Responsible investment in growth

Second quarter results | 31 October 2013

Issued: 10 December 2013

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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 18–19 of the Group's Annual Report and Accounts for the year ended 30 April 2013 and in the unaudited results for the second quarter ended 31 October 2013 under "Current trading and outlook" and "Principal risks and uncertainties". Both these reports may be viewed on the Group's website at **www.ashtead-group.com**

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

Overview

- Revenue growth of 23%
- Record H1 pre-tax profit of £212m up 49% (2012: £140m)
- Group EBITDA margin rises to 43% (2012: 41%)
- Group RoI rises to 18% (2012: 14%)
- Increased capital guidance to £700m for the year
- Interim dividend raised 50% to 2.25p per share (2012: 1.5p)

Ashtead group

Suzanne Wood

Finance director

Q2 Group revenue and profit

	Q2		
(£m)	2013	2012[1]	Change[2]
Revenue	**439**	**355**	**23%**
- of which rental	392	316	23%
Operating costs	(246)	(209)	17%
EBITDA	**193**	**146**	**30%**
Depreciation	(69)	(57)	20%
Operating profit	**124**	**89**	**37%**
Net interest	(11)	(10)	1%
Profit before tax and amortisation	**113**	**79**	**42%**
Earnings per share (p)	**14.3**	**9.9**	**44%**
Margins			
- EBITDA	*44%*	*41%*	
- Operating profit	*28%*	*25%*	

1 Prior year figures restated for the adoption of IAS 19 'Employee Benefits' (revised)
2 At constant exchange rates
3 The results in the table above are the Group's underlying results and are stated before exceptionals, intangible amortisation and fair value remeasurements

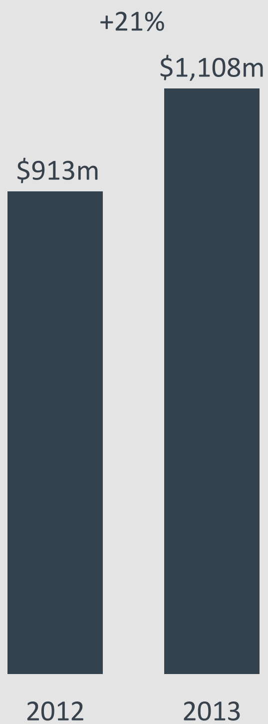
H1 Group revenue and profit

(£m)	H1 2013	H1 2012[1]	H1 Change[2]
Revenue	**850**	**680**	**23%**
- of which rental	765	605	25%
Operating costs	(481)	(404)	17%
EBITDA	**369**	**276**	**32%**
Depreciation	(135)	(113)	19%
Operating profit	**234**	**163**	**41%**
Net interest	(22)	(23)	-
Profit before tax and amortisation	**212**	**140**	**49%**
Earnings per share (p)	**26.7**	**17.6**	**50%**
Margins			
- EBITDA	*43%*	*41%*	
- Operating profit	*28%*	*24%*	

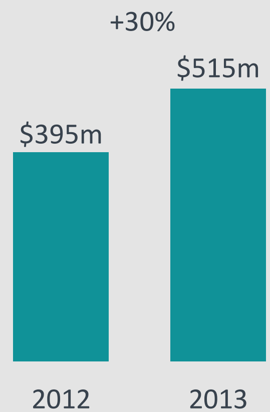
1 Prior year figures restated for the adoption of IAS 19 'Employee benefits' (revised)
2 At constant exchange rates
3 The results in the table above are the Group's underlying results and are stated before exceptionals, intangible amortisation and fair value remeasurements

H1 divisional results – Sunbelt

Total revenue



EBITDA



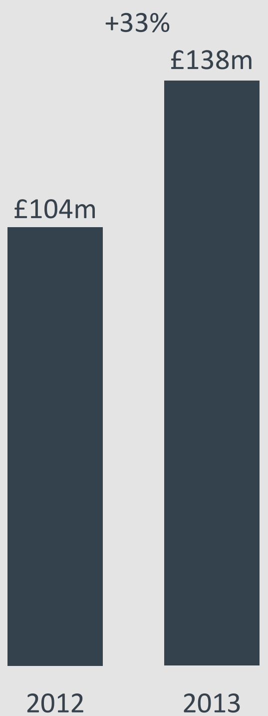
Margins: 43% 46%

	Revenue bridge	
	Change	($m)
2012 rental revenue		811
Change – Volume	+17%	135
– Yield	+6%	52
2013 rental revenue		998
Sales revenue		110
2013 total revenue		**1,108**

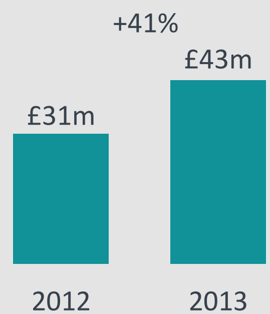
	EBITDA bridge	
	Change	($m)
2012 EBITDA		395
Rental revenue increase	+23%	187
Operating cost increase	+16%	(73)
Increase in profit on sale of fixed assets		6
2013 EBITDA		**515**

H1 divisional results – A-Plant

Total revenue



EBITDA



Margins: 30% 31%

	Revenue bridge	
	Change	(£m)
2012 rental revenue		92
Change – Volume	+23%	21
– Yield	+10%	11
2013 rental revenue		124
Sales revenue		14
2013 total revenue		**138**

	EBITDA bridge	
	Change	(£m)
2012 EBITDA		31
Rental revenue increase	+35%	32
Operating cost increase	+33%	(21)
Increase in profit on sale of fixed assets		1
2013 EBITDA		**43**

Cash flow

Significant reinvestment in our rental fleet

(£m)	H1 2013	H1 2012	Change
EBITDA before exceptional items	369	276	+34%
Cash conversion ratio[1]	81.9%	80.2%	
Cash inflow from operations[2]	**302**	**221**	**+37%**
Payments for capital expenditure	(453)	(413)	
Rental equipment and other disposal proceeds received	45	49	
	(408)	(364)	
Interest and tax paid	(30)	(24)	
Exceptional costs paid	(1)	(15)	
Free cash flow	**(137)**	**(182)**	
Business acquisitions	(61)	-	
Dividends paid	(30)	(13)	
Purchase of own shares by the ESOT	(22)	(10)	
Increase in net debt	**(250)**	**(205)**	

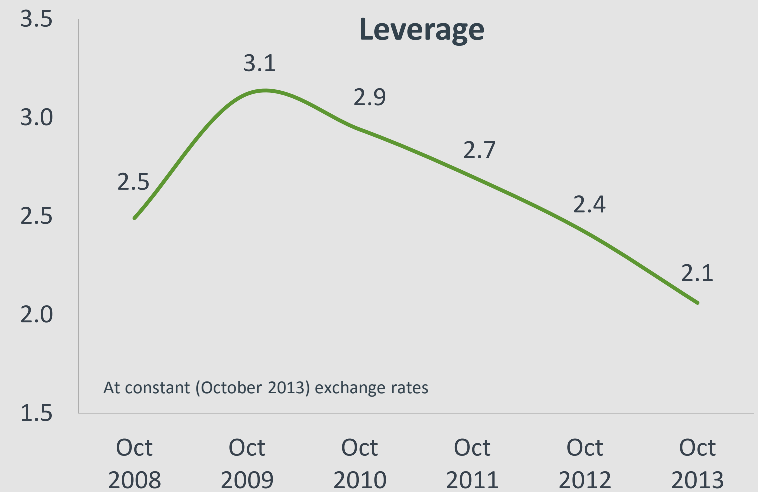
[1] Cash inflow from operations as a percentage of EBITDA
[2] Before fleet changes and exceptionals

Net debt and leverage

Net debt to EBITDA continues to reduce despite the fleet investment

(£m)	Oct 2013	Oct 2012
Net debt at 30 April	**1,014**	**854**
Translation impact	(37)	4
Opening debt at closing exchange rates	**977**	**858**
Change from cash flows	250	205
Debt acquired	1	-
Non-cash movements	2	6
Net debt at period end	**1,230**	**1,069**
Comprising:		
First lien senior secured bank debt	922	763
Second lien secured notes	305	304
Finance lease obligations	4	3
Cash in hand	(1)	(1)
Total net debt	**1,230**	**1,069**
Net debt to EBITDA leverage* (x)	**2.1**	**2.4**

