Responsible investment in growth

Second quarter results | 31 October 2014

Issued: 10 December 2014

Ashtead group

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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 20-21 of the Group's Annual Report and Accounts for the year ended 30 April 2014 and in the unaudited results for the second quarter ended 31 October 2014 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**

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Overview

- H1 rental revenue growth[1] of 24%
- Record pre-tax profit of £266m (2013: £212m)
- Group EBITDA margin rises to 46% (2013: 43%)
- Group RoI of 19% (2013: 18%)
- Net debt to EBITDA leverage[1] of 2.0 times (2013: 2.1 times)
- Increased capital expenditure guidance in the range of £925m to £975m for the year
- Interim dividend raised 33% to 3.0p per share (2013: 2.25p)
- We now anticipate a full year result ahead of our previous expectations

[1] At constant exchange rates

Suzanne Wood

Finance director

Q2 Group revenue and profit

(£m)	Q2 2014	Q2 2013	Change[1]
Revenue	**529**	**439**	**+24%**
- of which rental	478	392	+26%
Operating costs	(283)	(246)	+18%
EBITDA	**246**	**193**	**+32%**
Depreciation	(85)	(69)	+26%
Operating profit	**161**	**124**	**+35%**
Net interest	(16)	(11)	+52%
Profit before tax and amortisation	**145**	**113**	**+33%**
Earnings per share (p)	**18.6**	**14.3**	**+35%**
Margins			
- EBITDA	*46%*	*44%*	
- Operating profit	*30%*	*28%*	

1 At constant exchange rates
2 The results in the table above are the Group's underlying results and are stated before intangible amortisation

H1 Group revenue and profit

	H1		
(£m)	2014	2013	Change[1]
Revenue	**987**	**850**	**+23%**
- of which rental	896	765	+24%
Operating costs	(532)	(481)	+17%
EBITDA	**455**	**369**	**+31%**
Depreciation	(160)	(135)	+26%
Operating profit	**295**	**234**	**+34%**
Net interest	(29)	(22)	+42%
Profit before tax and amortisation	**266**	**212**	**+33%**
Earnings per share (p)	**33.9**	**26.7**	**+35%**
Margins			
- EBITDA	*46%*	*43%*	
- Operating profit	*30%*	*28%*	

1 At constant exchange rates
2 The results in the table above are the Group's underlying results and are stated before intangible amortisation

H1 Sunbelt revenue and profit

	H1		
($m)	2014	2013	Change
Revenue	**1,368**	**1,108**	**+24%**
- of which rental	1,247	998	+25%
Operating costs	(702)	(593)	+18%
EBITDA	**666**	**515**	**+29%**
Depreciation	(217)	(170)	+28%
Operating profit	**449**	**345**	**+30%**
Drop through			
- Total	*59%*		
- Same store	*67%*		
Margins			
- EBITDA	*49%*	*46%*	
- Operating profit	*33%*	*31%*	

H1 A-Plant revenue and profit

	H1		
(£m)	2014	2013	Change
Revenue	**166**	**138**	**+20%**
- of which rental	147	124	+18%
Operating costs	(106)	(108)	+11%
EBITDA	**60**	**43**	**+39%**
Depreciation	(30)	(26)	+18%
Operating profit	**30**	**17**	**+71%**
Drop through	*62%*		
Margins			
- EBITDA	*36%*	*31%*	
- Operating profit	*18%*	*13%*	

Capital expenditure update

	2014	2015 forecast
Sunbelt ($m)		
- rental fleet	963	1,170 – 1,220
- non rental fleet	119	80
	1,082	1,250 – 1,300
A-Plant (£m)		
- rental fleet	86	125 – 140
- non rental fleet	13	20
	99	145 – 160
Group capital expenditure forecast (£1 : $1.60)		£925 – 975m

