Managing the cycle

Year end results | **30 April 2009**

Ashtead group

Issued: 18 June 2009

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Overview

- Robust performance with underlying pre-tax profit of £87m despite difficult market conditions
- Q3 & Q4 impacted by volume and rate reductions
- Prompt action on cost reduction with operating savings of at least £100m generated for 2009/10
- Fleet downsized by 10% and, as an early mover, have benefited from relatively better second hand prices
- £246m of net cash generation with £157m from operations and £89m from the timely disposal of Ashtead Technology
- Debt package remains covenant free with \$550m of availability at 30 April 2009
- Net debt reduced to £1,036m (2008: £1,268m at constant exchange rates)
- Net debt to EBITDA at 2.6x well within our 2-3 times target range. Debt structure demonstrated to be appropriate for the business through the cycle
- Final dividend of 1.675p per share (2008 – 1.675p), making 2.575p for the year (2008: 2.5p)

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Ian Robson

Exchange rates

Significant impact from the stronger dollar

	2009	2008	Change
Average (income statement)			
- Fourth quarter	1.44	1.98	27%
- Full year	1.68	2.01	16%
Closing (balance sheet & debt)			
- 30 April	1.48	1.98	25%

- Stronger dollar increases earnings, asset values and the sterling value of our debt
- Constant currency disclosures included in the results release
- If constant (16 June) exchange rates of $1.64 continued for the remainder of the 2009/10 fiscal year, translation effects on 2009/10 profits would be insignificant but asset values and debt would each reduce by around £100m

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Results summary

Robust performance despite difficult markets in H2

	Q4 2009 £m	2008 £m	Actual rates %	Constant rates %	Full year 2009 £m	2008 £m	Actual rates %	Constant rates %
Revenue								
- rental	219	220	-1%	-24%	974	917	+6%	-8%
- total	232	245	-5%	-28%	1,073	1,048	+2%	-11%
Operating costs	(164)	(161)	+2%	-21%	(717)	(684)	+5%	-9%
Underlying EBITDA	68	84	-19%	-40%	356	364	-2%	-16%
Depreciation	(52)	(45)	+16%	-7%	(201)	(177)	+14%	-1%
Underlying operating profit	16	39	-59%	-76%	155	187	-17%	-30%
Margins								
– EBITDA	29.3%	34.2%			33.2%	34.7%		
– Operating profit	7.0%	16.1%			14.4%	17.9%		

Earnings per share

Lower interest and share buybacks enhance earnings

			Growth	
			Actual	Constant
	2009	2008	rates	rates
	£m	£m	%	%
Underlying operating profit	155	187	-17%	-30%
Interest (net)	(68)	(75)	-10%	-29%
Underlying profit before tax	87	112	-22%	-29%
Effective tax rate	34%	35%	–	–
Weighted average number of shares	504	547	-8%	-8%
Underlying earnings per share	11.9p	14.8p	-20%	-26%

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Right sizing programme

£100m reduction in ongoing operating costs delivered

- The predominantly non-cash exceptional charge of £83m has delivered an approx. £100m reduction in the operating cost base including:
  - 100 stores closed or merged
  - c10% reduction in fleet size
  - c15% reduction in headcount

- The exceptional charge comprises:
  - asset impairments (fleet, premises & inventory) – £48m
  - provision for empty property costs – £28m
  - redundancy and other cash costs – £7m

- Including the proceeds from used fleet disposals, the programme generated net cash of around £40m in 2008/9

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Cash generation

£157m from operations and £89m from Technology sale

	2009 £m	2008 £m	
EBITDA before exceptional items	359	380	-6%
Cash inflow from operations before fleet changes and exceptionals	374	356	+5%
Capital expenditure	(236)	(351)	
Rental equipment and other disposal proceeds	92	93	
	(144)	(258)	
Interest and tax	(64)	(83)	
Exceptional costs	(9)	(10)	
Free cash flow	**157**	**5**	
Business disposals	89	(6)	
Total cash generated/(absorbed)	**246**	**(1)**	
Dividends paid	(13)	(10)	
Purchase of own shares	(16)	(24)	
Reduction/(increase) in net debt	217	(35)	

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Debt leverage

Well within our 2-3 net debt to EBITDA target range

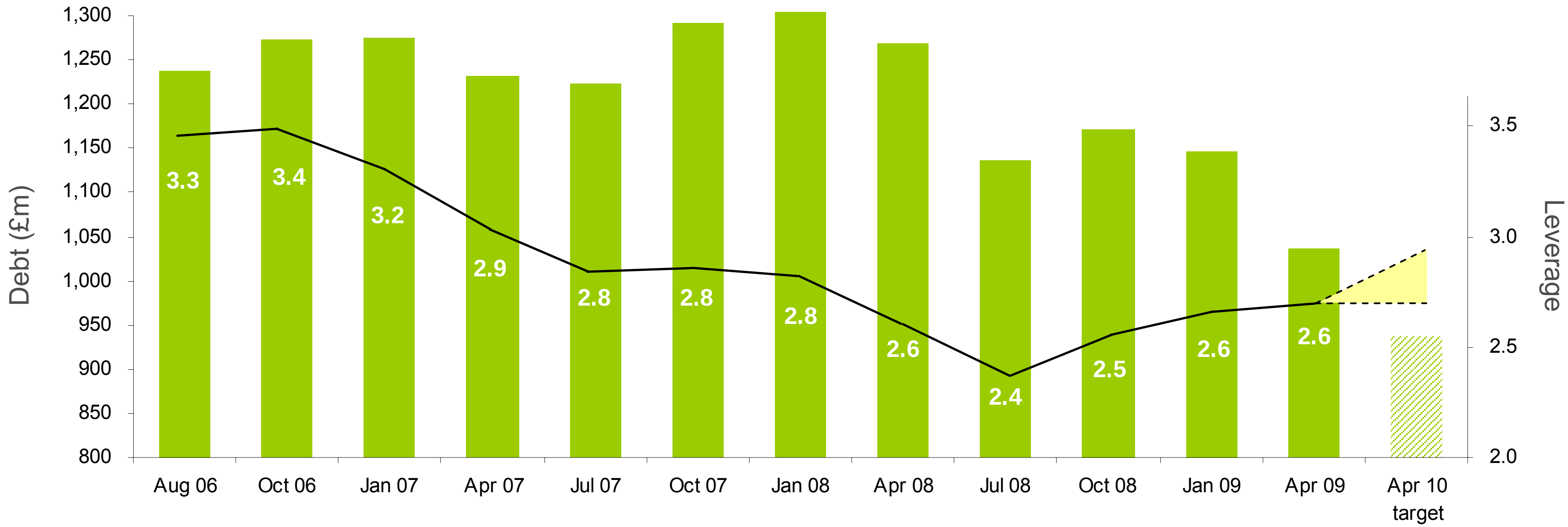
	2009 £m	2008 £m
Net debt at 30 April	963	916
Translation impact	285	10
Opening debt at closing exchange rates	1,248	926
Change from cash flows	(217)	35
Non-cash movements	5	2
Net debt at 30 April	1,036	963

