred debt raising cost amortisation	3	2
Net debt at 31 October	**5,237**	**3,612**
Comprising:		
First lien senior secured bank debt	2,500	1,854
Second lien secured notes	1,757	1,776
Lease obligations	999	5
Cash in hand	(19)	(23)
	5,237	**3,612**
Net debt to EBITDA leverage[1] (x)	1.9	1.8
Net debt to EBITDA leverage (pro forma)[2] (x)	2.2	n/a

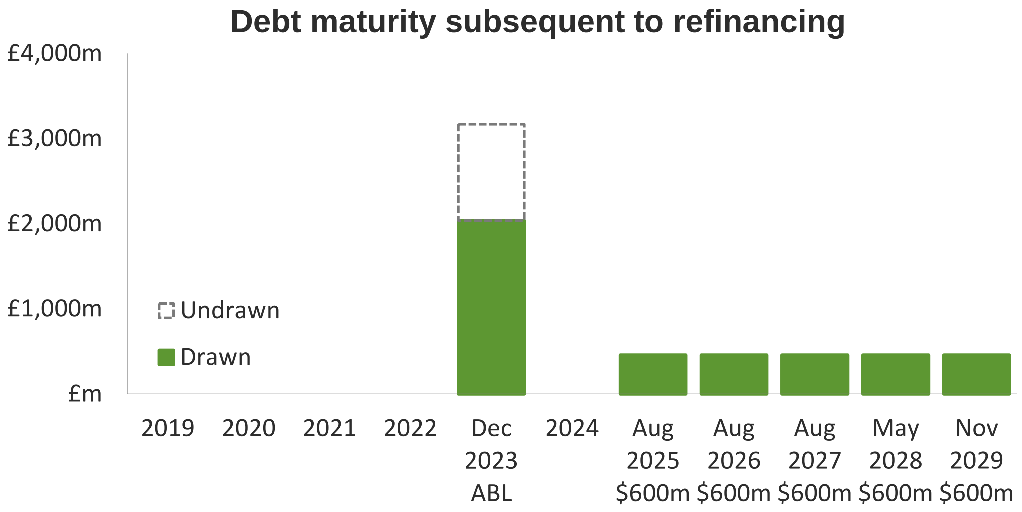




[1] At October 2019 exchange rates, excluding the impact of IFRS 16
[2] Determined on a pro forma basis adjusted for the impact of IFRS 16

ROBUST AND FLEXIBLE DEBT STRUCTURE





- In November, refinanced $500m 5.625% notes due 2024
  - $600m 4.0% notes due 2028
  - $600m 4.25% notes due 2029
- Subsequent to refinancing, facilities committed for average of 6 years at a weighted average cost of 4%
- Fixed / floating external borrowings ratio: 54% / 46%
- No financial monitoring covenants whilst availability exceeds $410m (October 2019: $1,001m) and no amortisation
- Early redemption of $500m notes due 2024 will give rise to exceptional charges of £16m ($21m) in the third quarter relating to the call premium, duplicate interest and write off of deferred financing costs
- Investment grade credit ratings

Brendan Horgan

Operational review

STRONG REVENUE GROWTH CONTINUES

	2019/20 plan	Q1	Q2	H1
Organic growth	9 – 12%	12%	8%	10%
Bolt-ons	2 – 3%	6%	4%	5%
	11 – 15%	18%	12%	15%

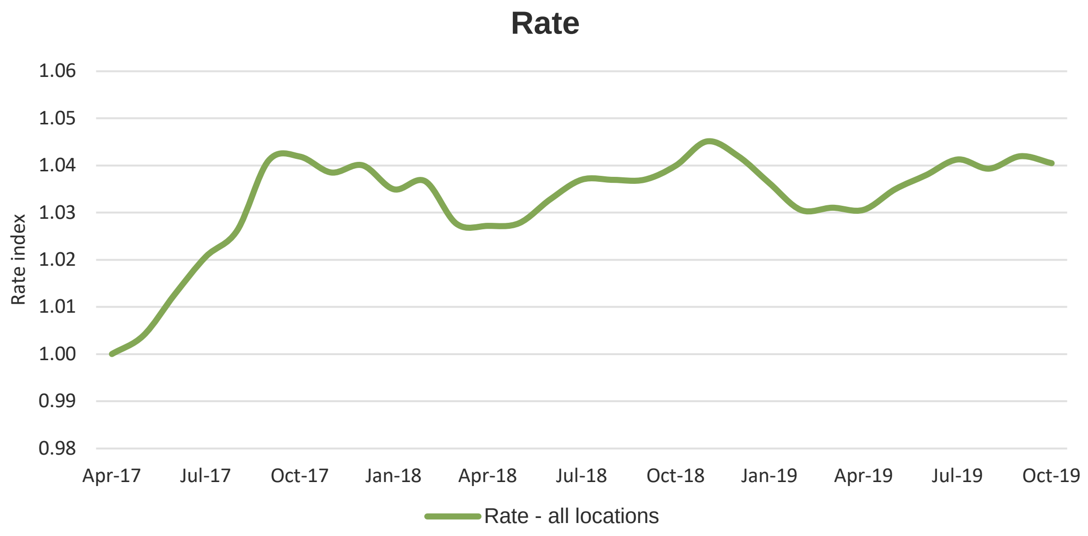
Sunbelt US rental only revenue presented on a billing day basis

- We continue to gain share with growth three times the pace of the market
- Project 2021 progress continues through greenfield and bolt-on additions
- Underlying revenue growth stronger taking account of hurricane impacted comparatives

HURRICANE IMPACT

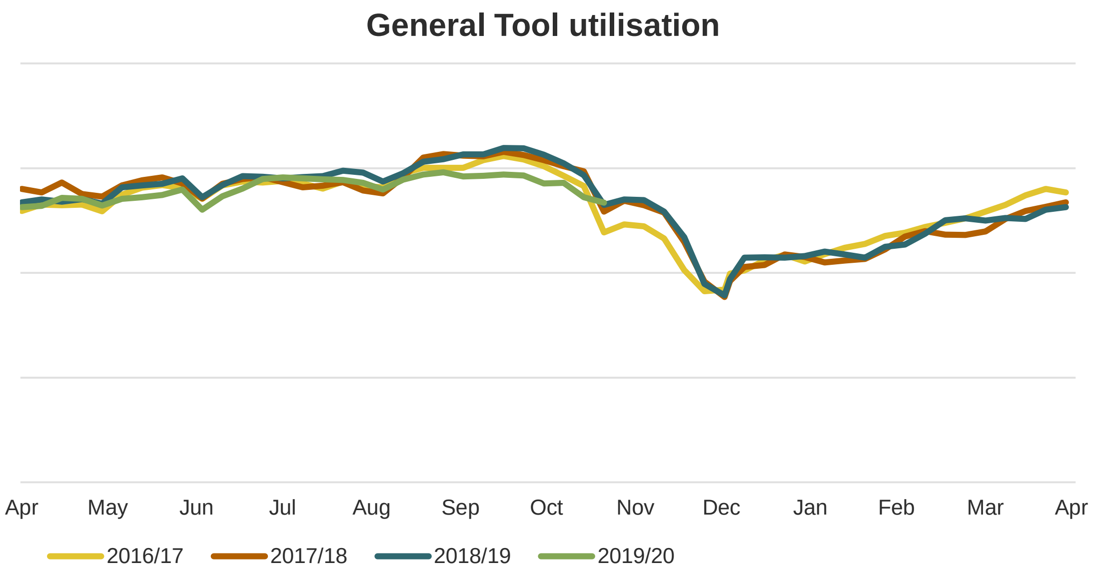
	Q2 2019	Q2 2018	
Underlying rental revenue	1,116	977	+14%
Hurricane	-	19	-100%
Rental revenue	1,116	996	+12%