Cash flow

Significant reinvestment in our rental fleet

(£m)	H1 2014	H1 2013	Change
EBITDA before exceptional items	455	369	+23%
Cash conversion ratio[1]	82.7%	81.9%	
Cash inflow from operations[2]	**377**	**302**	**+25%**
Payments for capital expenditure	(534)	(453)	
Rental equipment and other disposal proceeds received	42	45	
	(492)	(408)	
Interest and tax paid	(56)	(30)	
Exceptional costs paid	(1)	(1)	
Free cash flow	**(172)**	**(137)**	
Business acquisitions	(113)	(61)	
Dividends paid	(46)	(30)	
Purchase of own shares by the ESOT	(20)	(22)	
Increase in net debt	**(351)**	**(250)**	

[1] Cash inflow from operations as a percentage of EBITDA

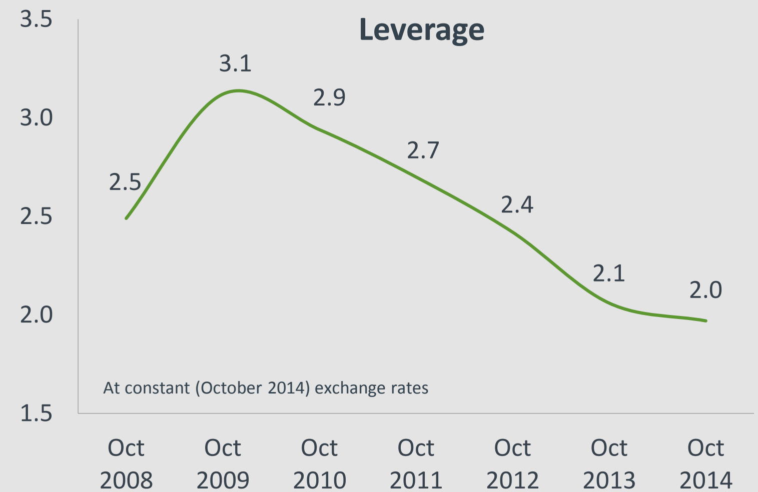
[2] Before fleet changes and exceptionals

Net debt and leverage

Net debt to EBITDA continues to reduce despite the fleet investment

(£m)	Oct 2014	Oct 2013
Net debt at 30 April	**1,149**	**1,014**
Translation impact	69	(37)
Opening debt at closing exchange rates	**1,218**	**977**
Change from cash flows	351	250
Debt acquired	-	1
Non-cash movements	2	2
Net debt at period end	**1,571**	**1,230**
Comprising:		
First lien senior secured bank debt	700	922
Second lien secured notes	874	305
Finance lease obligations	4	4
Cash in hand	(7)	(1)
Total net debt	**1,571**	**1,230**
Net debt to EBITDA leverage* (x)	**2.0**	**2.1**