*At constant exchange rates



Interest

Floating rate: 75%

Fixed rate: 25%

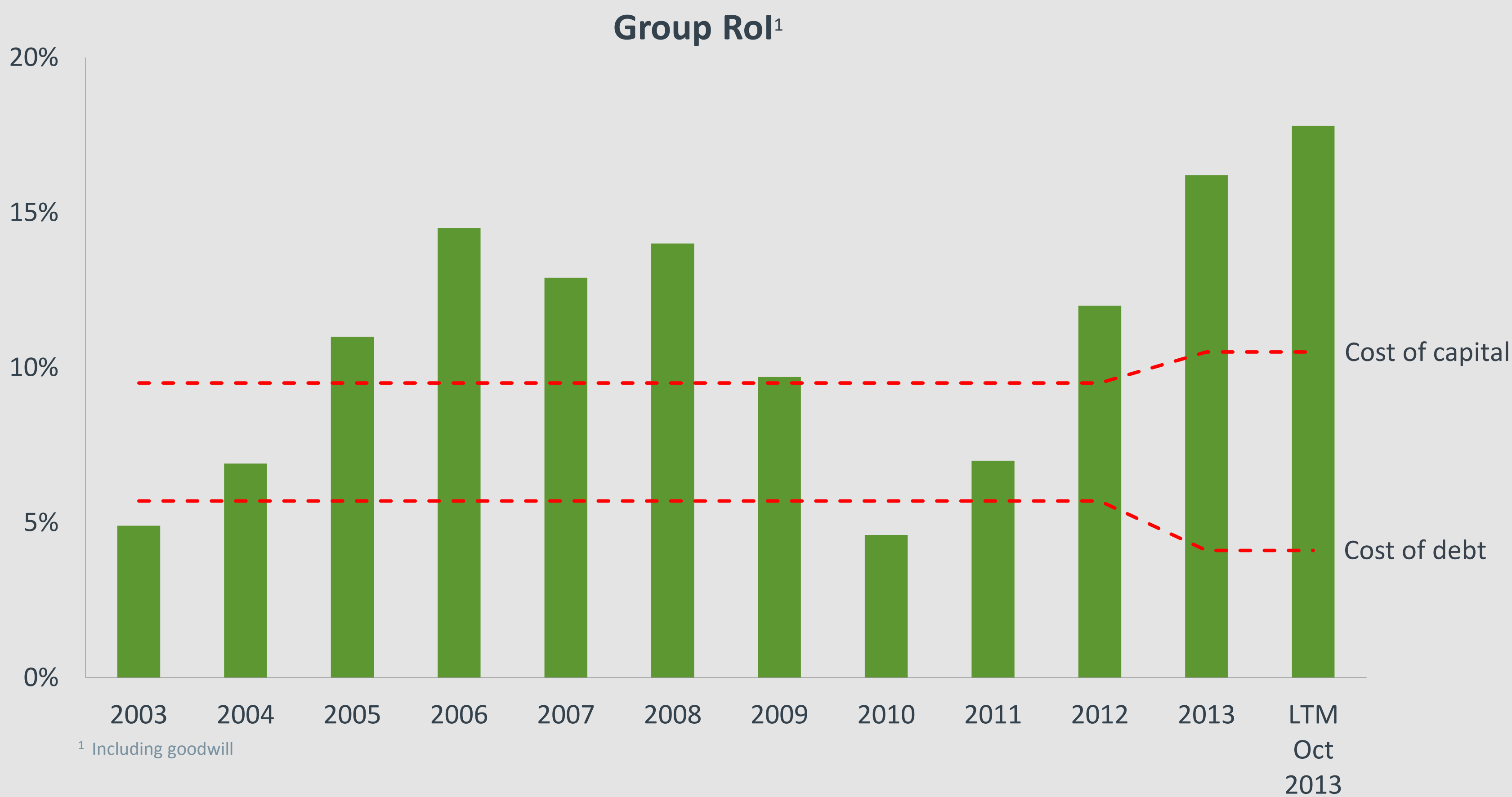
Group capex guidance increased

	2012/13			2013/14 guidance		
	Replacement	Growth	Total	Replacement	Growth	Total
Sunbelt ($m)	330	384	714	275	585	860
Sunbelt (£m)	212	246	458	172	366	538
A-Plant	51	12	63	50	30	80
Rental equipment	263	258	521	222	396	618
Other, mainly delivery vehicles			59			82
			580			**700**

Note: i) 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 the equipment sold

ii) Other includes delivery vehicle replacement

Strong RoI pre cyclical recovery



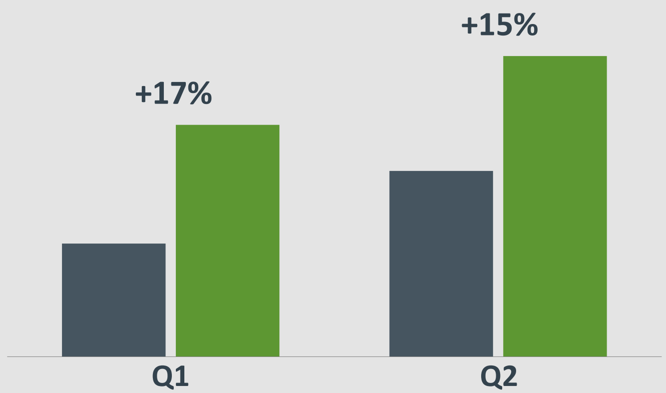
[1] Including goodwill

Geoff Drabble
Chief executive

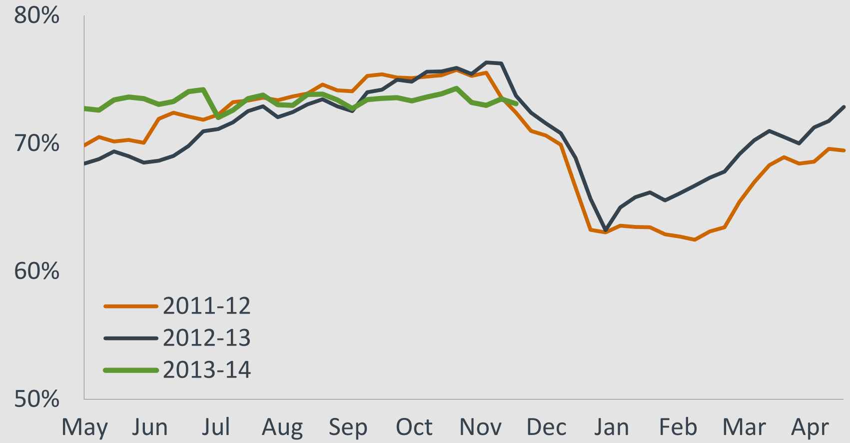
Sunbelt revenue drivers

Continuation of strong performance in both volume and yield

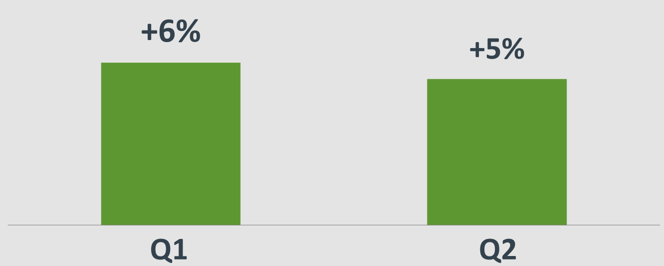
Average fleet on rent



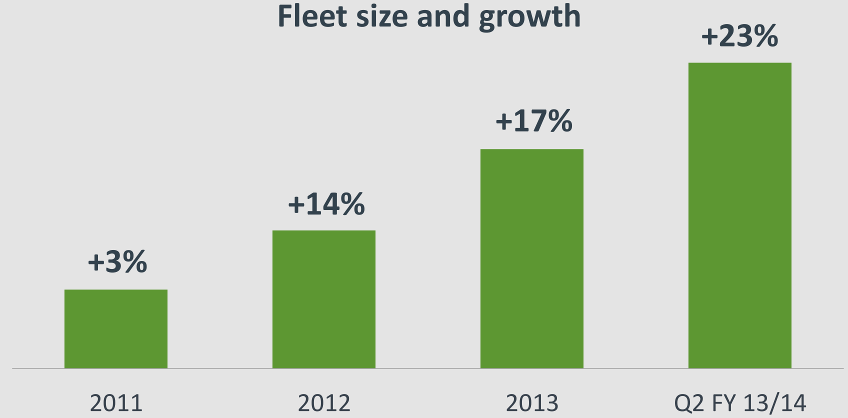
Physical utilisation



Year over year change in yield



Fleet size and growth



Key growth drivers over the longer term

Good long-term potential for growth

	Current position	Potential
Cyclical recovery	Construction at historically low levels	+50%
Market share gains	Market share grown to 6% Strong growth momentum and best balance sheet in industry provides much more potential	+100%
Shift to rental	Rental penetration has risen to 50% Longer term potential 60%+	+20%

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Cyclical recovery +50%

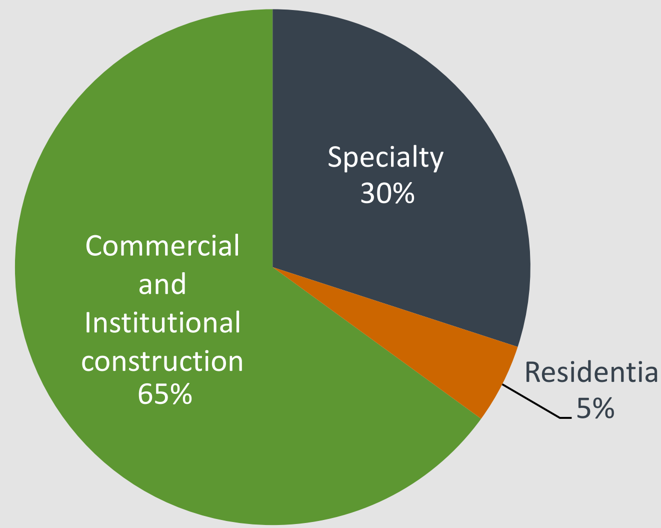
Market outlook

Trends very encouraging

Total building starts (Millions of square feet)	2013	2014	2015
Total building	+18%	+26%	+24%
Commercial and Industrial	+13%	+21%	+23%
Institutional	-7%	+7%	+16%
Residential	+25%	+30%	+26%

