27 April 2020

Ashtead Group plc ("Ashtead" or "Group") COVID-19 trading update

Introduction

At the time of our third quarter results on 3 March 2020 we were trading in line with expectations and this continued through the second week of March with limited impact from the consequences of the COVID-19 virus pandemic. Since the middle of March, the unprecedented action taken by governments and the private sector to contain the virus has resulted in adverse conditions within the Group's end markets. This update outlines the actions the Group has taken in response to these changing circumstances and the impact on current trading.

Health and Safety

Ashtead's leading value as a business is the safety, health and wellbeing of its team members, customers and the communities we serve. To safeguard these stakeholders, we implemented a series of actions following guidance from government and health agencies including:

- Restricted travel and meetings
- Enacted our Business Continuity Plan to facilitate working remotely where possible
- Reinforced guidelines to ensure colleagues and customers follow specific health protection protocols and implemented social distancing
- Provided touchless signature at the point of equipment delivery or pickup
- Put in place curbside pick-up to serve our non-delivered customer transactions

Current trading

With few exceptions, the Group's locations in the US, UK and Canada remain open and active. Although trading volumes have been impacted negatively by the measures taken to contain the virus, this has been mitigated, in part, by emergency response efforts throughout our business units but particularly our specialty businesses. Sunbelt Rentals is designated as an essential business in the US, UK and Canada, supporting government and private sector responses to the pandemic. This includes providing vital equipment and services to first responders, hospitals, alternative care facilities, testing sites, food services, telecom and utility companies while continuing to service ongoing construction sites and increased facility maintenance and cleaning.

As a result of these market dynamics, rental-only revenue for Sunbelt US in March was 2% higher than prior year and we expect April US rental-only revenue to be c. 15% lower than April 2019. This is due principally to the general tool business being c. 18% lower than prior year while the broader based specialty[1] businesses are expected to be c. 9% higher than last year, consistent with their performance in March. The reduction in the general tool business is driven by declines in volume rather than rental rates.

Since 10 April, we have seen the level of US fleet on rent stabilise and show a modest improvement. This positive trend follows a period of consistent decline over the previous four weeks. This recent trend in fleet on rent is similar in our UK and Canadian businesses.

Given these revenue trends, the Group now expects underlying profit before tax[2] for the year ending 30 April 2020 to be c. £1,050m.

Cash optimisation, cost base and liquidity measures

In early March we took prompt action to optimise cash flow, reduce operating costs and strengthen further our liquidity position during this period of suppressed revenue. These actions include but were not limited to:

- Reducing planned capital expenditure for the year ending 30 April 2021 to c.£500 million from the initial range of £1.1 to £1.3 billion (LTM[3] January 2020: £1.6 billion)
- Suspending all current and prospective M&A activity (LTM January 2020: £537 million)
- Pausing our share buyback programme from 19 March (LTM January 2020: £509 million)
- Implementing a group wide freeze on new hires
- Reducing discretionary staff costs, use of third party freight haulers and other operating expenditures consistent with reduced activity levels

A skilled workforce is instrumental to the Group's long-term success and we have made every effort to preserve our committed workforce for the impending recovery. Therefore, we have not made any team members redundant as a result of the impact of COVID-19 and currently do not intend to seek assistance from the UK government's Coronavirus Job Retention Scheme.

Ashtead remains in a strong financial position with long-term committed debt facilities. The Group's first debt maturity is the senior secured credit facility maturing in December 2023. At 31 January 2020, availability under that facility was $1,446 million with an additional $2,949 million of suppressed availability. There is one financial performance covenant (a fixed charge ratio) under the first priority senior credit facility. This covenant does not apply when availability exceeds $410 million.

Effective 24 April 2020, the Group has accessed an additional $500 million through its senior secured credit facility for one year, increasing the facility size to $4.6bn for the next twelve months. Following this increase, availability is c. $2.1bn, while the minimum availability requirement increased to $460m.

In response to the COVID-19 crisis the Group has modelled a variety of downside scenarios over the coming year reflecting activity levels much lower than those which have been experienced to date. Under all these scenarios the Group remains free cash flow positive throughout the next financial year and availability remains well above the $460 million threshold.

Brendan Horgan, Group Chief Executive, commented

"We are grateful for and extraordinarily proud of our team members who continue to respond as essential service providers during a time when our communities are in need. All levels of the organisation have quickly adapted our operations to continue servicing our customers while keeping our leading value of safety at the forefront of all we do.

Looking forward, I am certain the swift actions we took during these unprecedented times and the strength of our balance sheet will serve the Group well. These factors, when combined with the diversity of our products and end markets, contribute to the strength of our long-term business model and put the Board in a position of confidence to look to the coming financial year as one of strong cash generation and strengthening our market position."

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Notes:

1. US specialty business excluding Oil and Gas division
2. Underlying results are results stated before exceptional items and the amortisation of acquired intangibles
3. Last twelve months ending 31 January 2020

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.