	2009	2008	Interest rate	
Comprising:				
First lien senior secured bank debt	501	556	Floating rate	48%
Second lien secured notes	529	394	Fixed rate	52%
Finance lease obligations	8	15	Fixed rate	
Cash in hand	(2)	(2)		
	1,036	963		

	2009	2008
Net debt to EBITDA	2.6 times	2.5 times

Debt profile

Net debt 20% below peak and set to reduce further

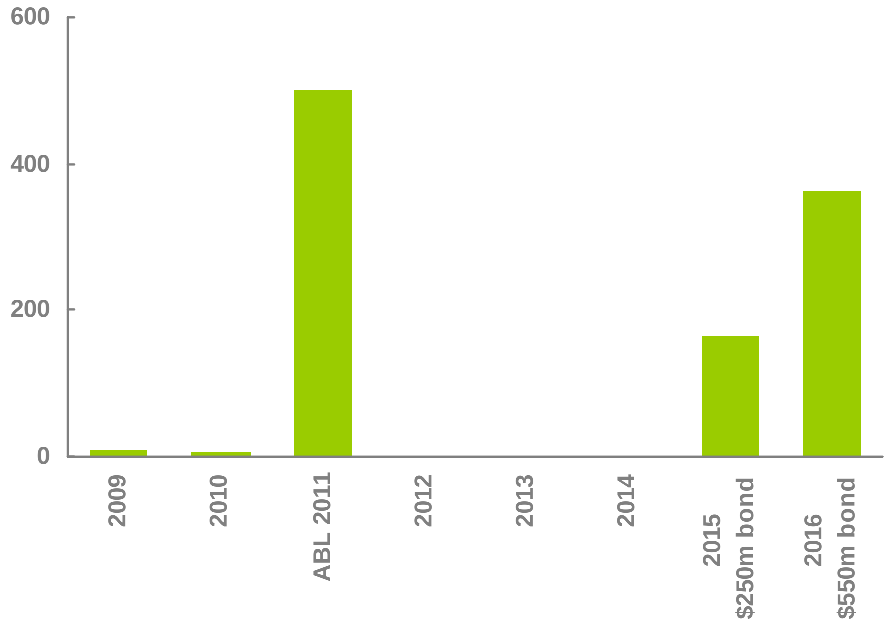


	Aug 06	Oct 06	Jan 07	Apr 07	Jul 07	Oct 07	Jan 08	Apr 08	Jul 08	Oct 08	Jan 09	Apr 09	Apr 10 target
Debt as reported	968	994	972	916	894	931	986	963	852	1,076	1,147	1,036	936
Debt at 30 April 2009 exchange rates	1,238	1,272	1,275	1,232	1,223	1,292	1,303	1,268	1,137	1,171	1,117	1,036	936

- Net debt at 30 April of £1,036m reflecting £246m of cash generation in the past year
- Underlying (constant rates) net debt to EBITDA leverage at 30 April of 2.6 times

Debt maturity

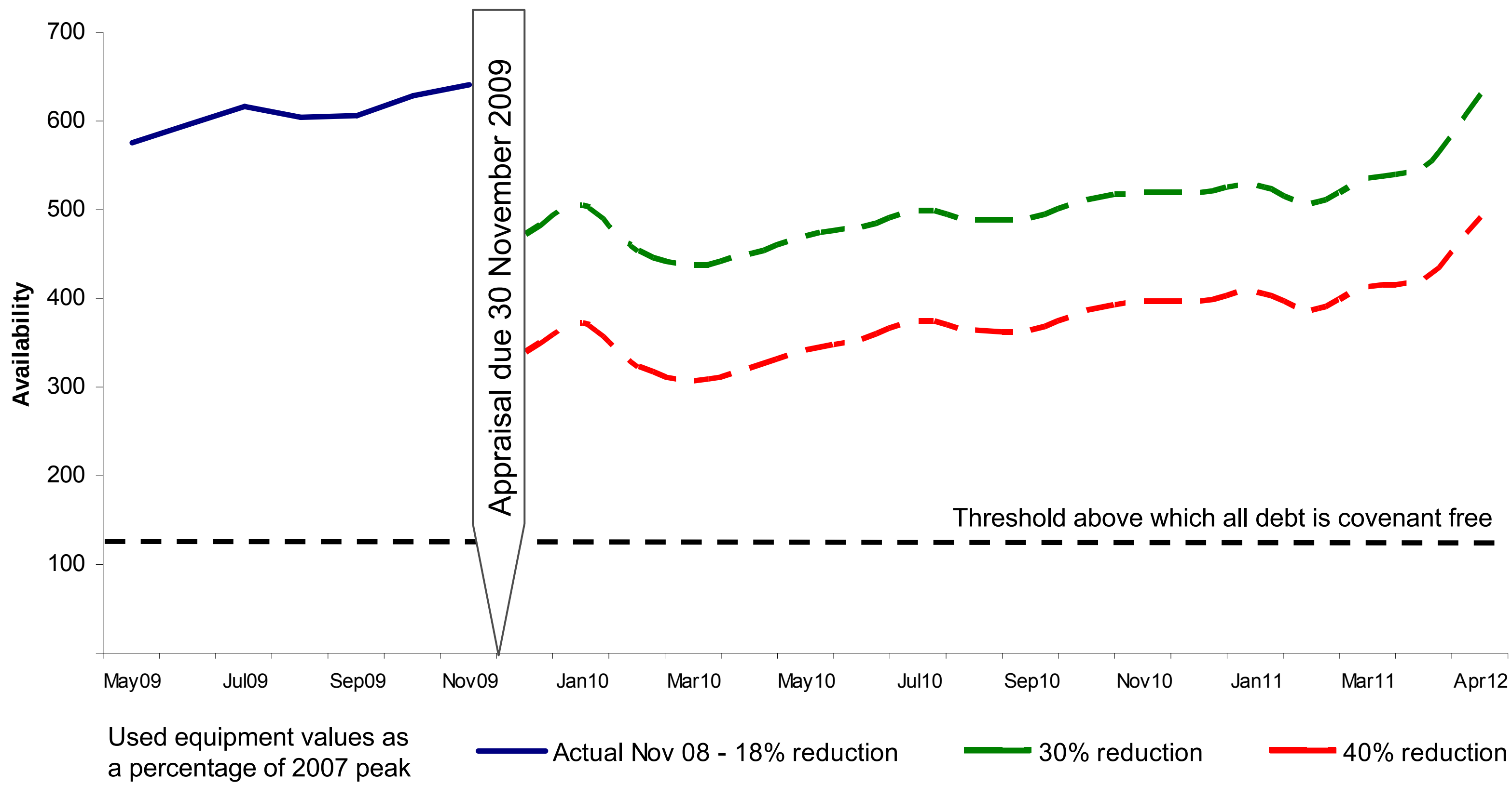
Stable capital structure with lengthy maturities