Source: McGraw Hill

This supports strong medium-term growth

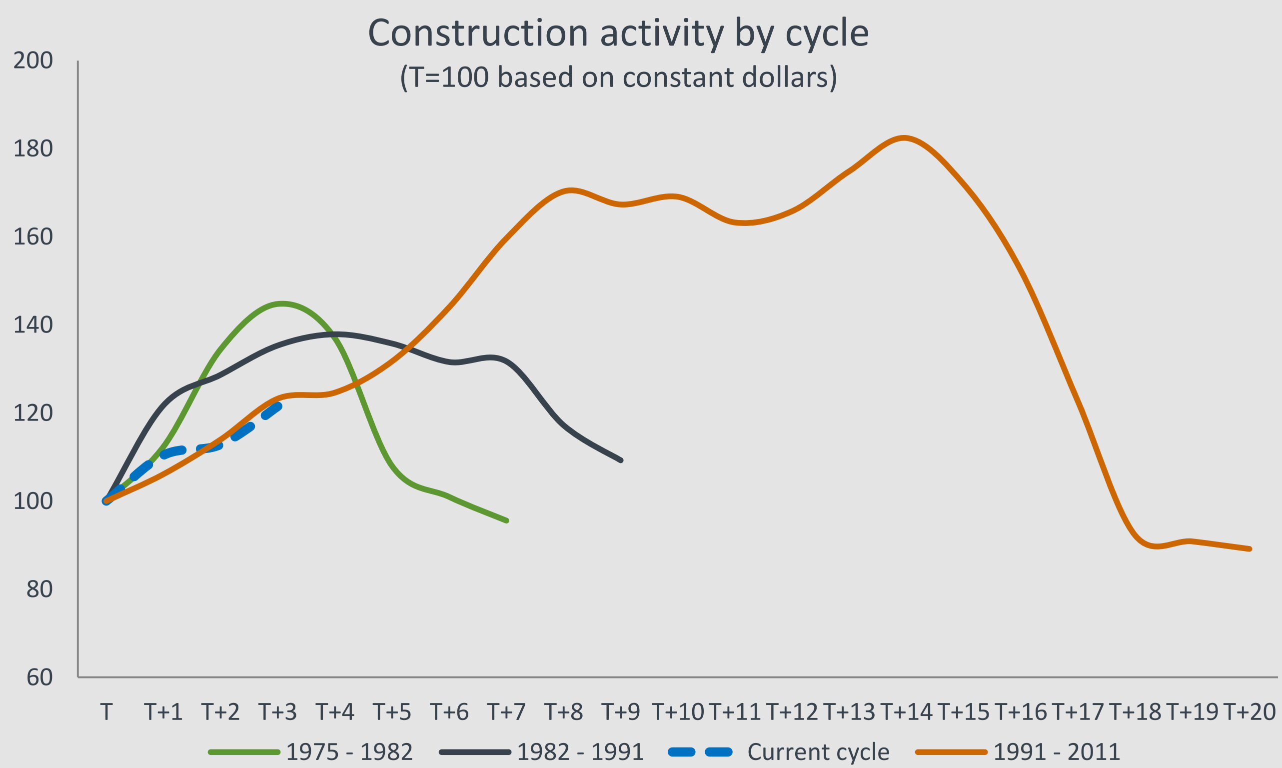


Business mix

- We remain a late cycle non residential business
- Our sweet spot is 12-24 months after starts

Cyclical recovery +50%

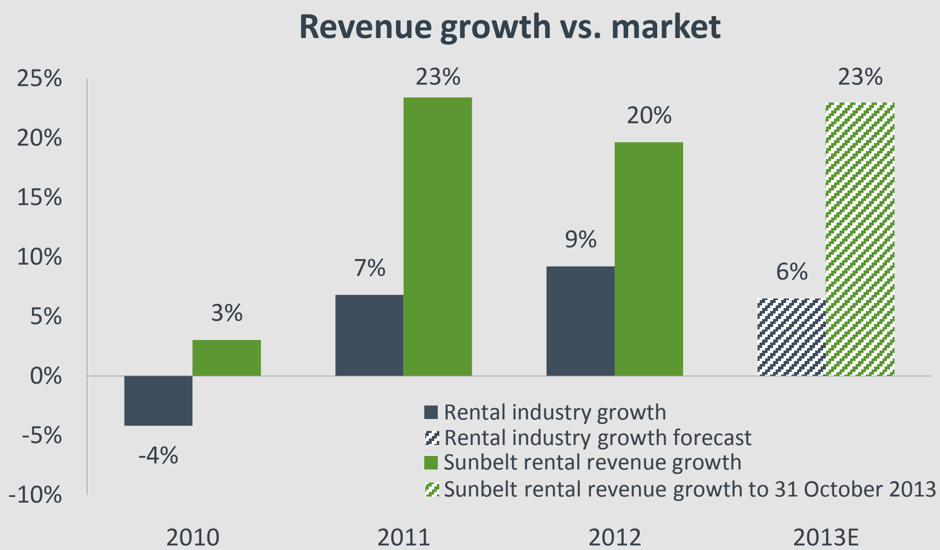
We maintain our view of a long and steady recovery



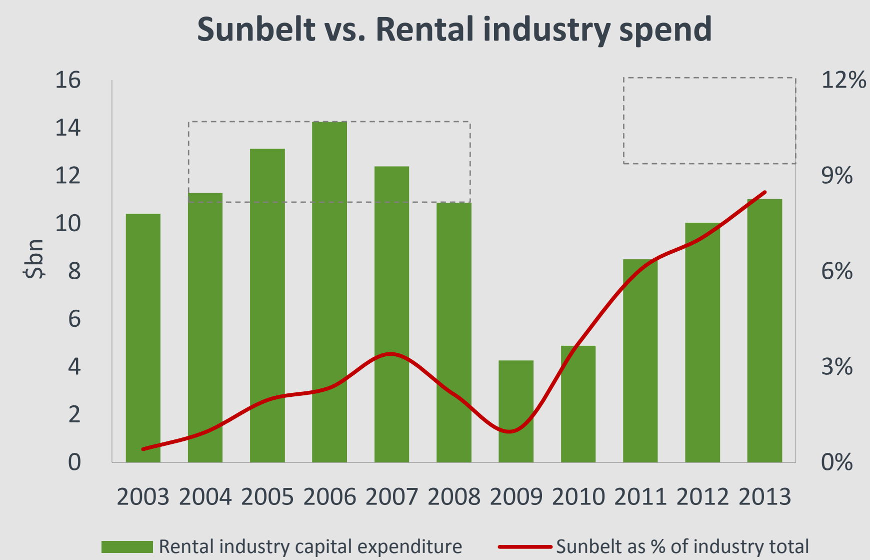
Source: McGraw Hill Construction

Market share gains +100%

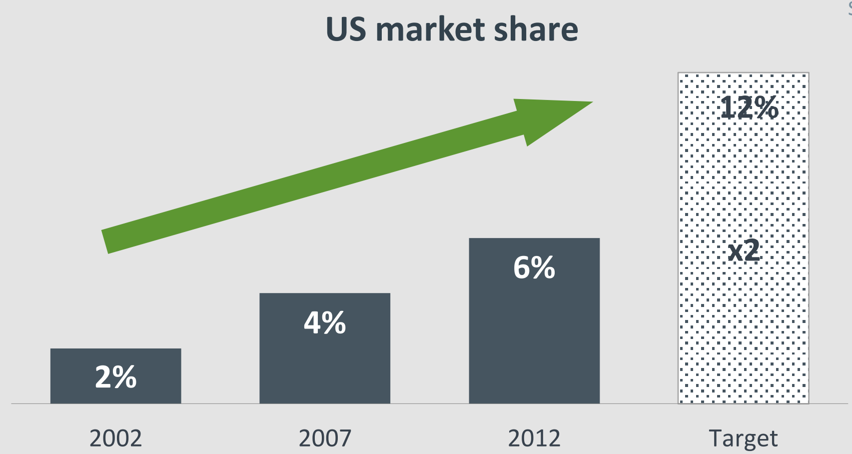
Continue to take advantage of favourable market conditions



Source; IHS Global Insight / Management information



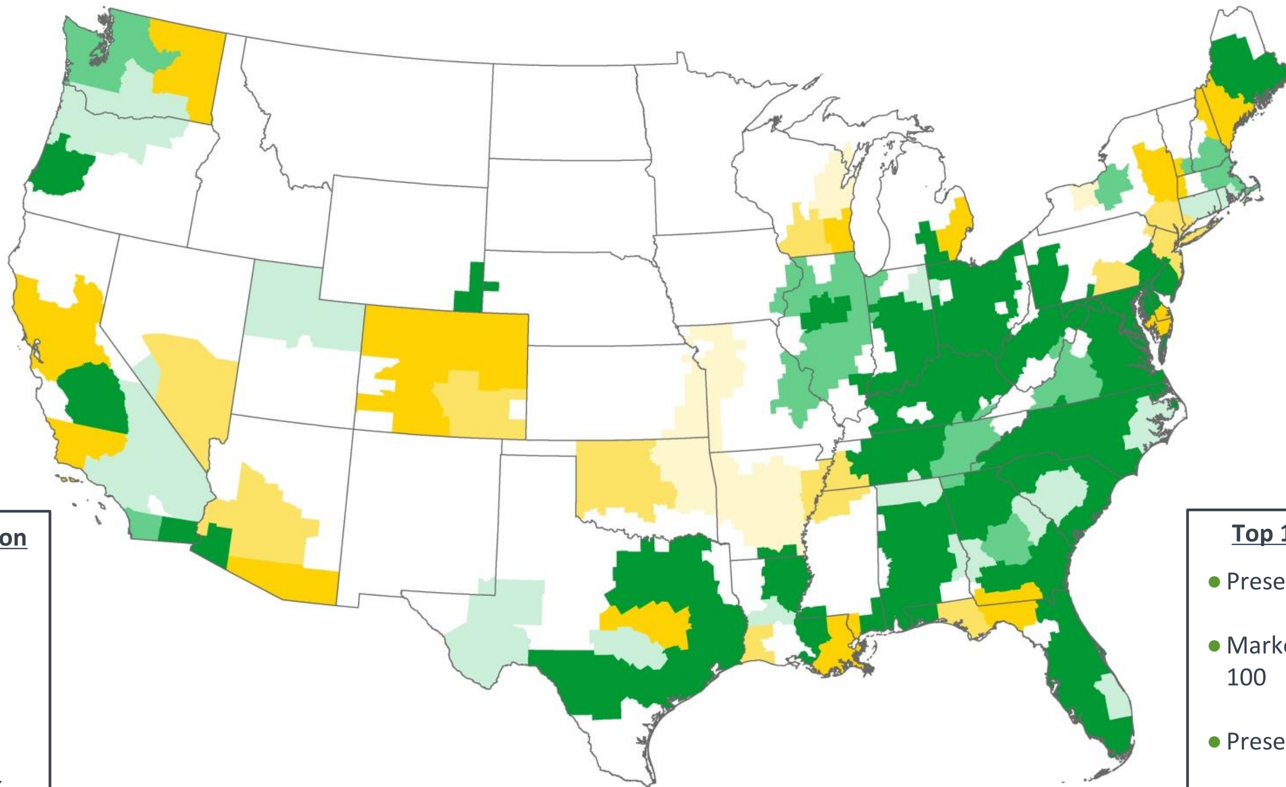
Source: IHS Global Insight / Management information