*At constant exchange rates



Interest

Floating rate: 44%

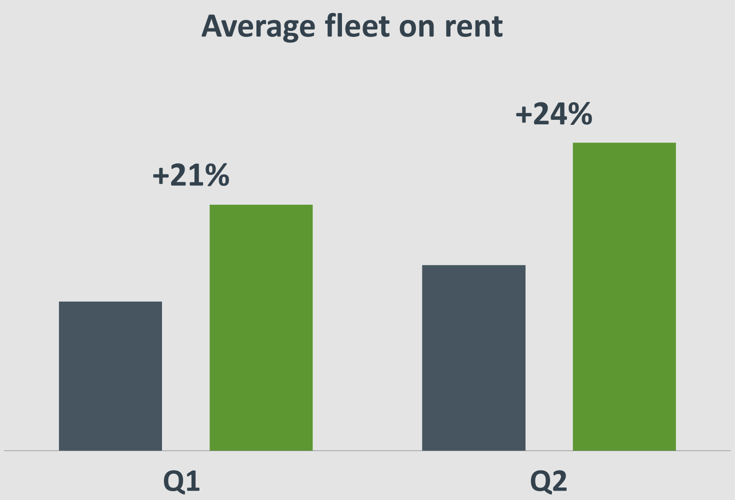
Fixed rate: 56%

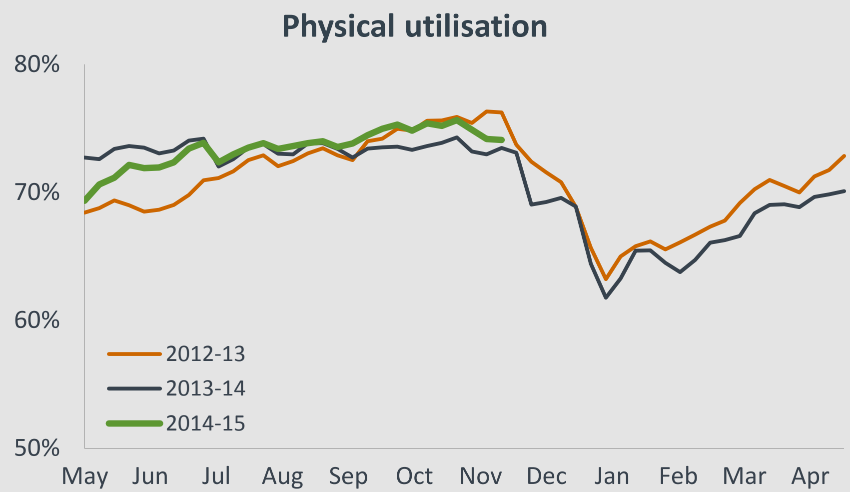
Geoff Drabble

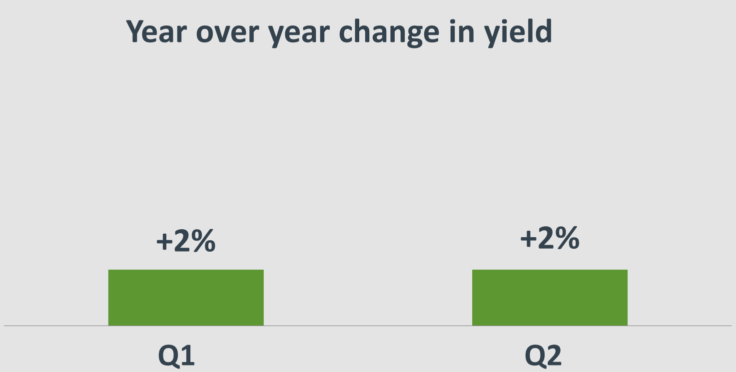
Chief executive

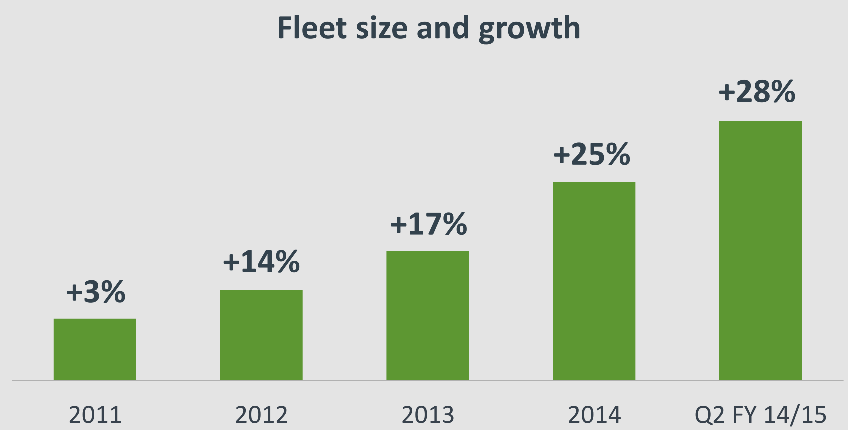
Sunbelt revenue drivers – rental only

Continuation of strong performance









Capitalising on structural and cyclical factors to drive revenue growth

SAME STORE GROWTH +17%

\+

BOLT-ONS AND GREENFIELDS +8%

=

TOTAL RENTAL REVENUE GROWTH +25%

END MARKET GROWTH +7%

STRUCTURAL SHARE GAINS +10%

The market

Consensus of steady long term growth – on the ground experiences very encouraging

Total building starts (Millions of square feet)	2015	2016	2017
Total building	+15%	+21%	+4%
Commercial and Industrial	+13%	+12%	+4%
Institutional	+9%	+16%	+14%
Residential	+17%	+24%	+3%