- First significant maturity is the asset based senior bank facility in August 2011
- Around £400m will be drawn under that facility in April 2010
- A successful refinancing therefore only requires a facility size around half the current $1.75bn

ABL availability

Our debt structure is secure under all likely scenarios for used equipment values



Geoff Drabble

At a glance

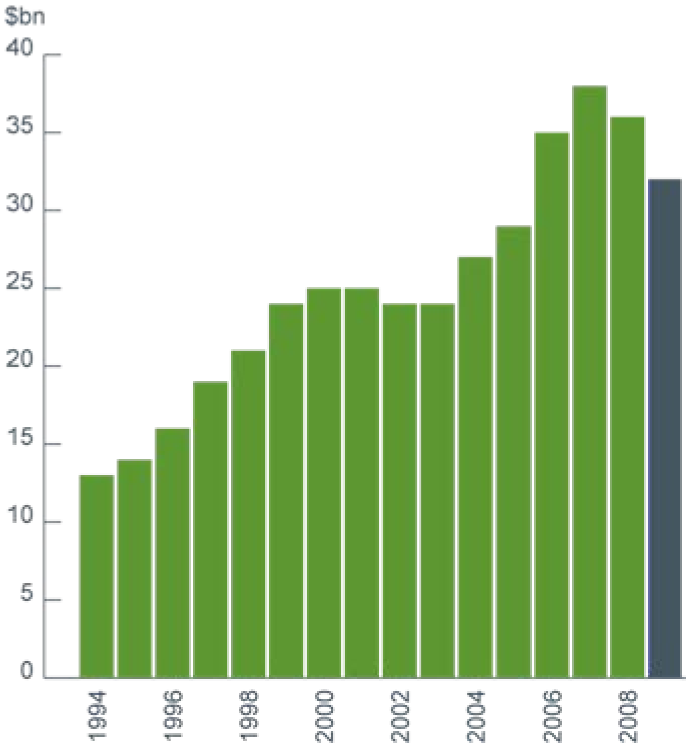
Significant player in each of our markets 80% of group revenue is in US

Sunbelt	A-Plant
398 profit centres	**122** profit centres
6,100 employees	**2,100** employees
annual revenues of **$1.5bn**	annual revenues of **£208m**
$2.1bn rental fleet at cost	**£320m** rental fleet at cost

Our markets – macro view

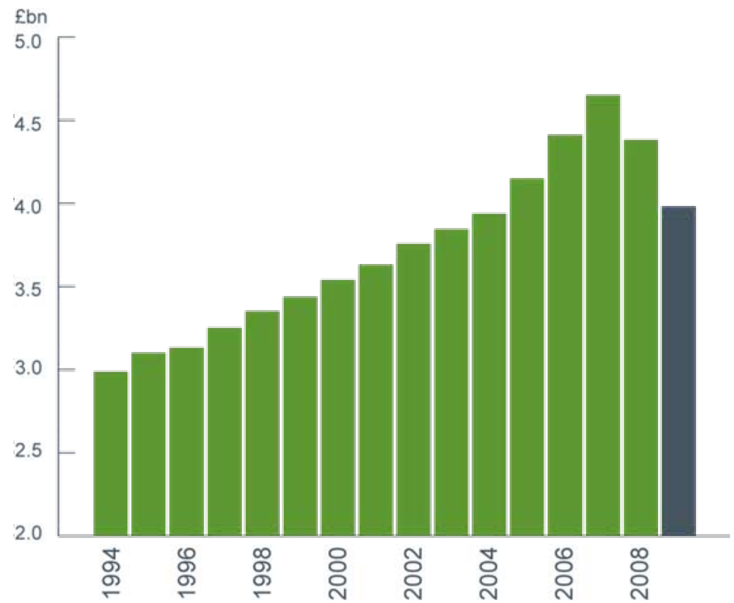
US market is 5x the size of the UK market

US rental market



Source: Rental Equipment, Register Manfredi & Associates'

UK rental market



Source: AMA Research UK rental market data

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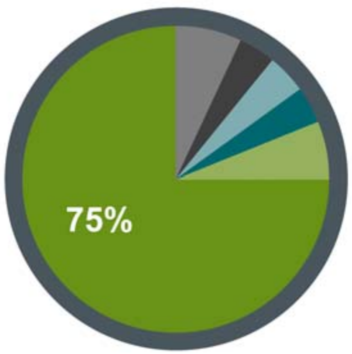
Our markets – micro view

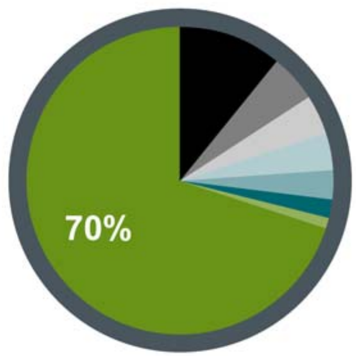
Both markets are fragmented. US market has greater potential for increased rental penetration