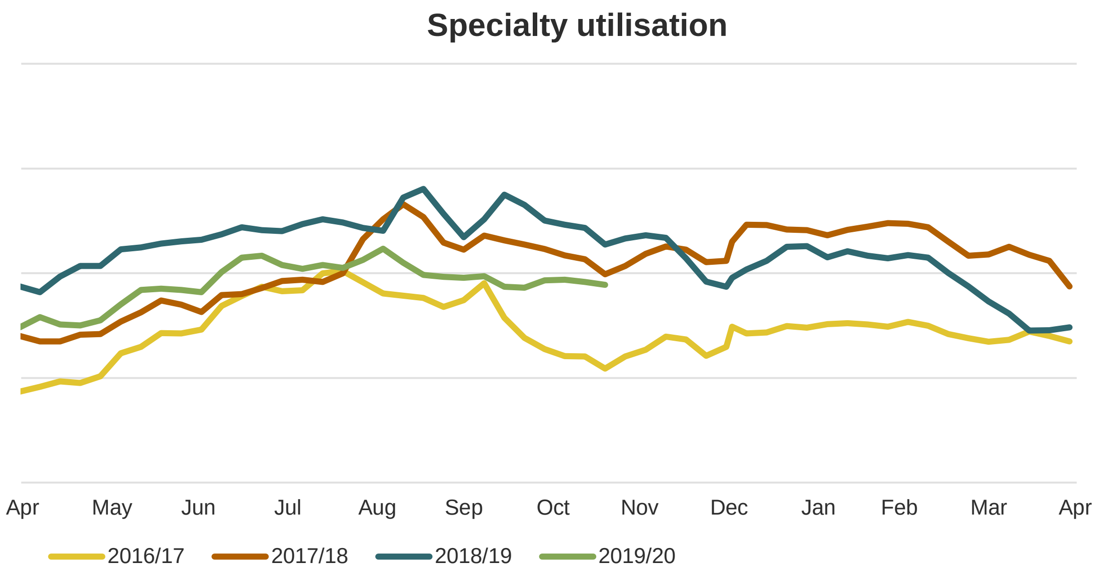
Rental only revenue; hurricane impact includes Puerto Rico



- Quieter 2019 hurricane season impacts reported figures:
  - Underlying rental revenue growth stronger than reported
  - Impacts comparable period metrics in the short-term
- Healthy rate environment supported by strong demand
- Similar impact in the second half of the year

DEMAND REMAINS STRONG THROUGHOUT OUR BUSINESS





- Strong utilisation of a fleet 18% larger than a year ago resulting in:
  - General Tool average fleet on rent up 14%
  - Specialty average fleet on rent up 22%

Sunbelt US metrics

PROJECT 2021: 229 LOCATIONS ADDED IN TEN QUARTERS

	2017/18	2018/19	H1 2019/20	Total
Specialty				
- Greenfield	26	48	16	90
- Bolt-ons	3	40	7	50
Total	**29**	**88**	**23**	**140**
General tool				
- Greenfield	16	22	12	50
- Bolt-ons	17	13	9	39
Total	**33**	**35**	**21**	**89**
Total	**62**	**123**	**44**	**229**

Sunbelt US only

FY18-FY20 cohort:

- Highly profitable cold / warm starts
- Good balance between specialty and general tool
- Rental fleet at cost: $1.4bn
- Last twelve month revenue: $760m
- Drag on metrics:

	Utilisation	Rate	Margin
FY18 – FY20 cohort v. all other stores	– 8%	– 5%	– 7%

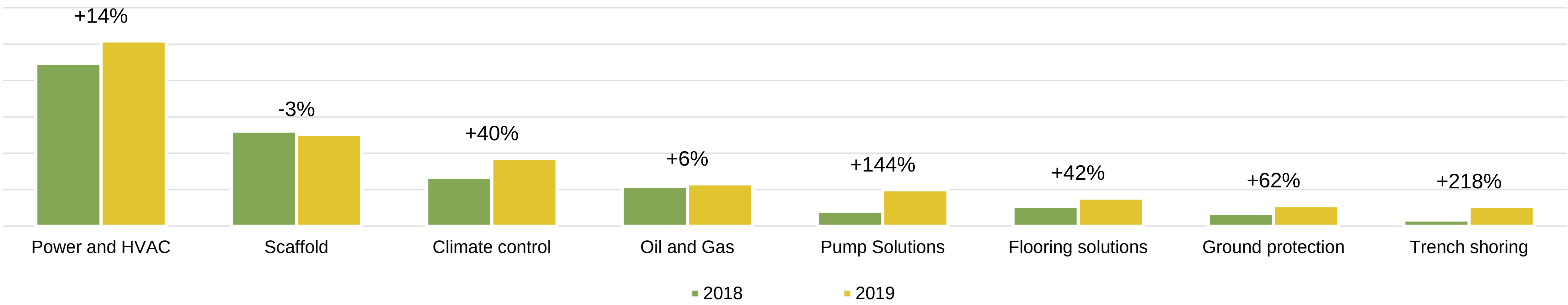
MARKET SHARE GROWTH AND DIVERSIFICATION

	Rental revenue growth	Relative to market
General tool	**12%**	**2x**
- Organic	9%	
- Bolt-on	3%	
Specialty	**23%**	**4x**
- Organic	13%	
- Bolt-on	10%	
Total Sunbelt	**15%**	**3x**

Sunbelt US only

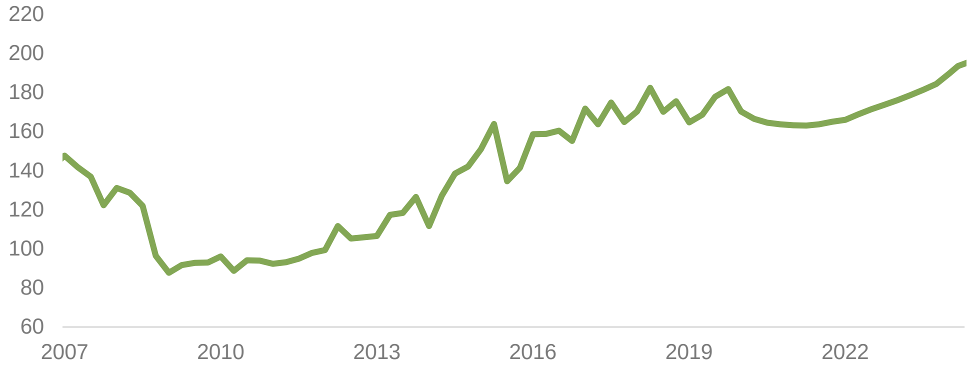
- Pace of growth demonstrates power of the Sunbelt platform to build the business
- Specialty predominately non-construction focused
- Specialty growing more rapidly due to:
  - Project 2021 strategy
  - Absolute size of identified end markets
  - Early phase of structural change

Specialty rental revenue growth



US CONSTRUCTION MARKET OUTLOOK

Dodge construction starts
Indexed: 2000=100



Source: Dodge Data & Analytics (November 2019)