Source: McGraw Hill

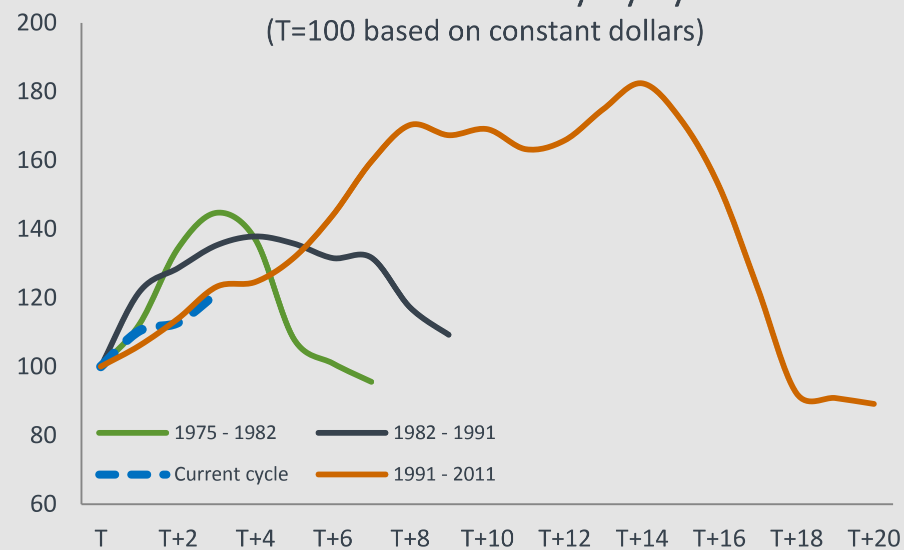
Put in place construction	2015	2016	2017
Total construction	+6%	+7%	+5%

Source: Maximus Advisors

Rental revenue forecasts	2015	2016	2017
Industry rental revenue	+9%	+8%	+9%

Source: IHS Global Insight

Construction activity by cycle
(T=100 based on constant dollars)



Source: McGraw Hill Construction

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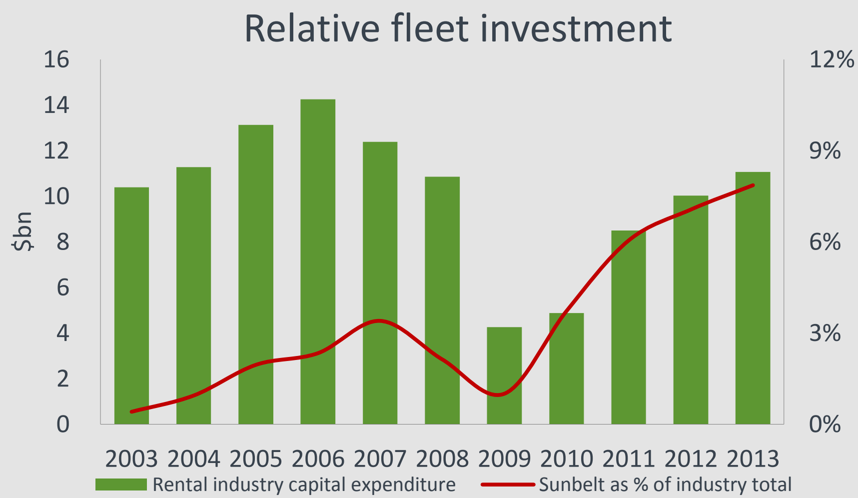
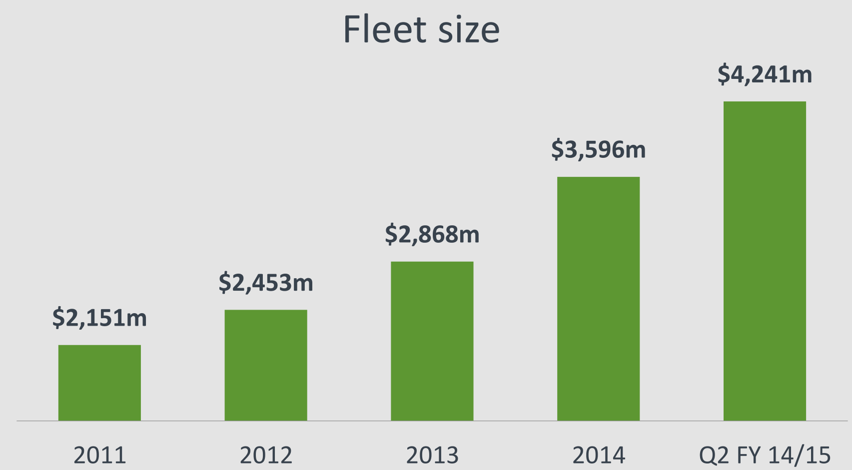
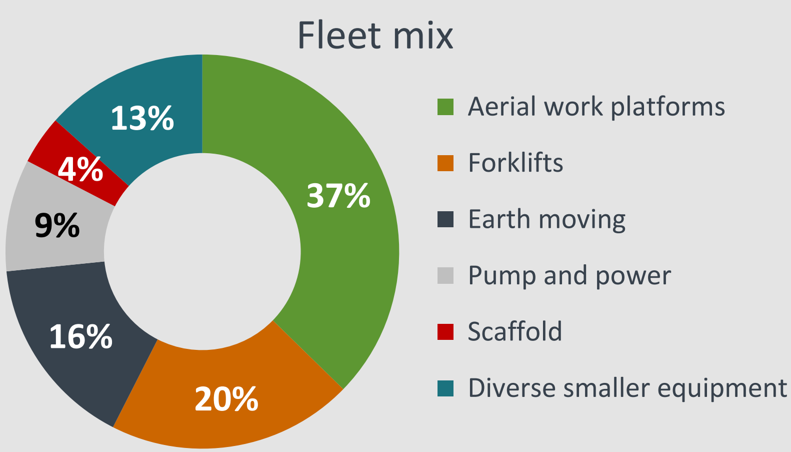
Why are we gaining share?