US market concentration



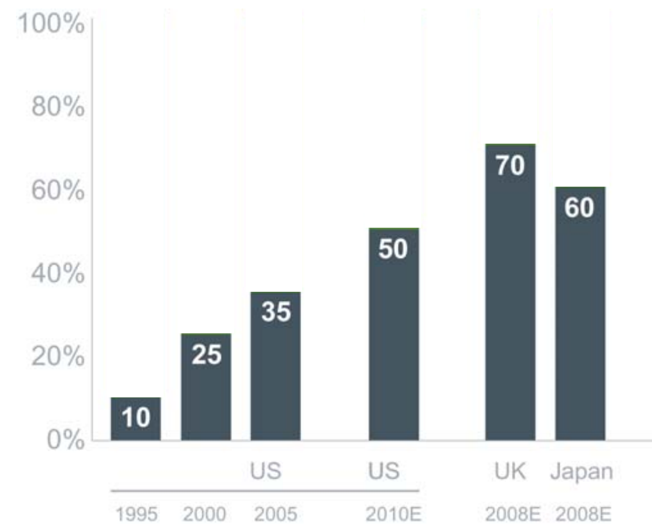
- URI 7%
- RSC 4%
- Sunbelt 4%
- HERC 4%
- Top 5-10 6%
- Other 75%

UK market concentration



- Speedy 11%
- A-Plant 5%
- Hewden 4%
- HSS 4%
- Lavendon 3%
- VP 3%
- GAP 2%
- GE 1%
- Others 70%

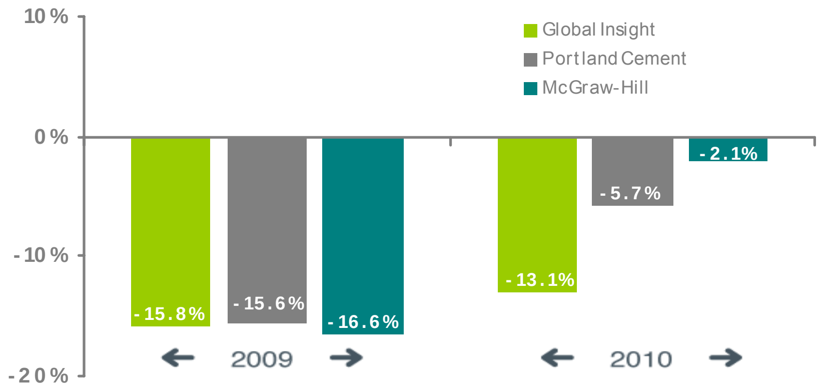
Rental penetration



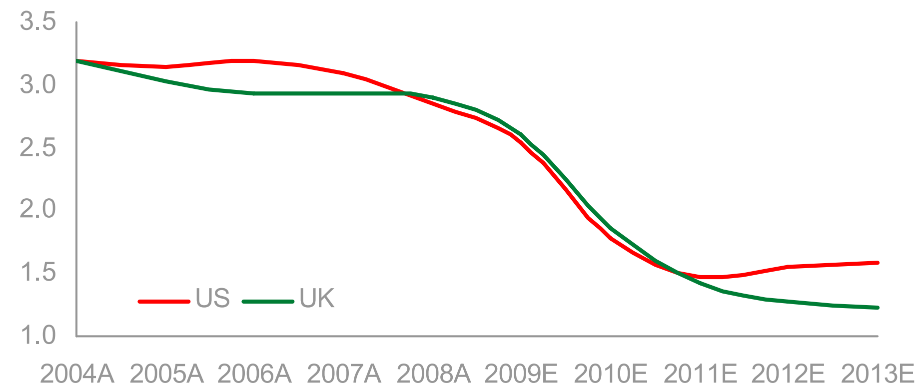
Current markets

Difficult market conditions in both markets until late 2010 – US likely to lead recovery

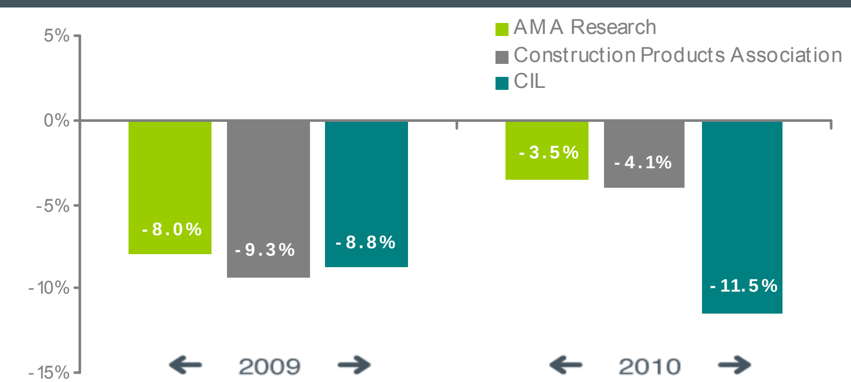
US change in non-residential construction spending forecast



10 year average real GDP growth rate (%)