Construction spending put in place

	History			Forecast				
	2016	2017	2018	2019	2020	2021	2022	2023
Market ($bn)	1,211	1,266	1,307	1,314	1,325	1,269	1,286	1,349
Market growth	+7%	+4%	+3%	+1%	+1%	-4%	+1%	+5%

Source: Dodge Data & Analytics (September 2019)

US rental market forecasts

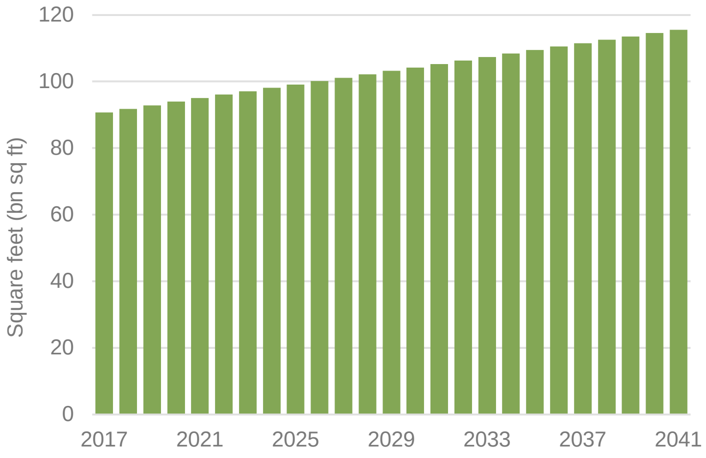
	2019	2020	2021	2022	2023
Industry rental revenue	+6%	+3%	+3%	+4%	+3%

Source: IHS Markit (November 2019)

- Construction backlog indicator at near peak levels
- Office construction forecast strength continues, supported by data centres
- Multi-family housing forecasting strength

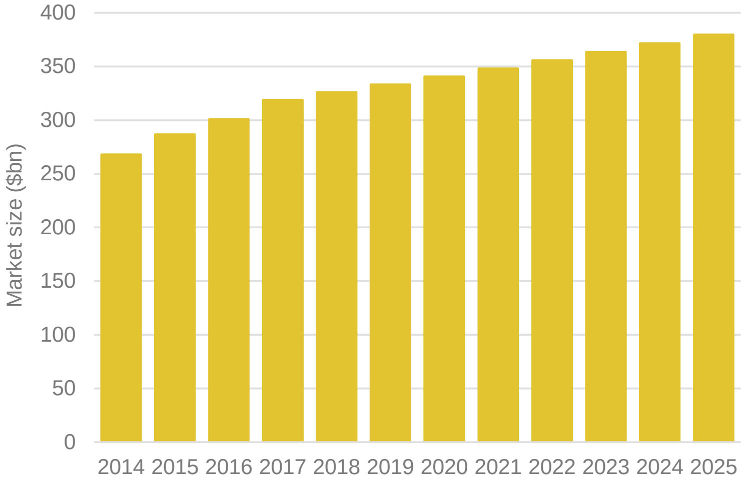
OUR END MARKETS GO FAR BEYOND CONSTRUCTION

Commercial square feet under roof



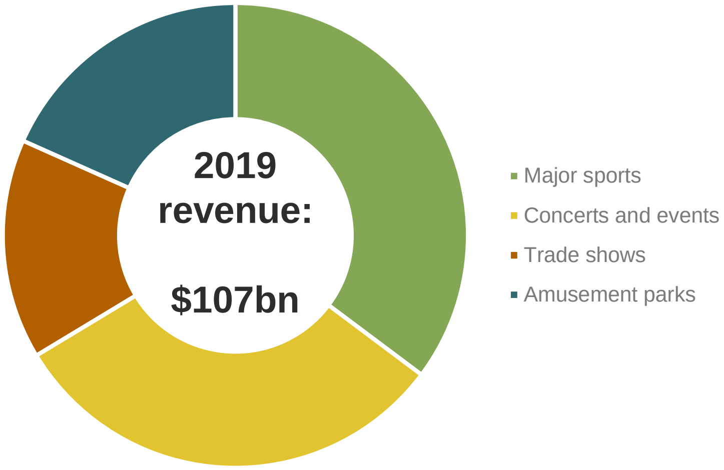
Source: US Energy Information Administration (January 2019)

Facility maintenance market



Source: Global FM

Live entertainment and events market



Source: IBISWorld

Participation in non-construction markets

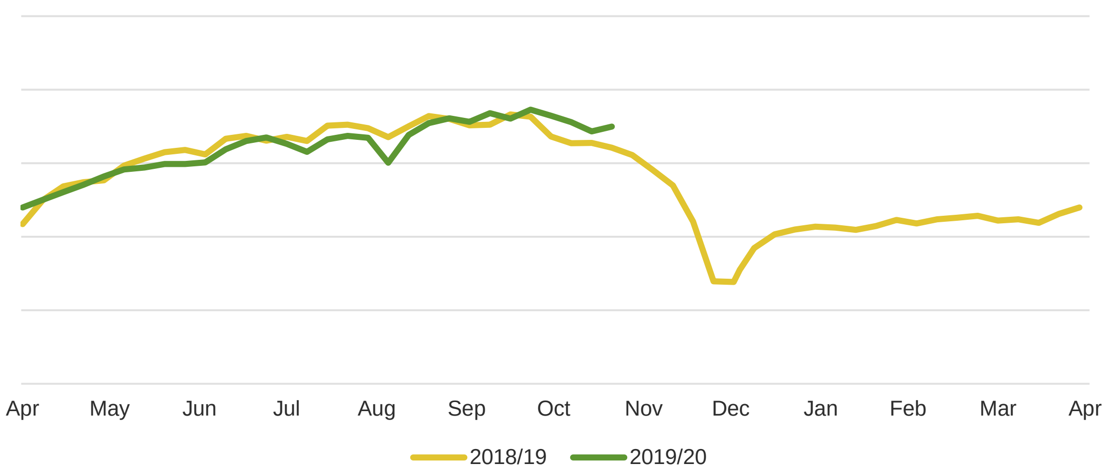
- Remediation and restoration
- Climate control
- Event products and services
- Temporary & emergency power
- Cleaning and janitorial equipment

- Total non-construction market is large and forecast for continued growth
- Significant portion of our specialty business end market
- General tool business increasingly benefits through cross-selling
- Early stages of rental penetration
- Providing non-construction customers with alternative to capex

SUNBELT CANADA

- Organic rental revenue growth of 10% (5x market growth)
- Continuing expansion with three greenfield locations opened and one acquisition in the half year
- Advancing our clustering model in top markets; with an emphasis on specialty
- Long runway for growth