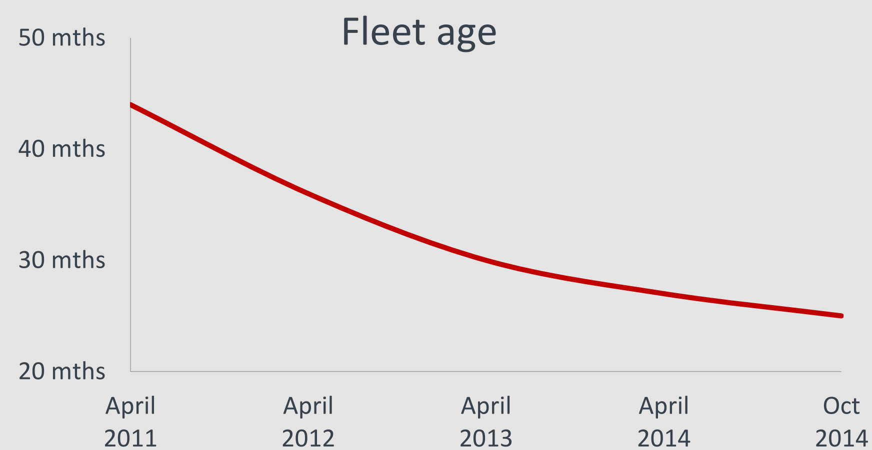
There are a host of reasons but the biggest single factor is the scale benefits from fleet investment – breadth and depth



Source: IHS Global Insight / Management information







Greenfields and bolt-ons

Dual track strategy

1) Build the core

   – Expand geographic reach by way of greenfields and bolt-ons in underserved markets