UK change in non-residential construction spending forecast

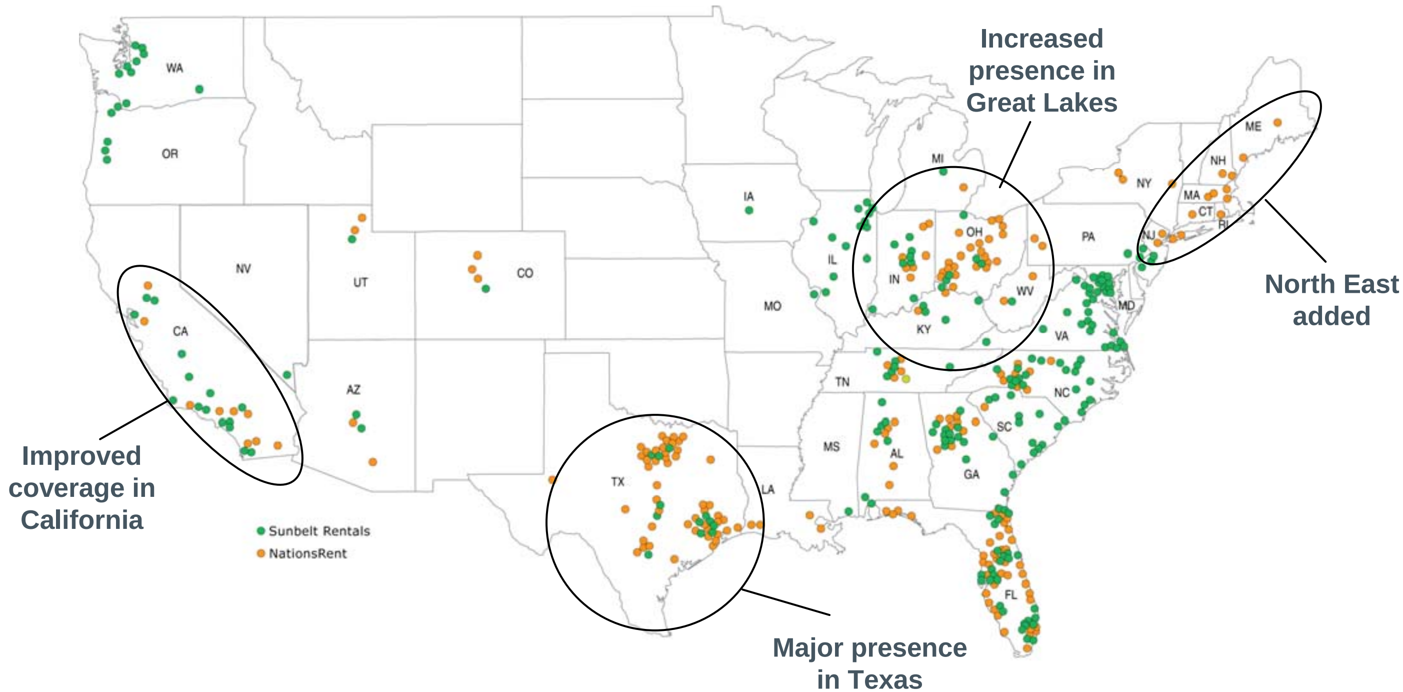


US
Economic stimulus plan $700bn
- $134.8bn dedicated to infrastructure

UK
Economic stimulus plan $30bn
- $4bn dedicated to infrastructure

NationsRent acquisition

Transforming a large regional business into a national player



Before

209 locations

3,500 people

$1.2bn of fleet

After

398 locations

6,100 people

$2.1bn of fleet

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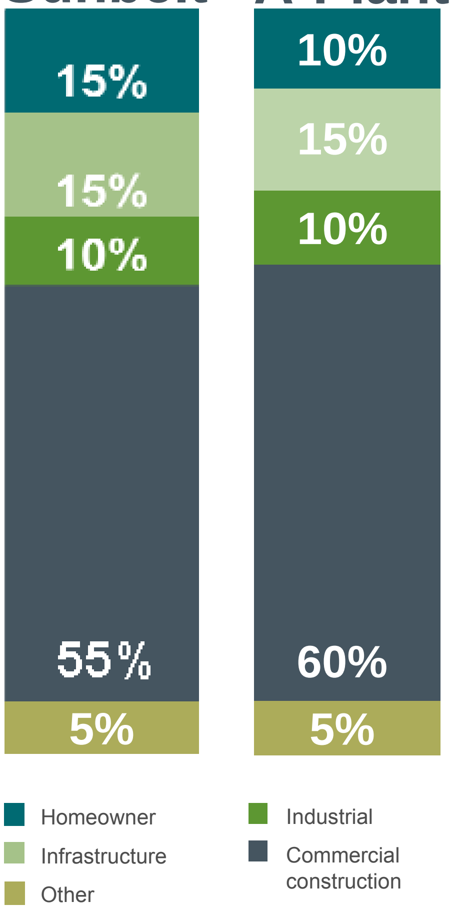
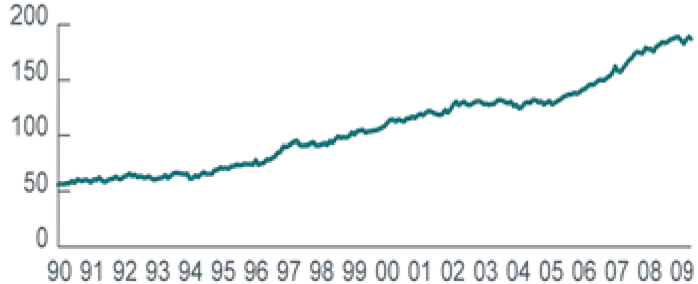
Market segments

A good exposure to all market segments

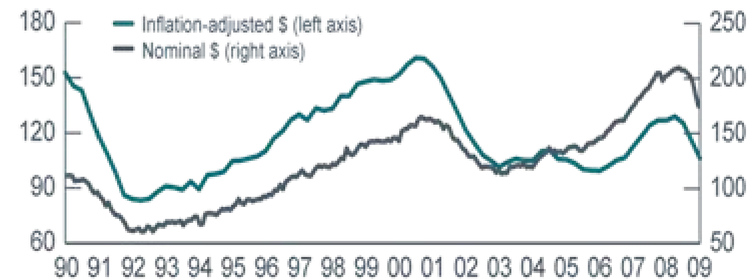
Sunbelt A-Plant



Institutional building construction
– flattening but historically stable



Commercial construction spending
– falling but already at low volumes



Home sales
– showing signs of stabilisation

Gaining market share and developing the model

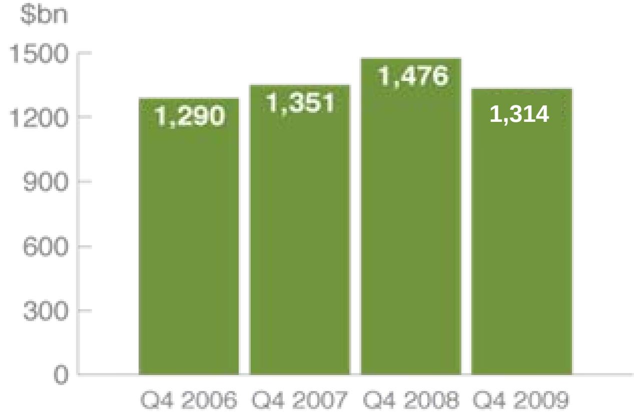
Volume of business has remained strong – pricing has been the issue