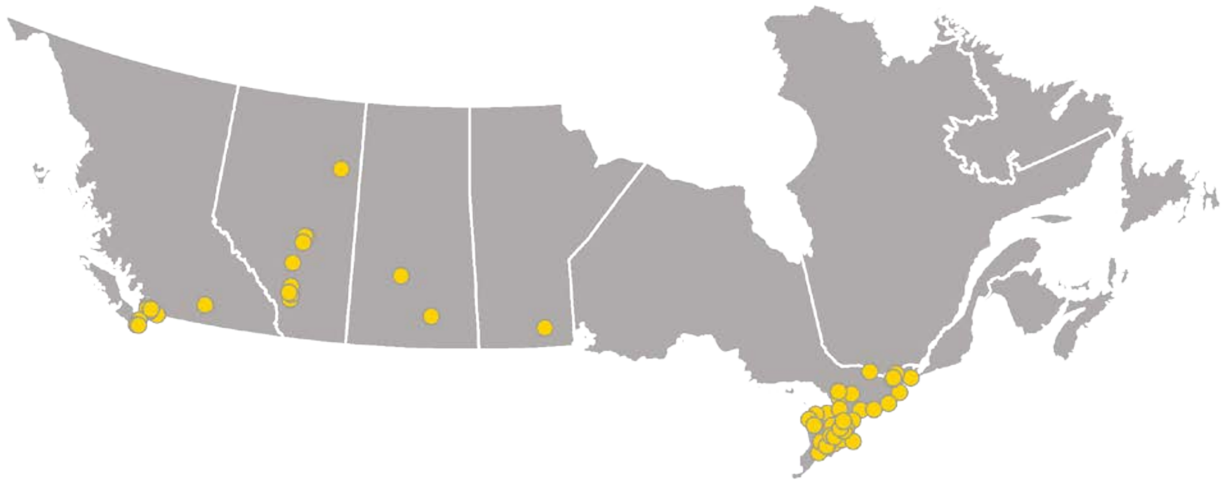
Physical utilisation



Canadian rental market forecasts

	2019	2020	2021	2022	2023
Rental market (C$bn)	7.3	7.5	7.9	8.1	8.4
Industry rental revenue	+2%	+3%	+5%	+3%	+3%

Source: IHS Markit (November 2019)



EXPANDING SPECIALTY OPPORTUNITIES IN CANADA

William F. White International

- Canada's largest provider of film and television production equipment, services and studio facilities
  - 6 equipment rental locations from Vancouver to Halifax
  - 7 studios in Vancouver and Toronto
  - Revenue of c. C$125m with margins similar to our expectations for our existing business in the near term
- Strong and experienced leadership team
- Blue-chip customer base including studios, content creators and media companies
- Cross selling opportunities
- Secular tailwinds
- North American expansion opportunity

Project Unify

- Project Unify underway:
  - Simplification of go-to-market message
  - Leveraging cross-selling opportunities across the platform
  - Highest customer service standards
  - Maximise operational leverage
  - Right-size rental fleet to match market demand
  - Positioning for the future

- Delivering on free cash flow: £62m in the period (2018: £30m)

- Will deliver free cash flow > £100m in the full year

UK industry forecasts

	2018	2019	2020	2021
Rental market (£bn)	6.0	6.0	6.1	6.1
Construction industry	+1%	nil%	+1%	+1%

Source: European Rental Association / IHS Markit (2019); Construction Products Association (Autumn 2019)

Market dynamics – infrastructure projects

HS2	AMP 7	Hinkley Point
Transmission	CP6	Silvertown Tunnel

GROUP FLEET PLAN FOR 2019/20

			2019 Actual	2020 H1	2020 Plan[1]
Sunbelt US ($m)	- rental fleet	- replacement	480	324	500 – 600
		- growth	1,127	725	1,000 – 1,100
	- non-rental fleet		168	135	175
			1,775	1,184	1,675 – 1,875
Sunbelt Canada (C$m)	- rental fleet	- replacement	56	43	40 – 50
		- growth	100	40	50 – 60
	- non-rental fleet		20	9	20
			176	92	110 – 130
A-Plant (£m)	- rental fleet	- replacement	61	32	55 – 65
		- growth	34	-	-
	- non-rental fleet		30	11	20
			125	43	75 – 85
Group (£m)	Capital plan (gross)		1,587	1,010	1,430 – 1,600
	Disposal proceeds		(202)	(144)	(160 – 190)
	Capital plan (net)		1,385	866	1,270 – 1,410

[1] Stated at £1 = $1.30 and £1 = C$1.70

CAPITAL ALLOCATION

1. Organic growth
    - £1,010m invested in the business
    - 31 greenfields opened

2. Bolt-on acquisitions
    - £231m spent on bolt-ons
    - 19 locations added

3. Returns to shareholders
    - Interim dividend increased to 7.15p (2018: 6.5p)
    - £250m spent under the buyback programme
    - Minimum of £500m to be spent on buybacks in 2019/20

SUMMARY

- North American markets continue to demonstrate strength
- Good progress in our market development through greenfields and key bolt-on acquisitions
- Long runway for growth taking advantage of structural change and continuing development of our diverse end markets
- Strong cash generation as we focus on responsible growth
- The Board continues to look to the medium term with confidence

Appendices

DIVISIONAL PERFORMANCE – Q2

	Revenue			EBITDA			Profit		
	2019	2018	Change[1]	2019	2018	Change[1]	2019	2018	Change[1]
Sunbelt US ($m)	1,507	1,333	13%	786	688	14%	500	461	8%
Sunbelt Canada (C$m)	106	90	17%	47	38	24%	24	22	11%
Sunbelt US (£m)	1,214	1,025	19%	633	529	20%	402	355	14%
A-Plant	125	125	0%	42	48	-11%	15	22	-33%
Sunbelt Canada	64	53	20%	29	22	28%	15	13	15%
Group central costs	-	-		(4)	(4)	13%	(4)	(4)	17%
	1,403	1,203	17%	700	595	18%	428	386	11%
Net financing costs							(57)	(38)	51%
Profit before amortisation and tax							371	348	7%
Amortisation							(15)	(12)	25%
Profit before taxation							356	336	6%
Taxation							(90)	(84)	7%
Profit after taxation							266	252	6%
Margins as reported									
- *Sunbelt US*				*52%*	*52%*		*33%*	*35%*	
- *A-Plant*				*34%*	*38%*		*12%*	*18%*	
- *Sunbelt Canada*				*45%*	*42%*		*23%*	*24%*	
- *Group*				*50%*	*49%*		*31%*	*32%*	