Source: Management estimates

Market share gains +100%

Significant opportunity for geographic expansion

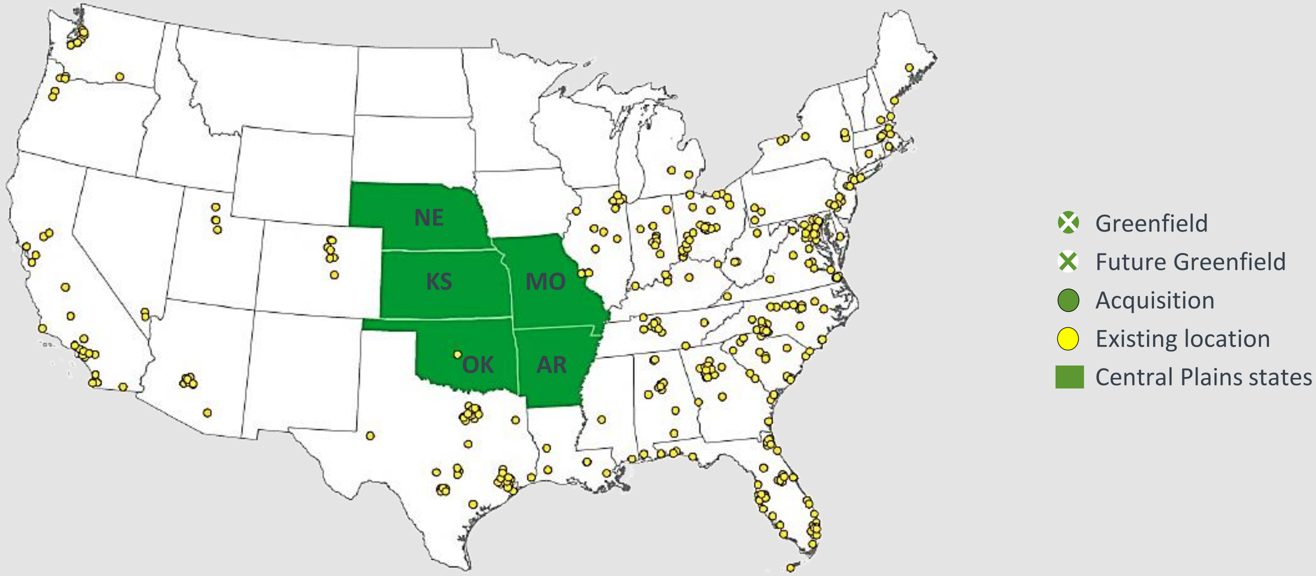


Top 100 Designated Markets

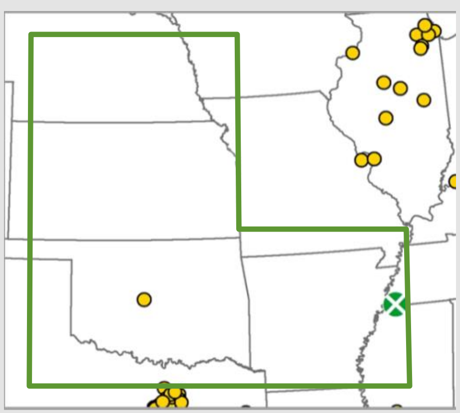
- Present in 82 of top 100
- Market share > 10% in 52 of top 100
- Present in 48 of top 50
- Significant opportunity in both existing and new geographies

Market share gains +100%

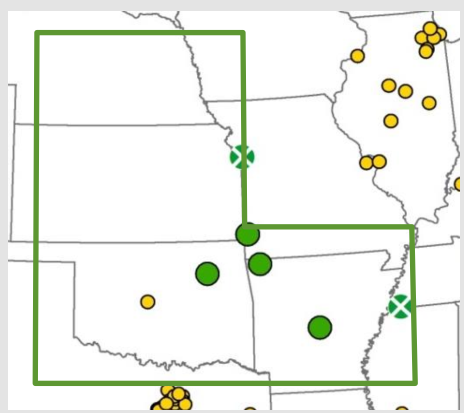
Geographic expansion - an example



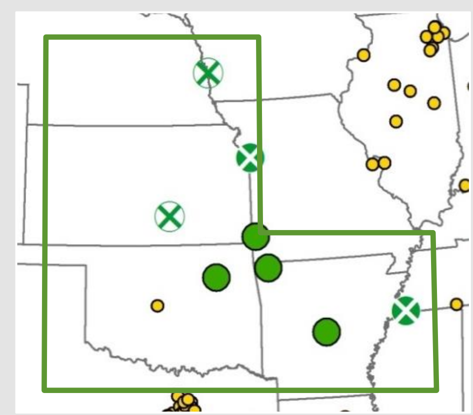
FY13
General tool : 2 locations
Fleet size : $15m



Today
General tool : 7 Locations
Fleet size : $54m



FY15
General tool : 9 Locations
Fleet size : $80m



Market share gains +100%

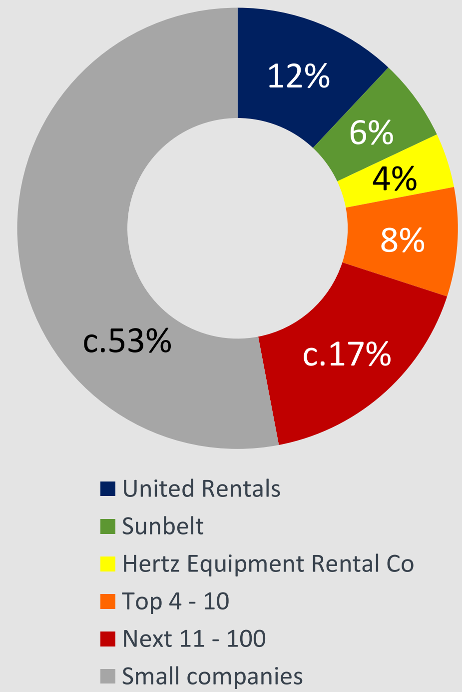
Balanced growth strategy between Greenfields and bolt-ons

New locations

	General tool	Specialty	Total
FY 13			
Bolt-ons	4	2	6
Greenfield	9	8	17
	13	10	23
FY 14 YTD			
Bolt-ons	5	7	12
Greenfield	3	11	14
	8	18	26