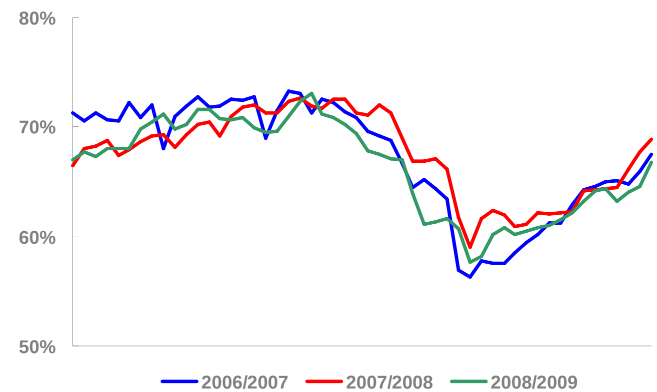
Fleet on rent

Rates

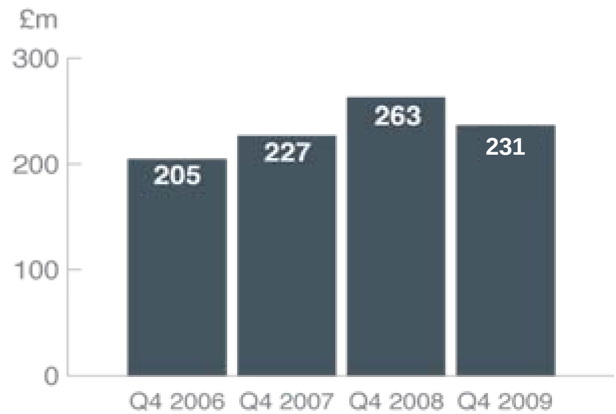
Physical utilisation

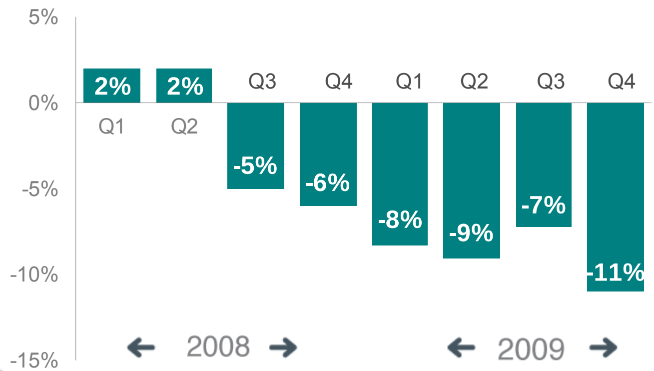
Sunbelt

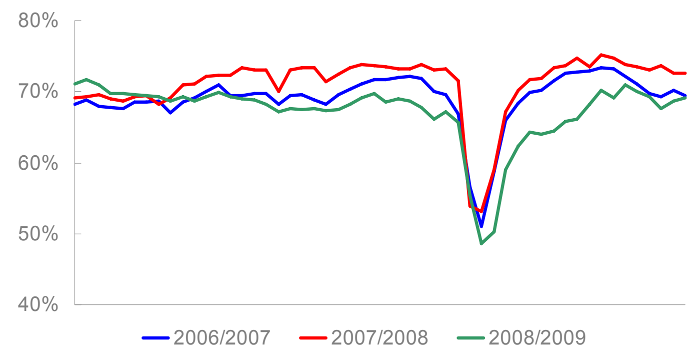




A-Plant







Managing the cycle

This has always been our focus – nothing has changed

Critical underpin is appropriate debt structure

Current phases of our business cycle

Preparation has been prompt – managing the next phase is now the focus

Phase 3

Right sizing

- Closed/merged 35 depots in the US and 65 in the UK
- Reduced headcount by 15%
- Reduced vehicles by 10%
- Reduced fleet by 10%
- Savings £100m

Phase 4

Running a tight business

- Focus on market share gains
  Fleet on rent
  – Sunbelt -10%
  – United -10%
  – RSC -18%
  – HERC -24%
  – A-Plant -12%
  – UK competitors – ?
- Process improvement
  – Pricing model introduced in US
  – Logistics opportunities
- Retain future earning capacity
  – Infrastructure and sales
  – Maintain fleet and supplier relationships
- Net capex remains at £100m

Phase 5

Preparing for inflection point

- Close analysis of lead indicators
- Cautious increase in CAPEX – recognising long lead times
- Develop pricing with customers who we have supported through downturn
- Take advantage of consolidation/market share opportunities which financial pressures have created

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Summary

- Robust performance in difficult market conditions
- Substantial cash generation is set to continue
- Fundamentals of our markets remain attractive
- Well positioned to prosper in the next phase of the cycle

Appendices

Rental revenue drivers

	Q4				Full year			
	Sunbelt		A-Plant		Sunbelt		A-Plant	
	$m		£m		$m		£m	
Prior year rental revenue	330		54		1,422		209	
Charges due to:								
Fleet size	(26)	-8%	(3)	-5%	(4)	-	12	+6%
Utilisation	(11)	-4%	(4)	-8%	(37)	-2%	(12)	-6%
Yield	(42)	-14%	(5)	-11%	(70)	-5%	(18)	-8%
2009 rental revenue	251	-24%	42	-22%	1,311	-8%	191	-8%
Sales revenue	15		1		139		17	
	266		43		1,450		208	

Divisional performance - fourth quarter

	Revenue			EBITDA			Underlying profit		
	2009	2008	Growth	2009	2008	Growth	2009	2008	Growth
Sunbelt in $m	266.2	367.5	-28%	78.2	131.2	-40%	17.3	64.9	-73%
Sunbelt in £m	189.4	185.5	+2%	57.6	66.4	-13%	16.2	32.9	-51%
A-Plant	42.7	59.3	-28%	11.9	19.0	-37%	1.6	8.3	-81%
Group central costs	-	-		(1.3)	(1.7)	-24%	(1.4)	(1.8)	-22%
	232.1	244.8	-5%	68.2	83.7	-19%	16.4	39.4	-58%
Net financing costs							(16.6)	(17.3)	-6%
Profit before tax, exceptionals and amortisation							(0.2)	22.1	
Exceptional items and amortisation							(29.1)	(2.3)	
Profit before taxation							(29.3)	24.4	
Taxation							12.6	(6.9)	
Profit after taxation							(16.7)	17.5	