[1] As reported
nm – not meaningful

DIVISIONAL PERFORMANCE – LTM

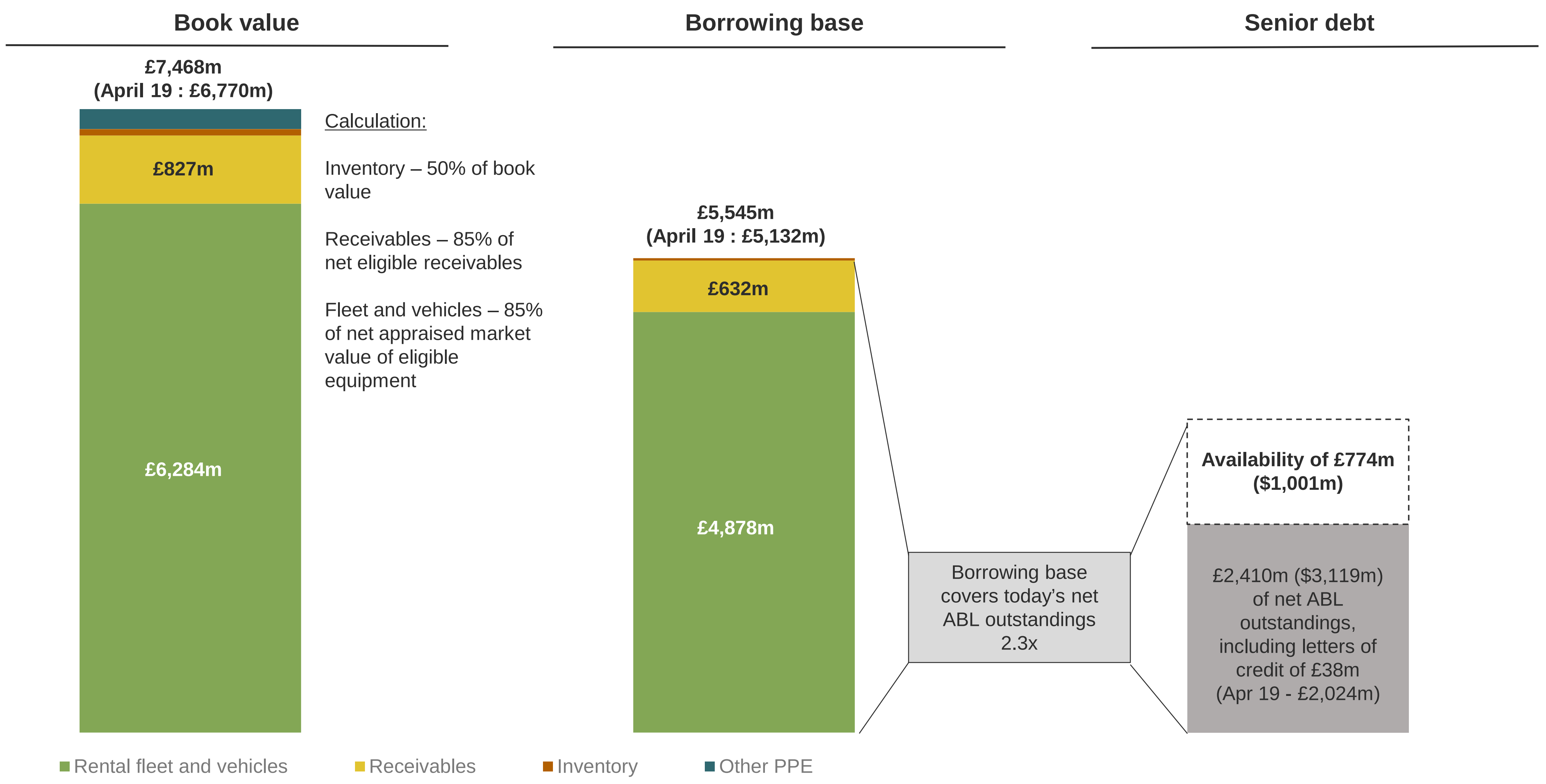
	Revenue			EBITDA			Profit		
	2019	2018	Change[1]	2019	2018	Change[1]	2019	2018	Change[1]
Sunbelt US ($m)	5,376	4,569	18%	2,677	2,264	18%	1,645	1,438	14%
Sunbelt Canada (C$m)	377	300	26%	142	98	46%	59	44	35%
Sunbelt US (£m)	4,227	3,406	24%	2,108	1,688	25%	1,296	1,071	21%
A-Plant	480	477	1%	159	170	-6%	48	68	-29%
Sunbelt Canada (£m)	223	174	28%	84	56	49%	35	25	39%
Group central costs	-	-		(16)	(16)	1%	(17)	(16)	3%
	4,930	4,057	22%	2,335	1,898	23%	1,362	1,148	19%
Net financing costs							(195)	(124)	57%
Profit before amortisation, exceptional items and tax							1,167	1,024	14%
Amortisation and exceptional items							(57)	(45)	27%
Profit before taxation							1,110	979	13%
Taxation							(281)	130	nm
Profit after taxation							829	1,109	-25%
Margins as reported									
- *Sunbelt US*				*50%*	*50%*		*31%*	*31%*	
- *A-Plant*				*33%*	*36%*		*10%*	*14%*	
- *Sunbelt Canada*				*38%*	*33%*		*16%*	*15%*	
- *Group*				*47%*	*47%*		*28%*	*28%*	

[1] As reported
nm – not meaningful

CASH FLOW FUNDS ALL FLEET INVESTMENT

(£m)	LTM Oct-19	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
EBITDA before exceptional items	**2,335**	**2,107**	**1,733**	**1,504**	**1,178**	**908**	**685**	**519**	**381**	**284**	**255**	**356**	**364**	**310**	**225**	**170**
EBITDA margin	47%	47%	47%	47%	46%	45%	42%	38%	34%	30%	30%	30%	33%	35%	35%	32%
Cash inflow from operations before fleet changes and exceptionals	**2,304**	**2,043**	**1,681**	**1,444**	**1,071**	**841**	**646**	**501**	**365**	**280**	**266**	**374**	**356**	**319**	**215**	**165**
Cash conversion ratio	99%	97%	97%	96%	91%	93%	94%	97%	96%	99%	104%	104%	94%	97%	96%	97%
Replacement capital expenditure	(706)	(642)	(517)	(527)	(562)	(349)	(335)	(329)	(272)	(203)	(43)	(236)	(231)	(245)	(167)	(101)
Disposal proceeds	205	192	161	161	180	103	102	96	90	60	31	92	93	78	50	36
Interest and tax	(284)	(194)	(208)	(151)	(85)	(95)	(56)	(48)	(57)	(71)	(54)	(64)	(83)	(69)	(41)	(31)
Cash flow before discretionary items	**1,519**	**1,399**	**1,117**	**927**	**604**	**500**	**357**	**220**	**126**	**66**	**200**	**166**	**135**	**83**	**57**	**69**
Growth capital expenditure	(945)	(1,031)	(706)	(608)	(672)	(588)	(406)	(254)	(135)	-	-	-	(120)	(63)	(63)	(10)
Exceptional costs	-	-	(25)	-	-	-	(2)	(16)	(3)	(12)	(8)	(9)	(10)	(69)	(20)	(6)
Free cash flow	**574**	**368**	**386**	**319**	**(68)**	**(88)**	**(51)**	**(50)**	**(12)**	**54**	**192**	**157**	**5**	**(49)**	**(26)**	**53**
Business acquisitions	(502)	(591)	(359)	(421)	(68)	(242)	(103)	(34)	(22)	(35)	(1)	89	(6)	(327)	(44)	1
Cash flow available to equity holders	**72**	**(223)**	**27**	**(102)**	**(136)**	**(330)**	**(154)**	**(84)**	**(35)**	**19**	**191**	**246**	**(1)**	**(376)**	**(70)**	**54**
Dividends paid	(185)	(164)	(141)	(116)	(82)	(61)	(41)	(20)	(15)	(15)	(13)	(13)	(10)	(7)	(2)	-
Share issues/returns	(518)	(475)	(168)	(55)	(12)	(21)	(23)	(10)	(4)	-	-	(16)	(24)	144	69	-
	(631)	**(862)**	**(282)**	**(273)**	**(230)**	**(412)**	**(218)**	**(114)**	**(53)**	**4**	**178**	**217**	**(35)**	**(239)**	**(3)**	**54**

$1,001M OF AVAILABILITY AT 31 OCTOBER 2019



- Borrowing base reflects July 2019 asset values

DEBT AND COVENANTS

Debt

Facility	Interest rate	Maturity
$4.1bn first lien revolver	LIBOR + 125-175 bps	December 2023
$600m second lien notes	4.150%	August 2025
$600m second lien notes	5.250%	August 2026
$600m second lien notes	4.375%	August 2027
$600m second lien notes	4.000%	May 2028
$600m second lien notes	4.250%	November 2029