Good mix of Greenfields and bolt-ons

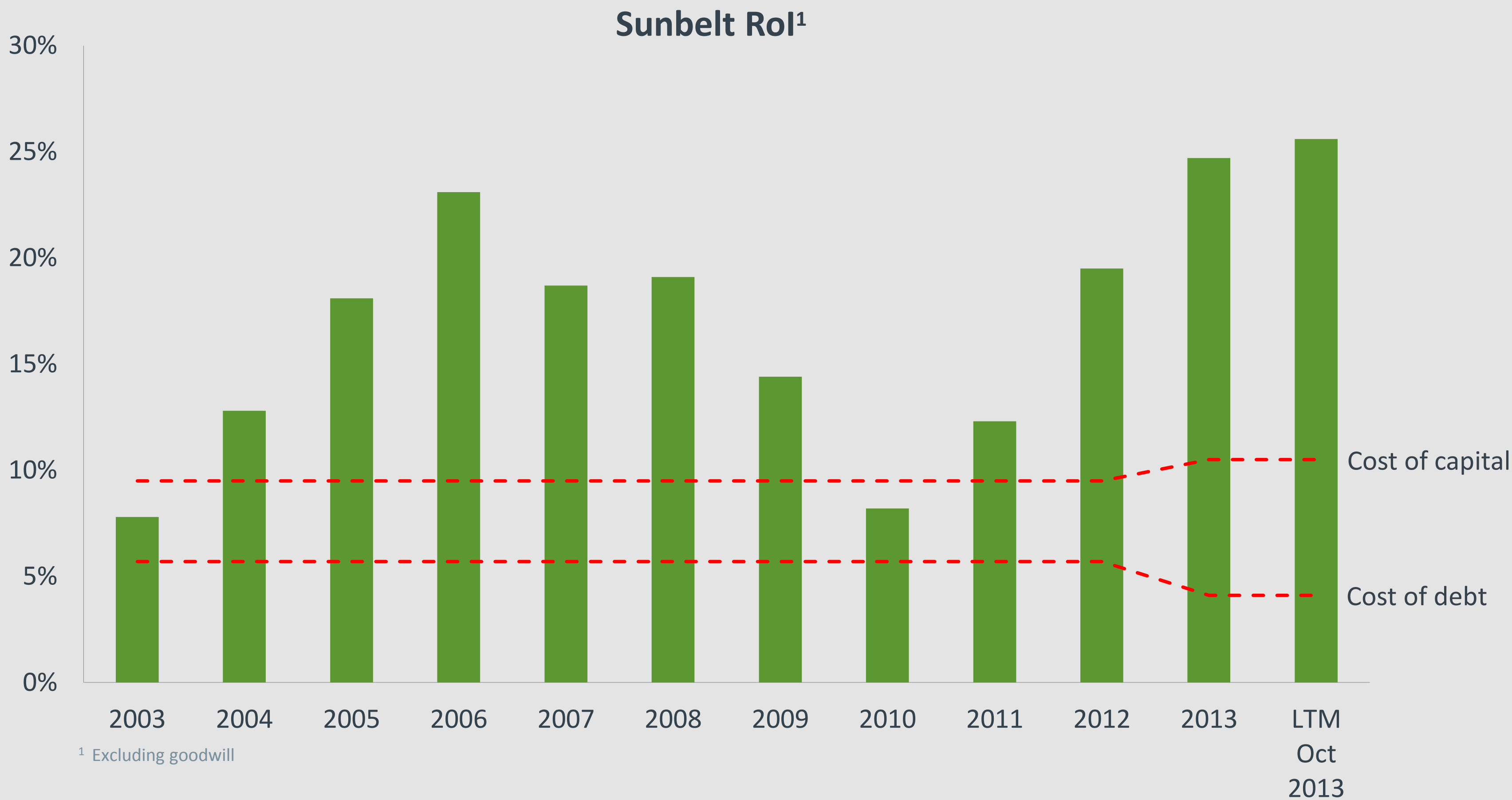
US market share



Large population of potential bolt-ons

Market share gains +100%

This is a high return, low risk strategy

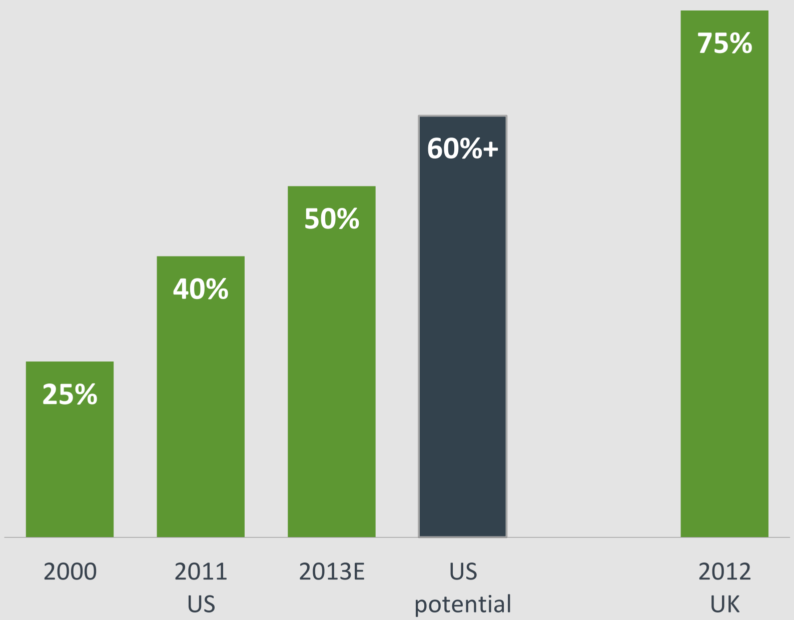


[1] Excluding goodwill

Shift to rental +20%

Continues to provide opportunity - our fleet age is a significant competitive advantage

Long-term structural trend



Source: Kaplan Associates / Management estimates

Short-term drivers

- Significant replacement cost inflation
- Technical changes
- Health and safety and environmental issues
  - DOT an increasing factor
- Just got used to renting

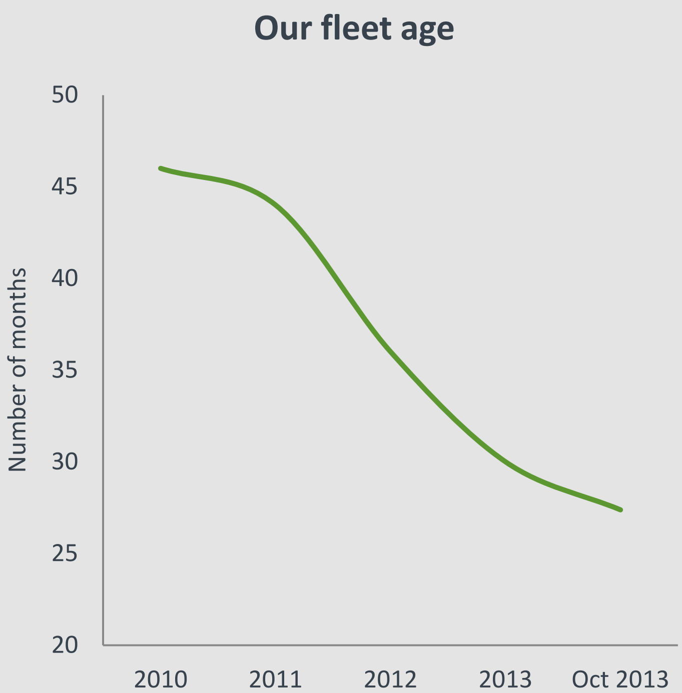
Shift to rental +20%

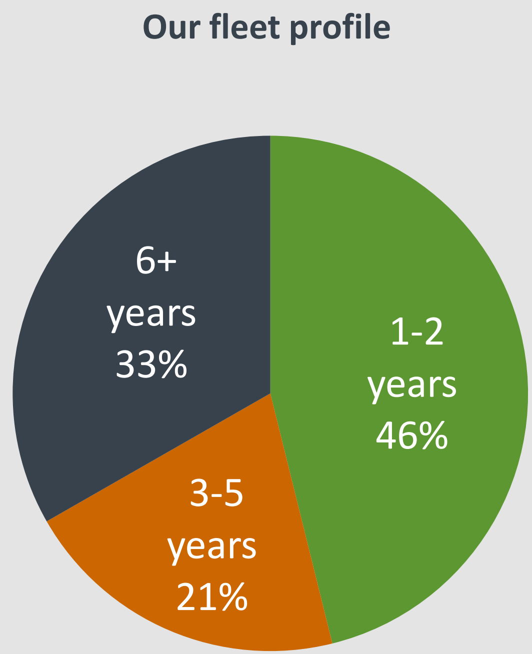
Significant TIER 4 inflation drives further rental penetration and fleet size reduction

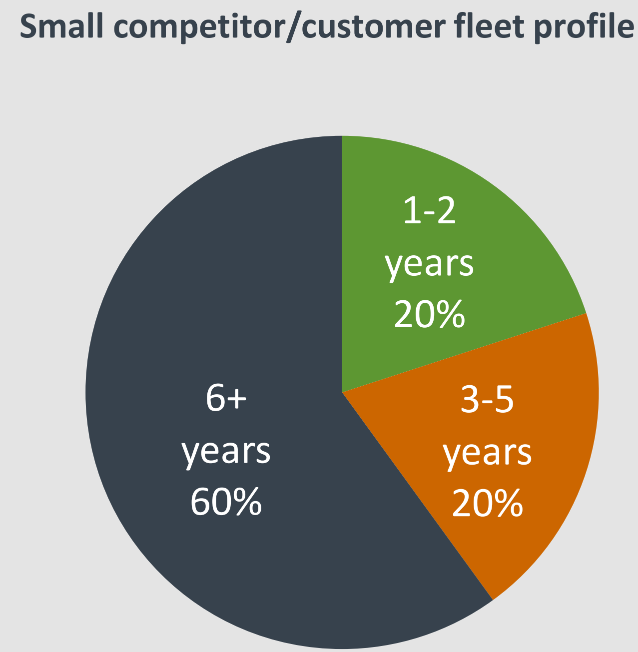
		Cost 2006/7 TIER 3	2012/13 TIER 4 interim	2014 TIER 4 final
	Lift	100	120	135
	Telehandler	100	125	135
	Skid steer	100	120	140