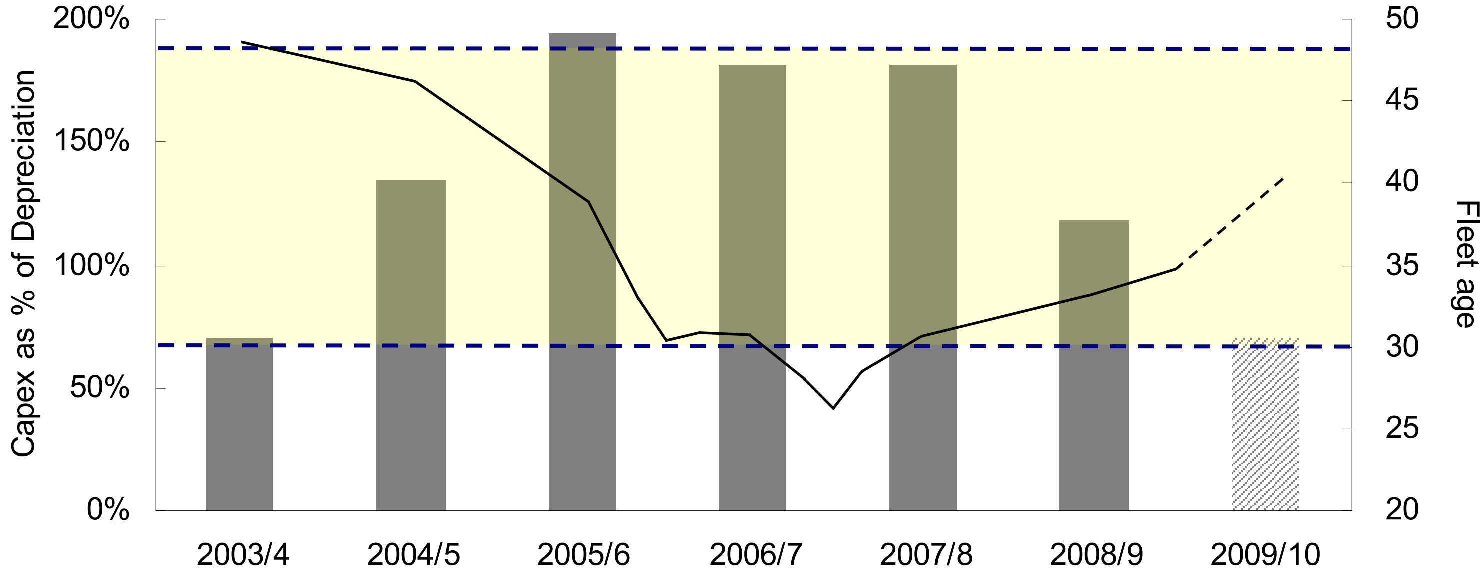
Divisional performance - twelve months

	Revenue			EBITDA			Underlying profit		
	2009	2008	Growth	2009	2008	Growth	2009	2008	Growth
Sunbelt in $m	1,450.0	1,626.0	-11%	500.4	598.9	-16%	241.8	330.9	-27%
Sunbelt in £m	865.5	810.0	+7%	298.7	298.4	0%	144.4	164.9	-12%
A-Plant	208.0	237.8	-13%	62.8	73.2	-14%	16.1	30.2	-47%
Group central costs	-	-	-	(5.4)	(7.9)	-32%	(5.5)	(8.0)	-31%
	1,073.5	1,047.8	+2%	356.1	363.7	-2%	155.0	187.1	-17%
Net financing costs							(67.6)	(74.8)	-10%
Profit before tax, exceptionals and amortisation							87.4	112.3	-22%
Ashtead Technology							2.8	10.6	
Exceptional items and amortisation							(20.5)	(2.6)	
Profit before taxation							69.7	120.3	-42%
Taxation							(6.7)	(42.7)	
Profit after taxation							63.0	77.6	

Stable free cash flow

	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m
EBITDA before exceptional items	**194**	**150**	**147**	**170**	**225**	**310**	**380**	**359**
*Cash efficiency ratio**	*100%*	*105%*	*95%*	*97%*	*96%*	*103%*	*94%*	*104%*
Cash inflow from operations before fleet changes and excpl's	**194**	**157**	**140**	**165**	**215**	**319**	**356**	**374**
Maintenance capital expenditure	(117)	(89)	(83)	(101)	(167)	(245)	(231)	(236)
Disposal proceeds	27	29	32	36	50	78	93	92
Interest and tax	(47)	(40)	(33)	(31)	(41)	(69)	(83)	(64)
Free cash flow before investment for growth and exceptionals	**57**	**57**	**56**	**69**	**57**	**83**	**135**	**166**
Growth capital expenditure	(86)	(18)	-	(10)	(63)	(63)	(120)	-
Exceptional income/(costs)	16	(8)	(17)	(6)	(20)	(69)	(10)	(9)
Acquisitions & disposals	(5)	(1)	15	1	(44)	(327)	(6)	89
Total cash flow generated/absorbed	**(18)**	**30**	**54**	**54**	**(72)**	**(381)**	**(1)**	**246**
Dividends paid	(11)	(9)	-	-	(2)	(7)	(10)	(13)
Share issues/purchase of own shares	-	-	-	-	69	144	(24)	(16)
(Increase)/reduction in net debt from cashflows	**(29)**	**21**	**54**	**54**	**(3)**	**(239)**	**(35)**	**217**