Ratings

	S&P	Moody's	Fitch
Corporate family	BBB-	Baa3	BBB-
Second lien	BBB-	Baa3	BBB-

Availability

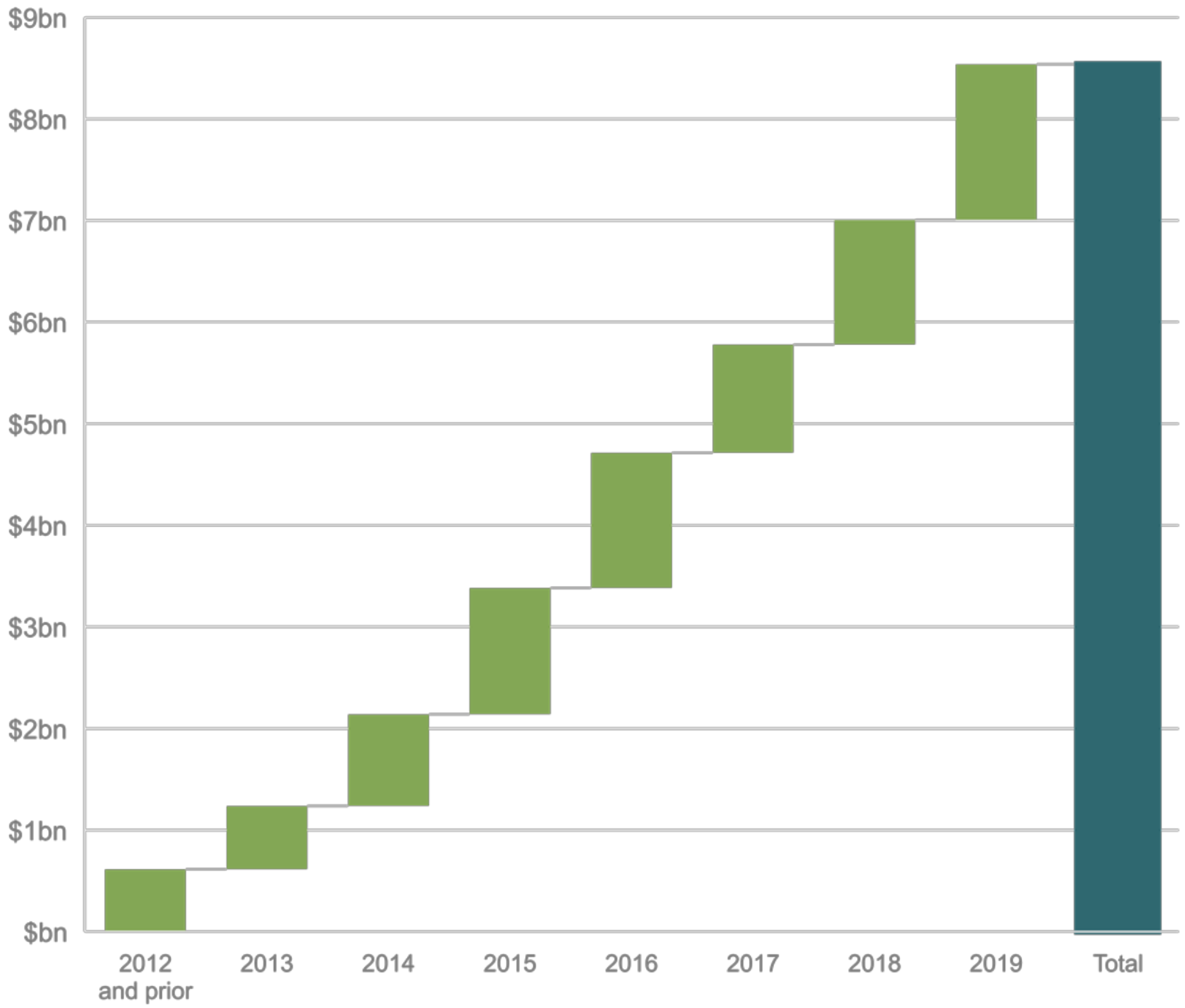
- Covenants are not measured if availability is greater than $410 million

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
- Greater than 1.0x at October 2019

US FLEET PROFILE

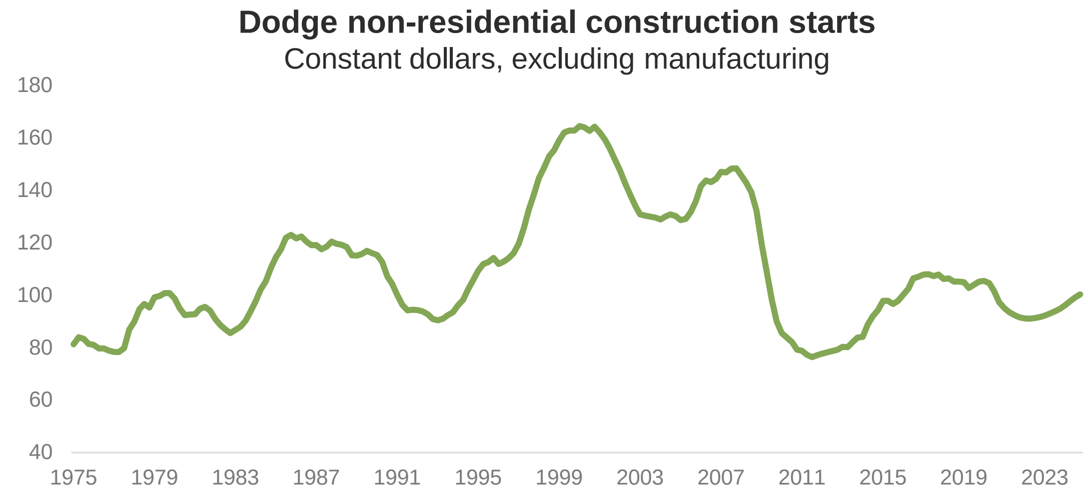
Sunbelt US itemised rental fleet



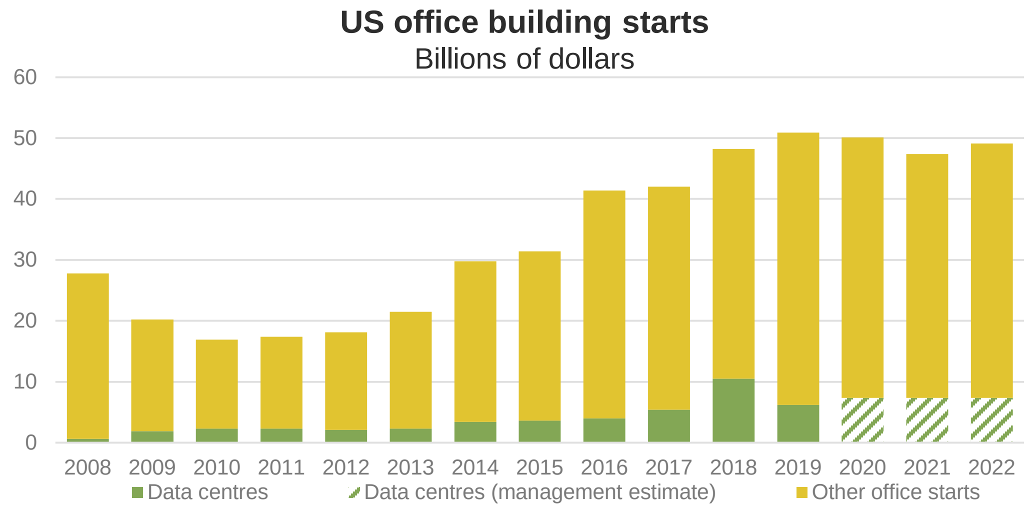
($m)			2020 Capex Plan
Sunbelt US	- rental fleet	- replacement	500 – 600
		- growth	1,000 – 1,100
	- non-rental fleet		175
			1,675 – 1,875