Shift to rental +20%

We have a significant competitive advantage

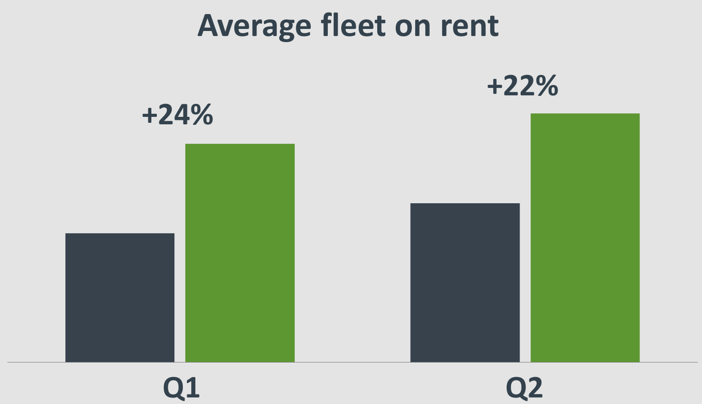


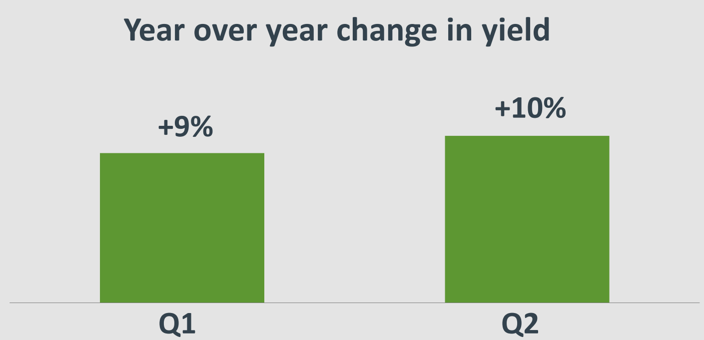


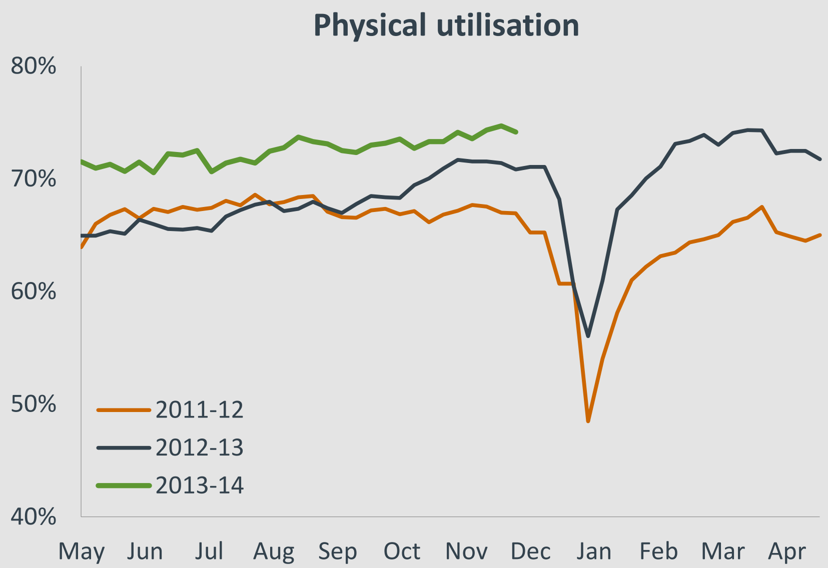


A-Plant revenue drivers

Rental revenue growth of 35% benefitted from acquisitions – 16% excluding Eve







Note: Amounts include acquisitions and Q1 has been restated

UK construction industry forecasts

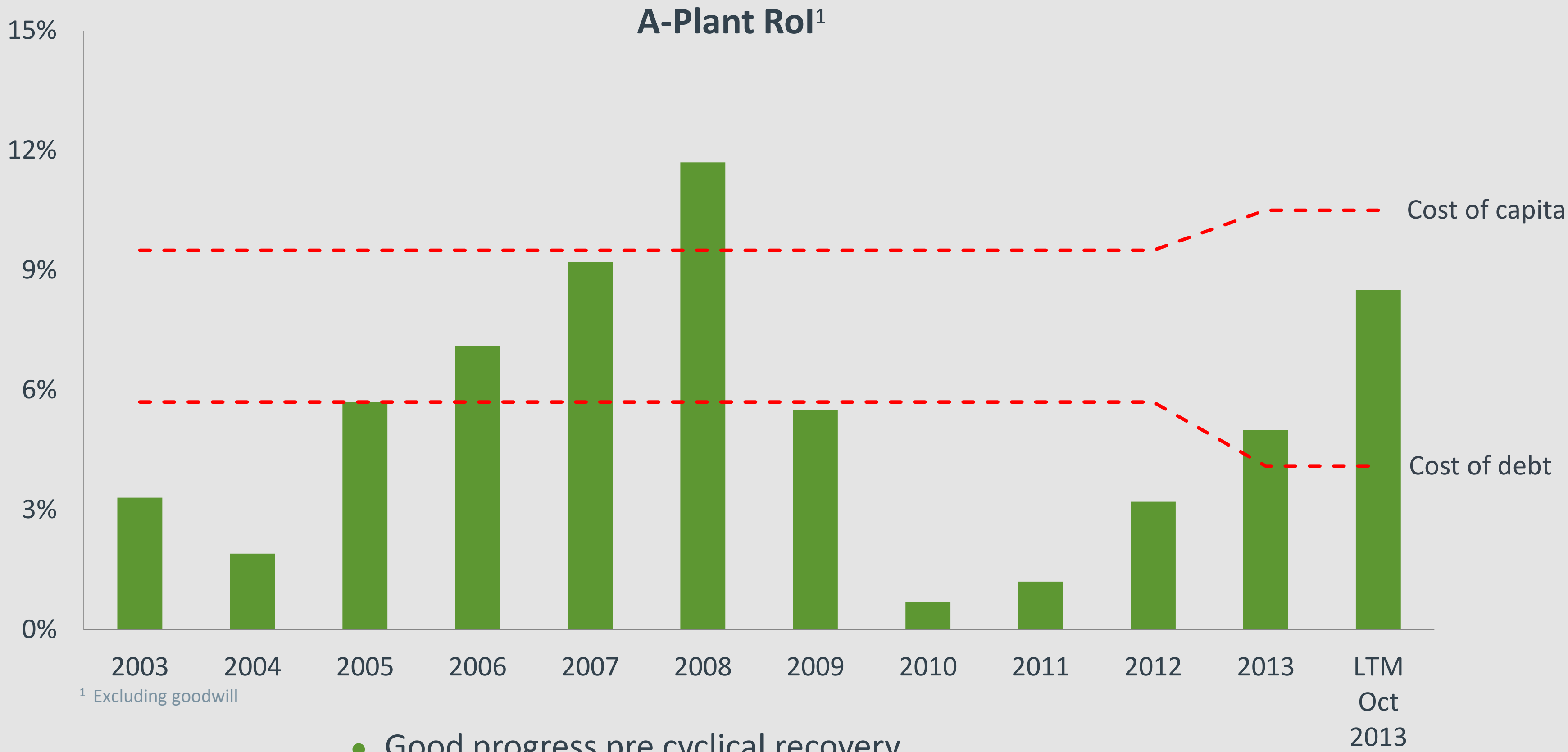
£ million constant 2010 prices

	2012 actual	2013 estimate	2014 forecast	2015 forecast	2016 projection	2017 projection	% of Total
Residential	29,344	30,713	32,378	34,211	36,730	39,198	30%
		+4.7%	+5.4%	+5.7%	+7.4%	+6.7%	
Private commercial	33,967	33,216	33,647	35,273	36,695	38,310	29%
		-2.2%	+1.3%	+4.8%	+4.0%	+4.4%	
Public and infrastructure	47,301	46,164	47,025	48,803	50,953	52,964	41%
		-2.4%	+1.9%	+3.8%	+4.4%	+3.9%	
Total	110,612	110,093	113,050	118,287	124,378	130,472	100%
		-0.5%	+2.7%	+4.6%	+5.1%	+4.9%	

Source: Consumer Products Association (Autumn 2013)

Still a long road but at least at bottom

Improving RoI pre cyclical recovery



[1] Excluding goodwill

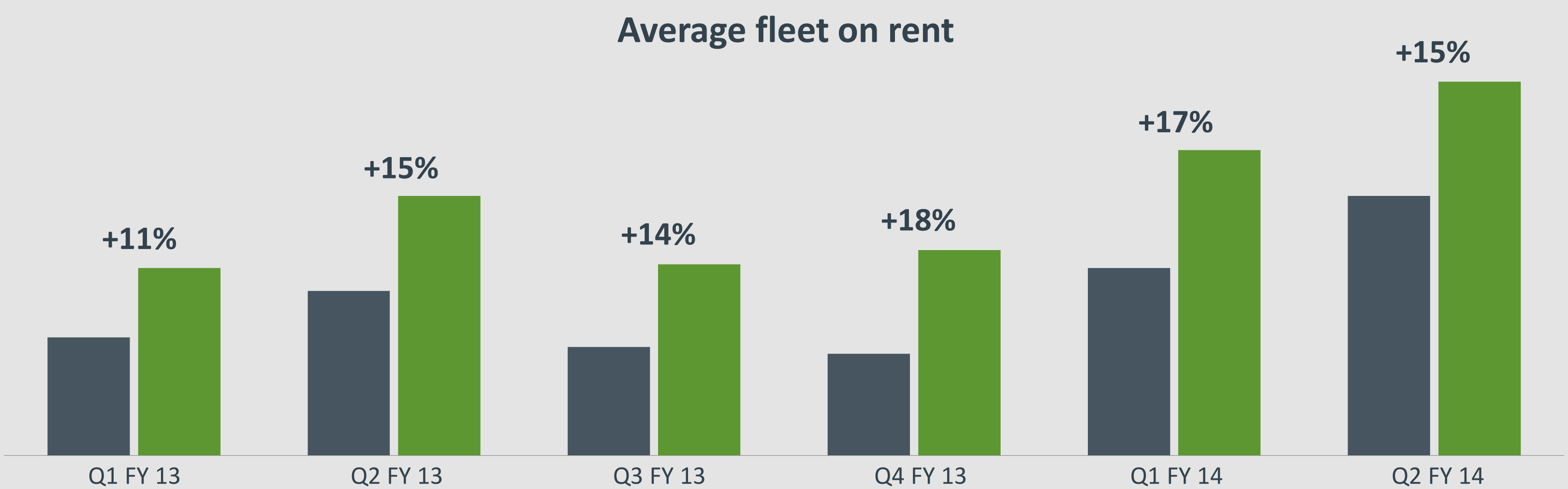
- Good progress pre cyclical recovery
- Small bolt-on specialty acquisitions have helped
- Continuation of the same strategy
  - Best service and fleet in industry
  - Broadens the offering

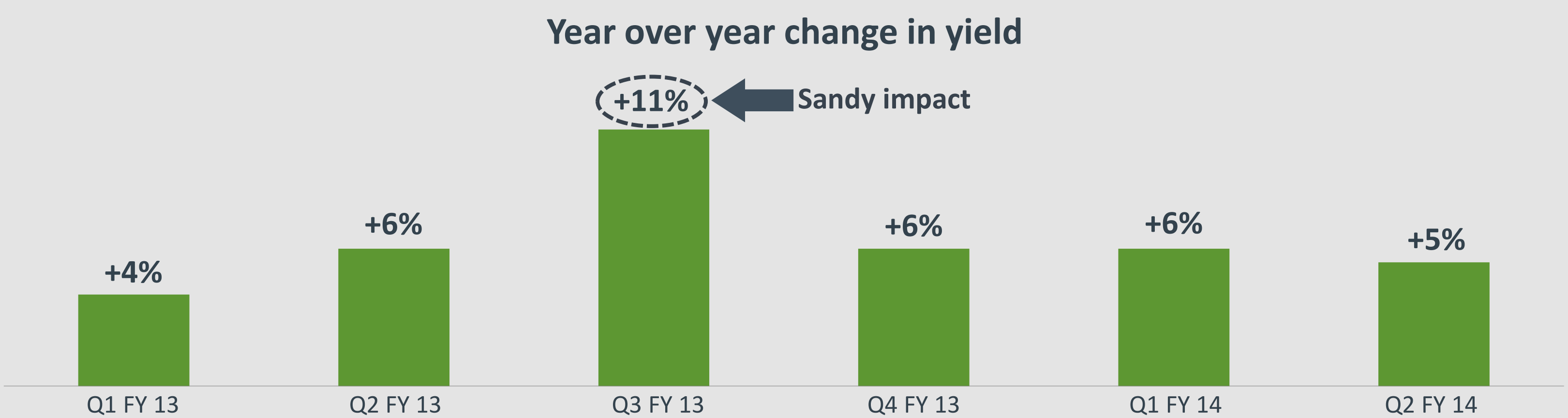
Summary

- Good momentum in both divisions
- Sunbelt continues to benefit from long-term structural opportunities
- We will;
  - Continue to invest in organic growth
  - Make sensible bolt-on acquisitions
  - Focus on execution
  - Retain leverage discipline
- Full year profits towards the upper end of current expectations
- Increased capital guidance to £700m for the year
- Interim dividend raised 50% to 2.25p per share (2012: 1.5p)

Appendices

US volume and yield progression





Divisional performance – Q2

	Revenue			EBITDA			Profit		
	2013	2012	Change[1]	2013	2012	Change[1]	2013	2012	Change[1]
Sunbelt ($m)	581	481	+21%	272	211	+29%	184	140	+32%
Sunbelt (£m)	367	301	+22%	172	133	+30%	116	88	+33%
A-Plant	72	54	+33%	23	16	+40%	10	4	+120%
Group central costs	-	-	-	(2)	(3)	-4%	(2)	(2)	-4%
	439	**355**	**+24%**	**193**	**146**	**+32%**	**124**	**90**	**+38%**
Net financing costs							(11)	(11)	+3%
Profit before tax and amortisation							**113**	**79**	**+43%**
Amortisation							(3)	(1)	+108%
Profit before taxation							**110**	**78**	**+42%**
Taxation							(40)	(30)	+38%
Profit after taxation							**70**	**48**	**+45%**
Margins									
- Sunbelt				*47%*	*44%*		*32%*	*29%*	
- A-Plant				*32%*	*30%*		*13%*	*8%*	
- Group				*44%*	*41%*		*28%*	*25%*	