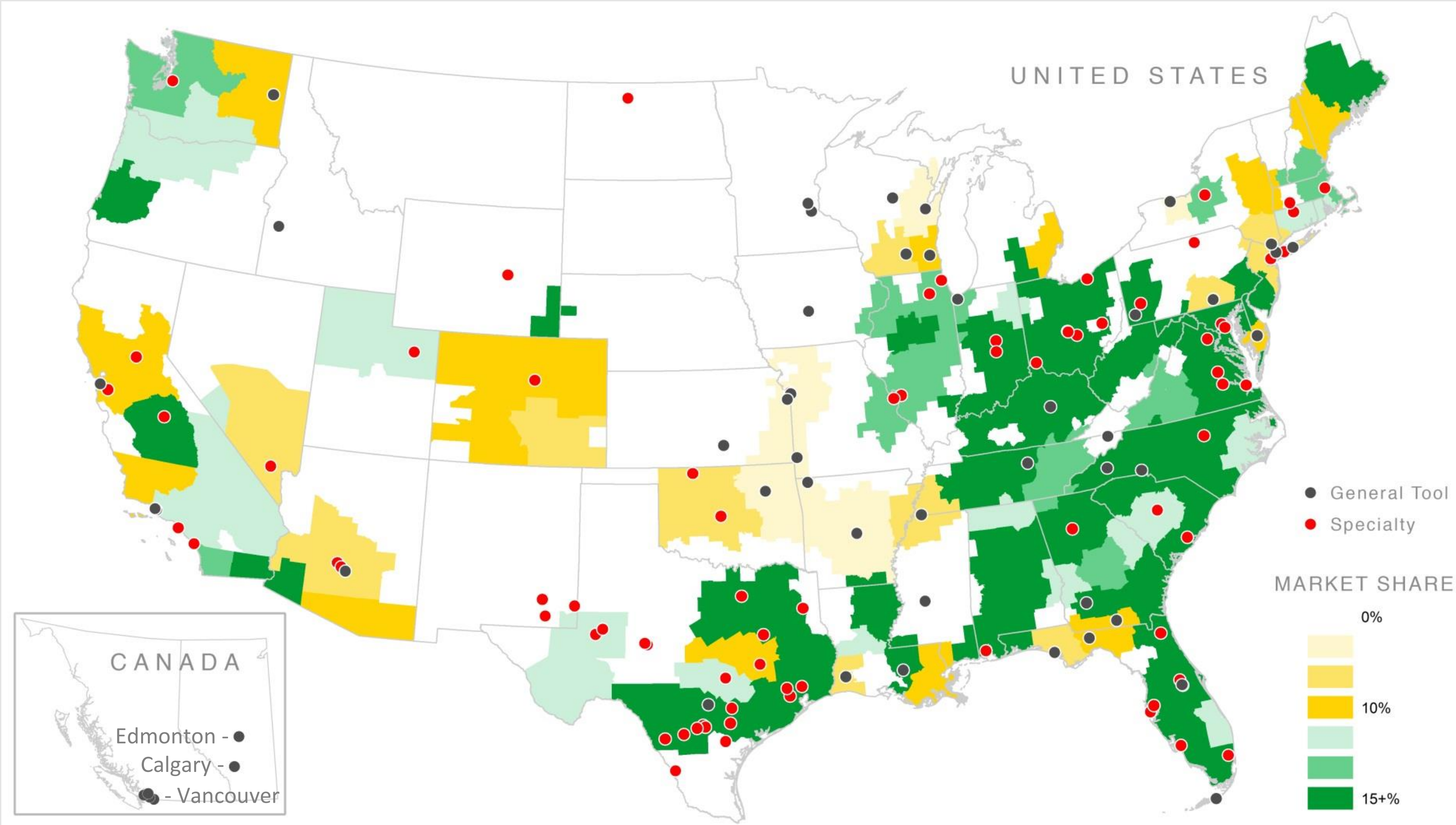
   – Target to double our market share from 6% to 12%

2) Broaden the markets we serve

   – Expand into high return, non-construction focused specialty markets

   – Target for non-construction to be 50%

Strategy being well executed – 138 new locations in 2 years



1) Develop the core
   - 21 locations from acquisitions
   - 29 locations from greenfield

   50

2) Develop specialty markets
   - 55 locations from acquisitions
   - 33 locations from greenfields

   88

Strategy giving good payback in the short term and providing a broader base both in terms of geography and markets

	Investment ($m)	Revenue ($m)
Greenfields	300	125
Acquisitions	370	275
	670	400
RoI[1]		20 - 25%