- Smooth fleet profile
- Benefits of prolonged cycle and our growth strategy
- Strong position providing optionality through the cycle
- Flexibility to turn replacement into growth
- Strengthens partnership with suppliers through predictability

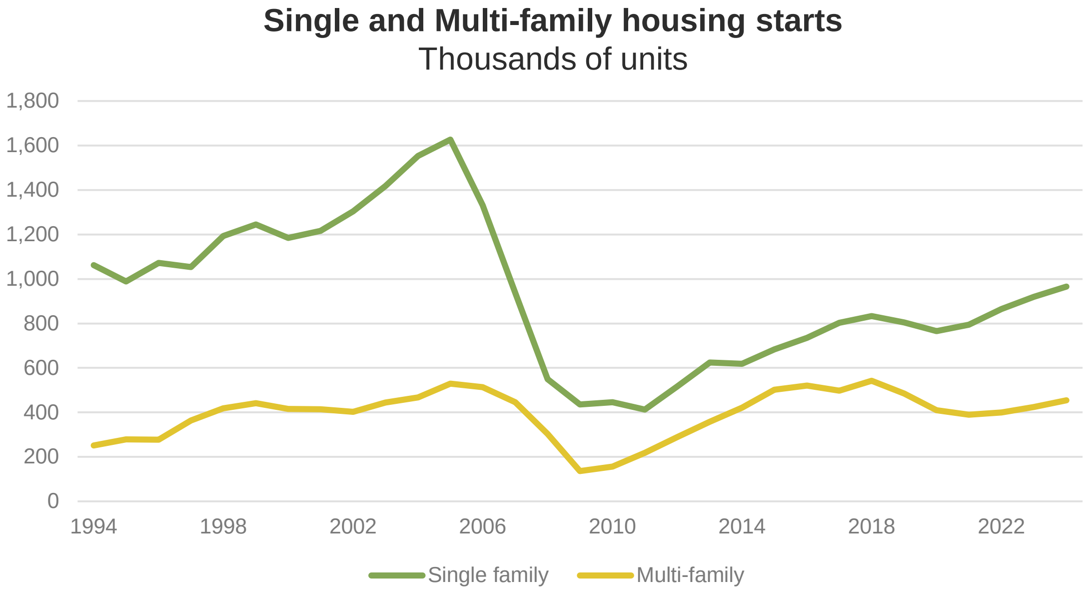
US CONSTRUCTION MARKET



Source: Dodge Data & Analytics (November 2019)



Source: Dodge Data & Analytics (November 2019)

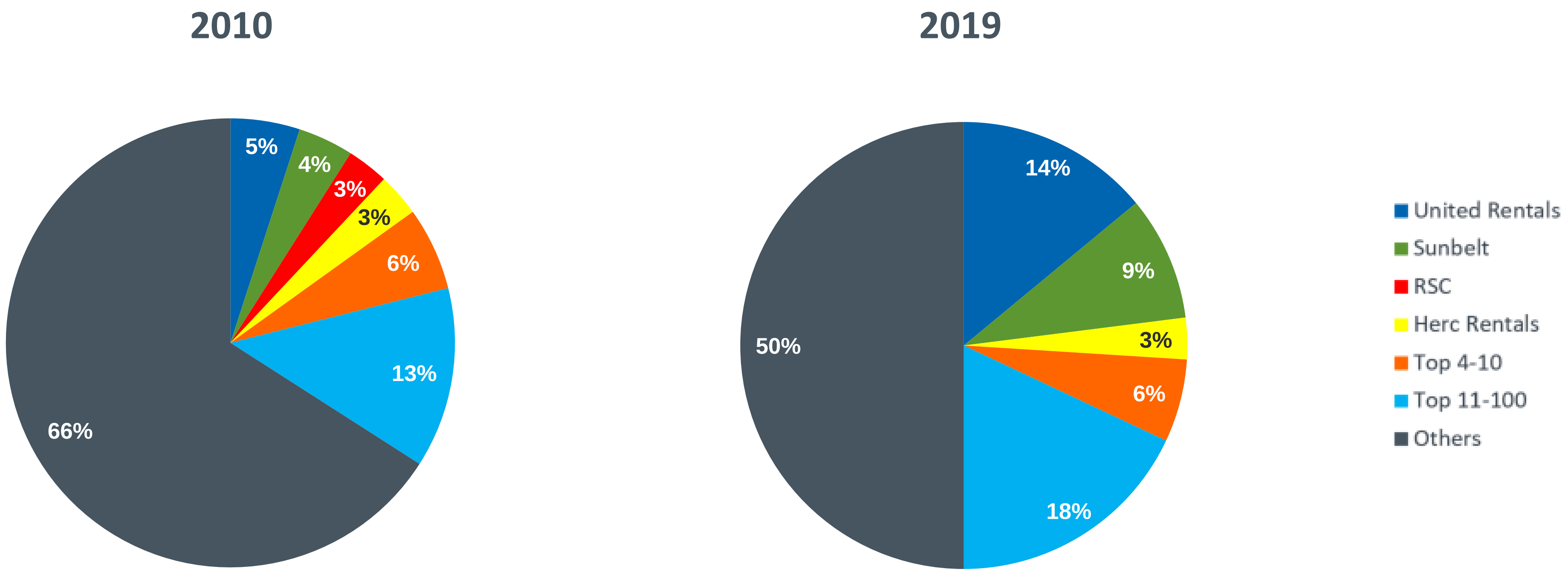


Source: Dodge Data & Analytics (November 2019)

Largest data centre projects starting in 2019

Project		
Facebook data centre – Project Echo Ph2	Virginia	$750m
Microsoft data centre – Project Osmium Ph1	Iowa	$418m
Facebook data centre – IA 11/12	Iowa	$400m
Facebook data centre - Phase 3	Ohio	$350m
China Mobile data centre	California	$349m
Facebook data centre – Phase 2	Ohio	$315m
Next 9 largest data centre projects		$2.1bn