Capital expenditure and fleet age through the cycle



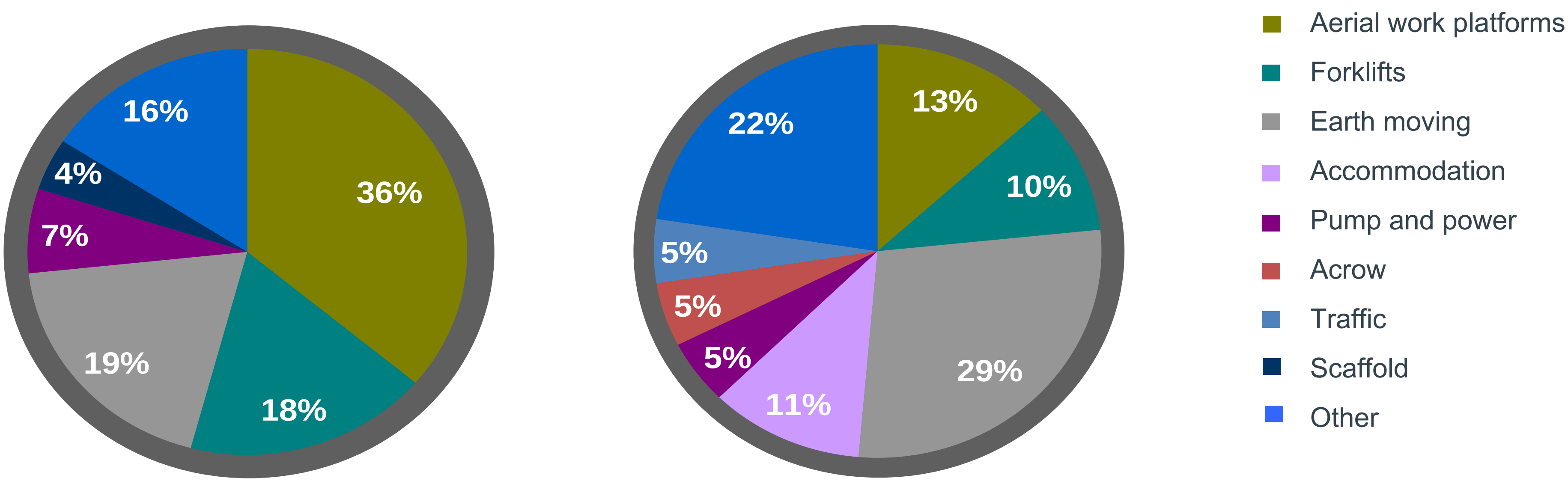
Optimal average fleet age – 30 – 48 months

Gross capex as a % of depreciation Actual Target

Fleet composition by product category

Sunbelt

A-Plant



Debt and covenants

Debt

Facilities	Interest rates	Maturity
$1.7bn first lien ABL	LIBOR + 175bp	August 2011
$0.8bn second lien notes:		
- $250m	8.625%	August 2015
- $550m	9.0%	August 2016
- capital leases	~7%	Various

Ratings

S&P
- First lien BB+
- Second lien B

Moody's
- First lien Ba2
- Second lien B2

Availability

- Covenants are not measured if availability is above $125m ($550m at 30 April)

Leverage covenant

- Debt to EBITDA cannot exceed 4.0 times
- EBITDA is measured before one time items and at constant exchange rates
- 2.6 times at April 2009

Fixed charge coverage covenant

- EBITDA less net cash capex to interest paid, tax paid, dividends paid and debt amortisation must equal or exceed 1.1
- 2.2 times at April 2009

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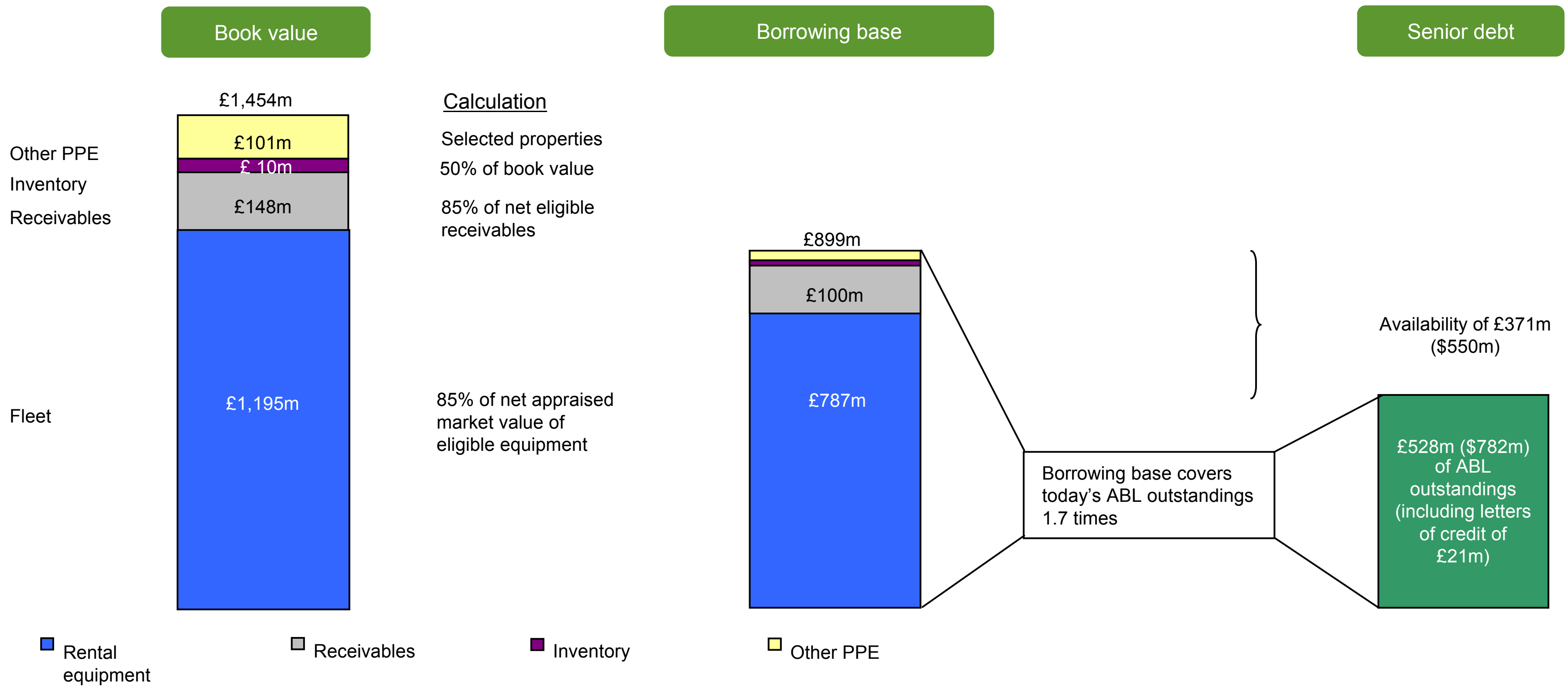
Availability at 30 April 2009

Our structure can absorb a peak to trough fall of at least 60% in used values – more than double that of the last cycle



- Borrowing base reflects November 2008 asset values which were down around 18% from Spring 2007 peak