[1] As reported

Divisional performance – LTM

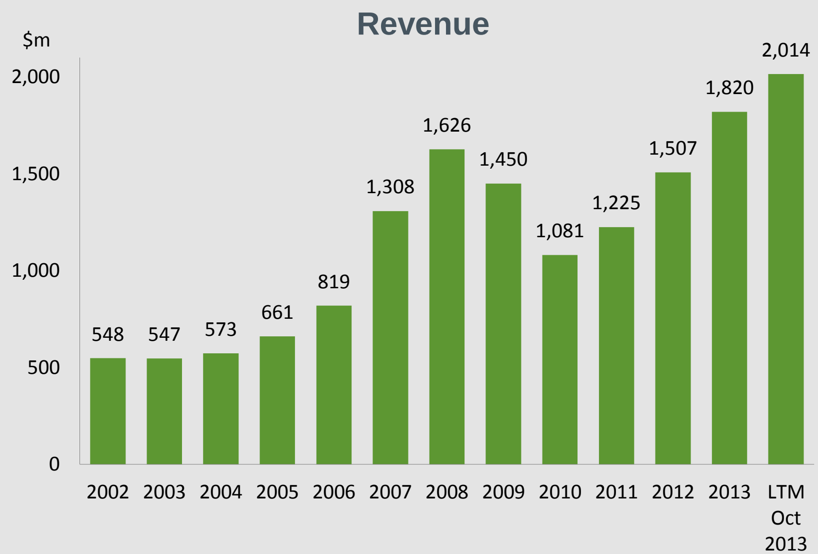
	Revenue			EBITDA			Profit		
	2013	2012	Change[1]	2013	2012	Change[1]	2013	2012	Change[1]
Sunbelt ($m)	2,014	1,644	+23%	861	639	+35%	543	371	+47%
Sunbelt (£m)	1,290	1,041	+24%	552	405	+36%	348	235	+48%
A-Plant	241	199	+21%	70	54	+29%	22	9	+139%
Group central costs	-	-	-	(9)	(9)	+8%	(9)	(9)	+7%
	1,531	**1,240**	**+24%**	**613**	**450**	**+36%**	**361**	**235**	**+54%**
Net financing costs							(43)	(49)	-11%
Profit before tax, exceptionals, amortisation and remeasurements							**318**	**186**	**+71%**
Exceptionals, amortisation and remeasurements							(8)	(22)	-
Profit before taxation							**310**	**164**	**+89%**
Taxation							(112)	(57)	+95%
Profit after taxation							**198**	**107**	**+85%**
Margins									
- Sunbelt				*43%*	*39%*		*27%*	*23%*	
- A-Plant				*29%*	*27%*		*9%*	*5%*	
- Group				*40%*	*36%*		*24%*	*19%*	

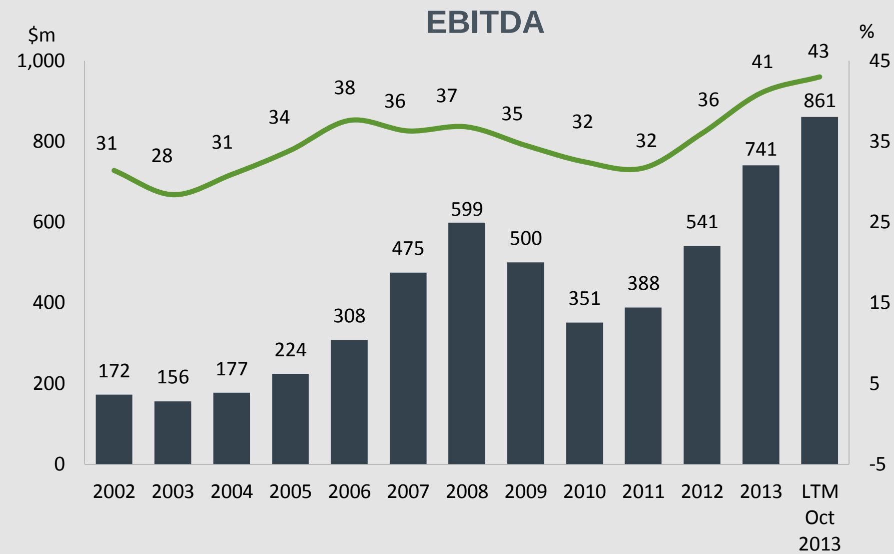
[1] As reported

Margins continue to improve

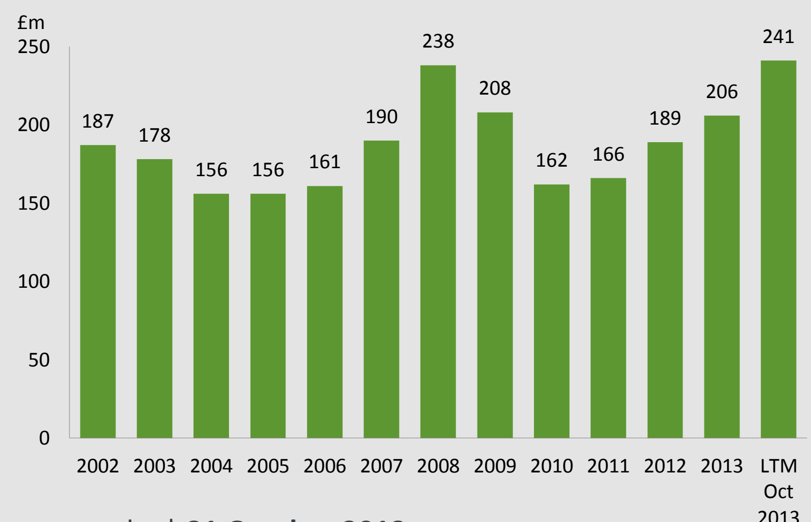
US margins have exceeded the previous peak with substantial opportunity for future earnings growth and margin expansion