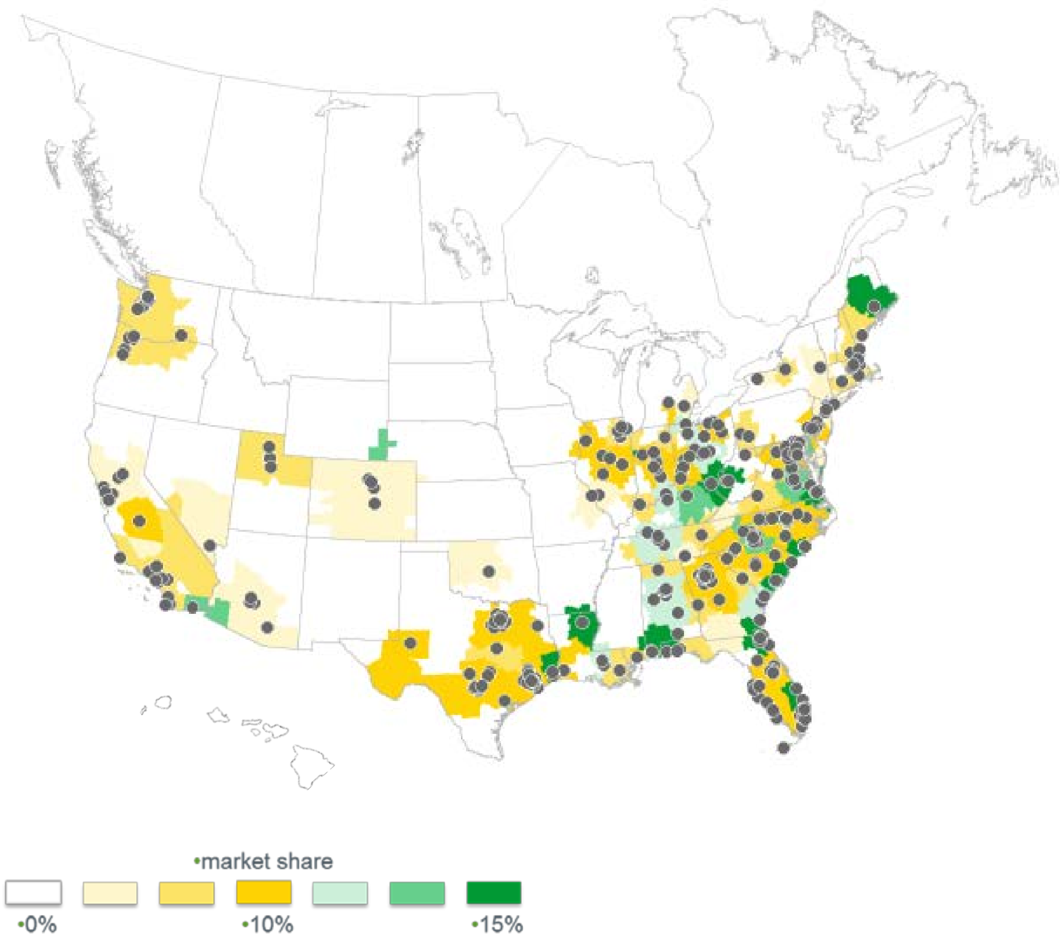
US MARKET SHARE



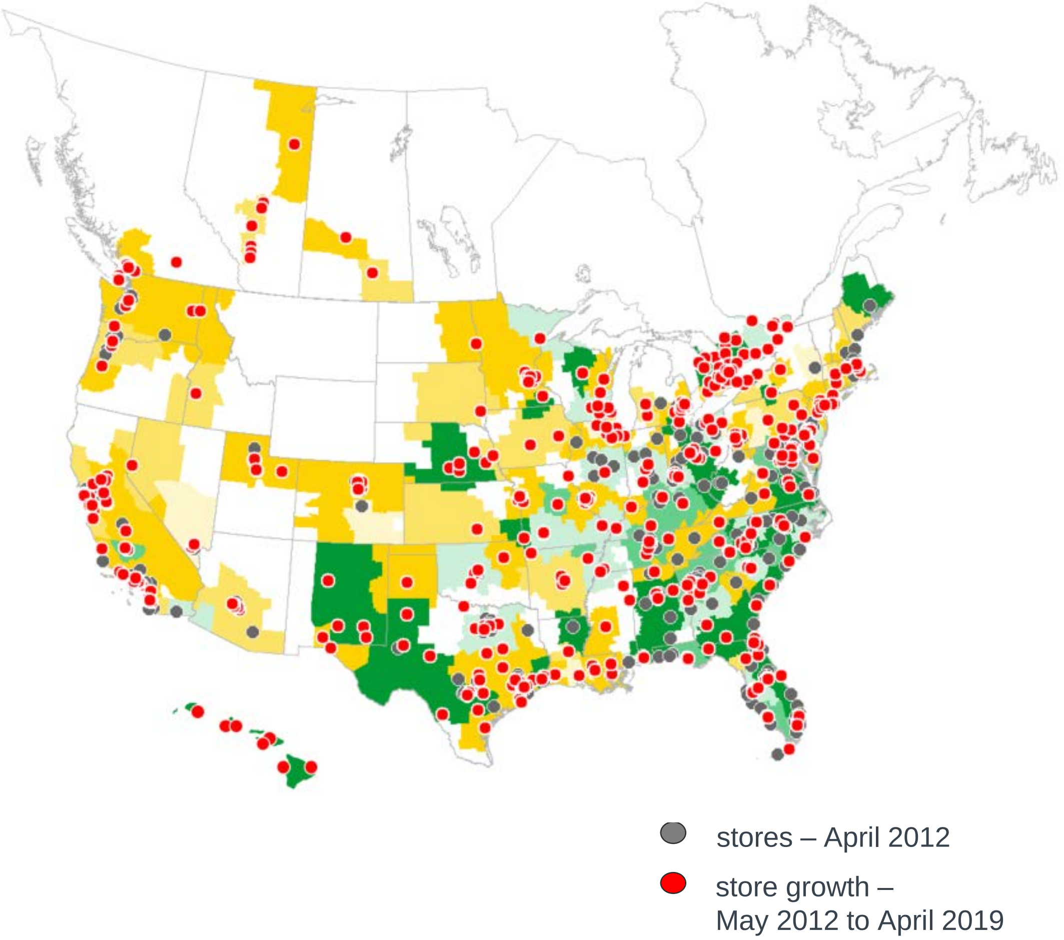
- Expect the large to get larger with the top 100 sharing 60-70% of the market

INCREASED FOOTPRINT AND MARKET SHARE

April 2012



April 2019



CONTINUING OPPORTUNITY TO BUILD OUT FURTHER CLUSTERS

	USA				Canada		
Rental markets	**Top 25**	**26-50**	**51-100**	**100-210**	**Top 10**	**11-25**	**26-76**
Rental market %	57%	19%	15%	9%	64%	22%	14%
Cluster definition	>15	>10	>4	>1	>10	>4	>1
Clusters	9 markets	7 markets	9 markets	16 markets	2 markets	0	2 markets

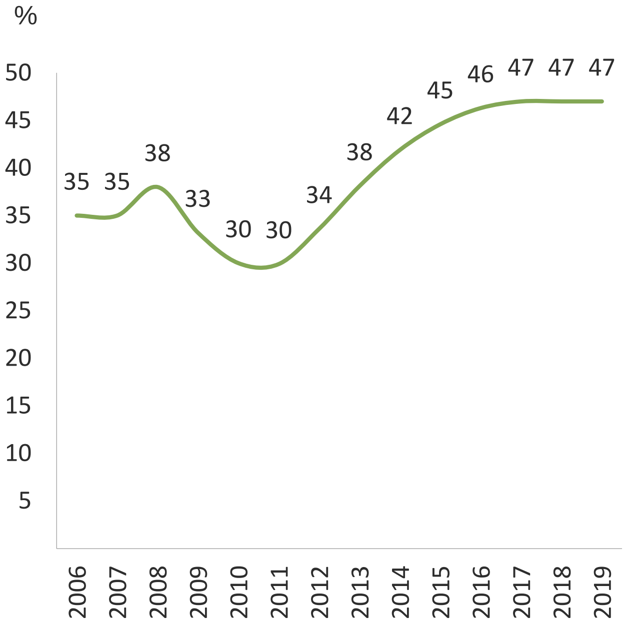
Ample expansion opportunities remain

- Only 25 of the top 100 US markets clustered
- Only 2 of the top 25 Canadian markets clustered

IMPORTANT TO NOT LOSE SIGHT OF THROUGH THE CYCLE KEY METRICS

Group RoI

Group EBITDA margin



Group underlying EPS