Sunbelt



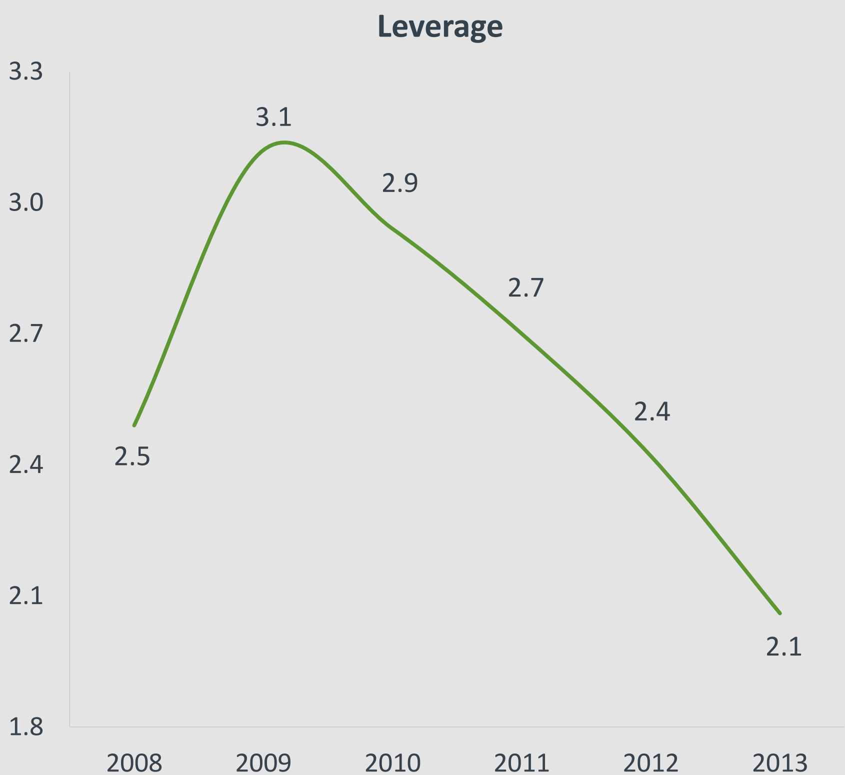


A-Plant

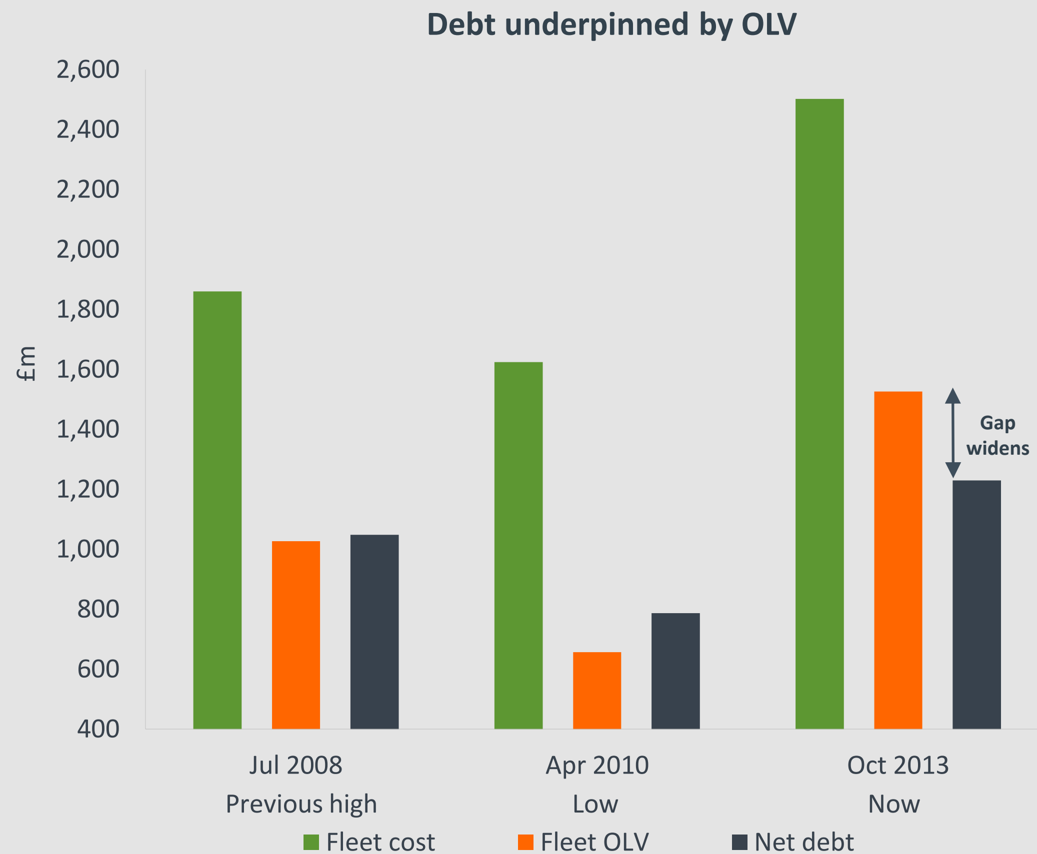


Financial strength

Growth potential is underpinned by the financial strength of the business



Note: At constant (October 2013) exchange rates



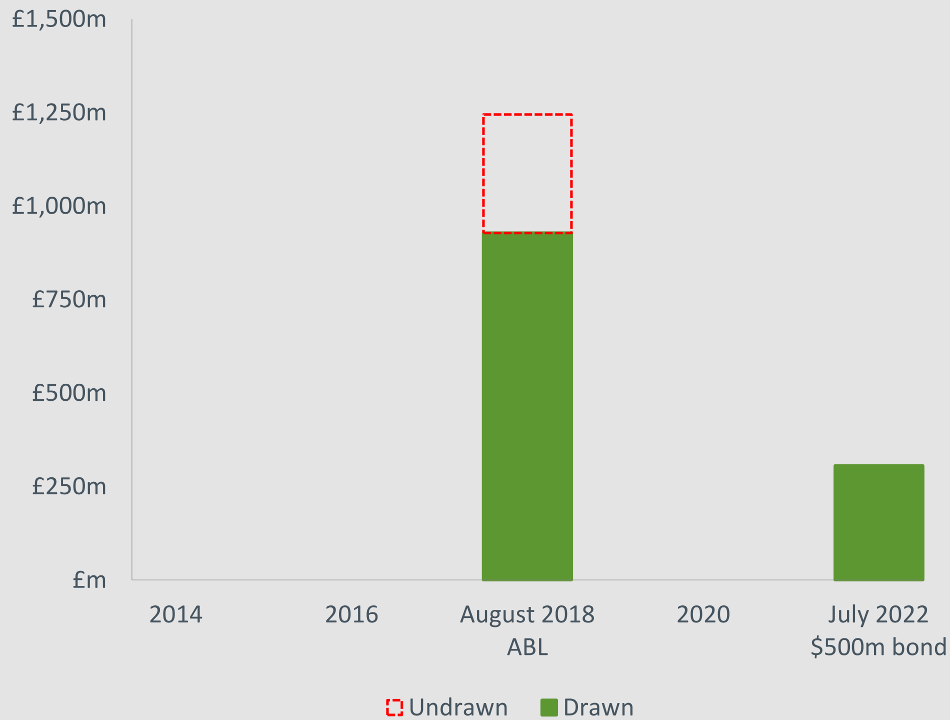
Note: At constant exchange rates

Cash flow funds organic fleet growth

(£m)	LTM Oct 13	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
EBITDA before exceptional items	**613**	**519**	**381**	**284**	**255**	**359**	**380**	**310**	**225**	**170**	**147**	**150**
EBITDA margin	40%	38%	34%	30%	30%	33%	38%	35%	35%	32%	29%	28%
Cash inflow from operations before fleet changes and exceptionals	**582**	**501**	**365**	**280**	**266**	**374**	**356**	**319**	**215**	**165**	**140**	**157**
Cash conversion ratio	95%	97%	96%	99%	104%	104%	94%	97%	96%	97%	95%	105%
Maintenance capital expenditure	(303)	(329)	(273)	(203)	(43)	(236)	(231)	(245)	(167)	(101)	(83)	(89)
Disposal proceeds	93	96	90	60	31	92	93	78	50	36	32	29
Interest and tax	(54)	(48)	(57)	(71)	(54)	(64)	(83)	(69)	(41)	(31)	(33)	(40)
Growth capital expenditure	(319)	(254)	(135)	-	-	-	(120)	(63)	(63)	(10)	-	(18)
Dividends paid	(38)	(20)	(15)	(15)	(13)	(13)	(10)	(7)	(2)	-	-	(9)
Cash available to fund debt pay down or M&A	**(39)**	**(54)**	**(25)**	**51**	**187**	**153**	**5**	**13**	**(8)**	**59**	**56**	**30**

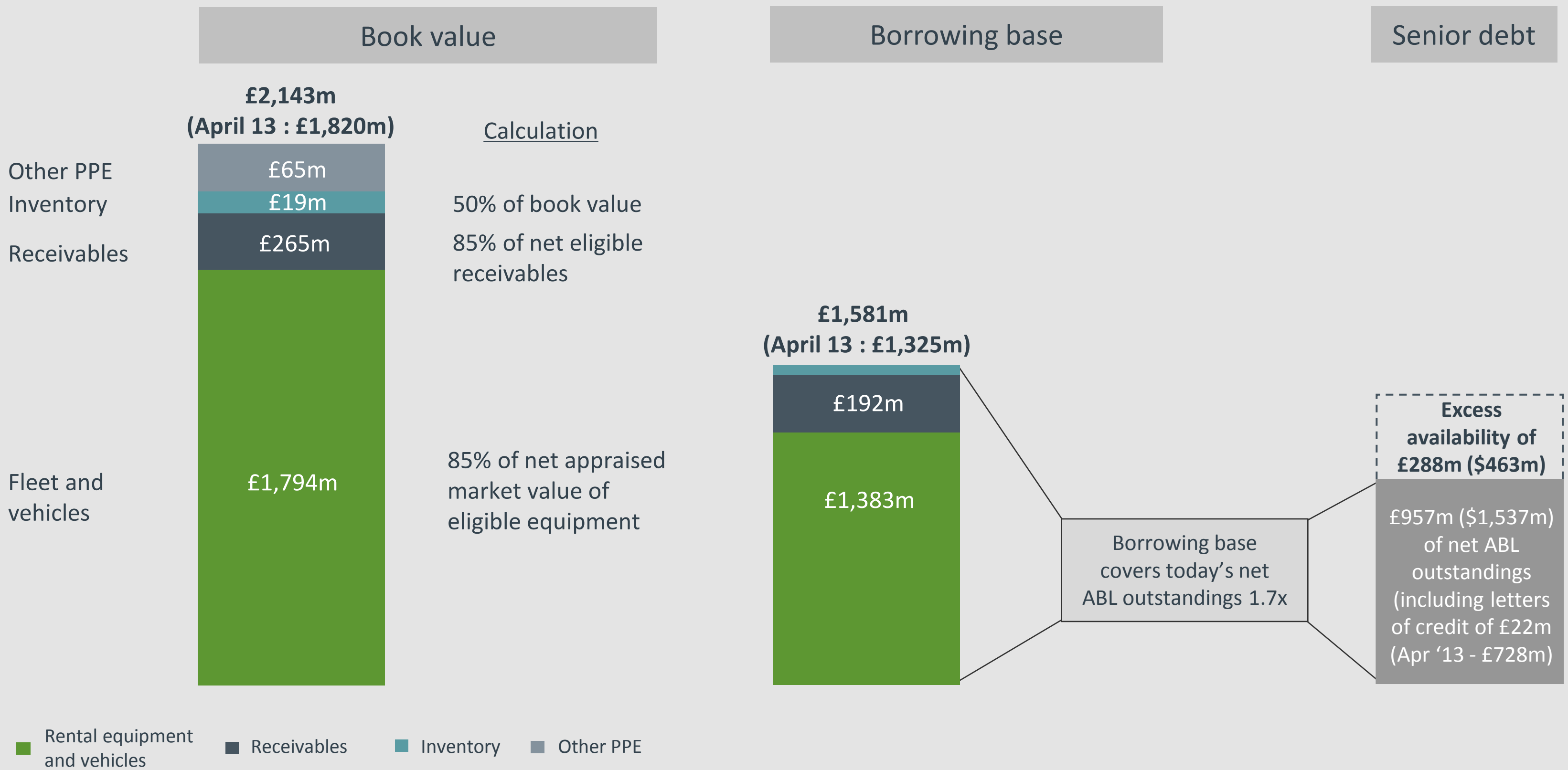
- Healthy EBITDA margins ensure significant top line cash generation throughout the cycle
- Cash from operations funds organic growth investment, tax, interest and dividends
- Historically, debt has only increased at times of large scale M&A

Robust debt structure with substantial capacity to fund further growth



- 6 year average remaining commitment
- No amortisation
- No financial monitoring covenants
  - whilst availability exceeds $200m (October 2013 : $463m)

$463m of availability at 31 October 2013



- Borrowing base reflects July 2013 asset values

Debt and covenants

Debt

Facility	Interest rate	Maturity
$2bn first lien revolver	LIBOR +175-225bp	August 2018
$500m second lien notes	6.5%	July 2022
Capital leases	~7%	Various

Ratings

	S&P	Moody's
Corporate family	BB	Ba2
Second lien	BB-	B1

Availability

- Covenants are not measured if availability is above $200m

Leverage covenant

- Gross funded debt to EBITDA cannot exceed 4.0x
- EBITDA is measured before one time items and at constant exchange rates
- 2.1x at October 2013

Fixed charge coverage covenant

- EBITDA less net cash capex to interest paid, tax paid, dividends paid and debt amortisation must equal or exceed 1.0x
- Less than 1.0x at October 2013

Ashtead group