[1] Excluding goodwill and intangibles

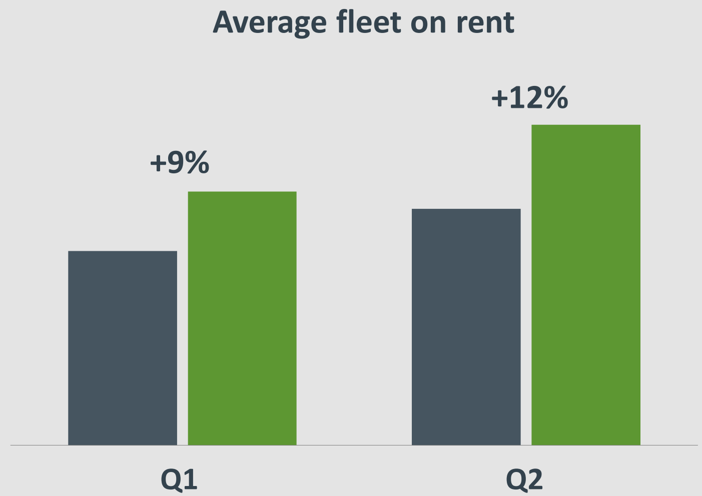
- We are ahead of schedule and have already built a sizeable business with more to come
- Low risk strategy by investing in multiple geographies and sectors
- Stringent review to ensure fit long-term strategy, not short-term returns
- High return by balancing buy and build and avoiding more aggressive multiples

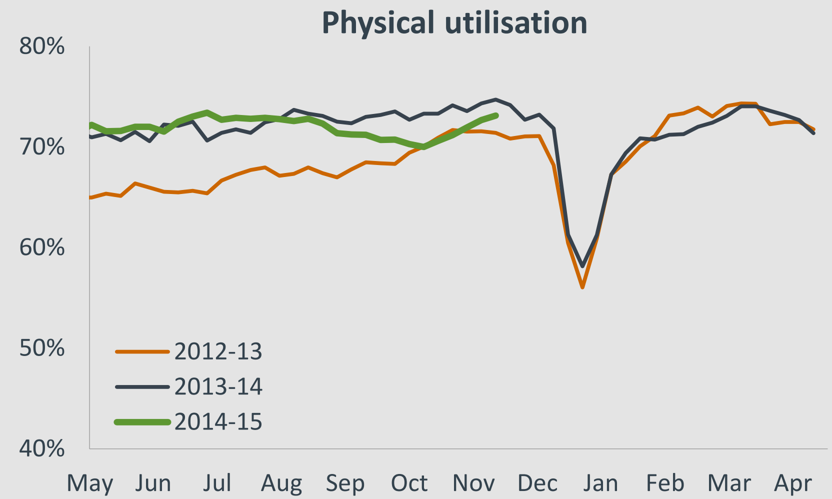
We remain committed to responsible growth

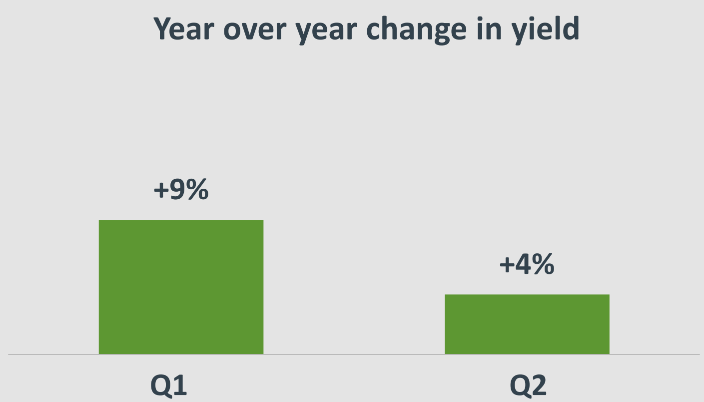
- Financial disciplines remain unchanged
  - 67% same store drop through
  - 59% total company drop through
  - Leverage maintained within 2x EBITDA commitments
  - 85% of total investment remains organic
  - 75% of fleet growth is same store
- Significant investment in the infrastructure to support this growth
  - 1,134 new members of staff
  - 475 new delivery vehicles
  - Significant IT development in both logistics and sales

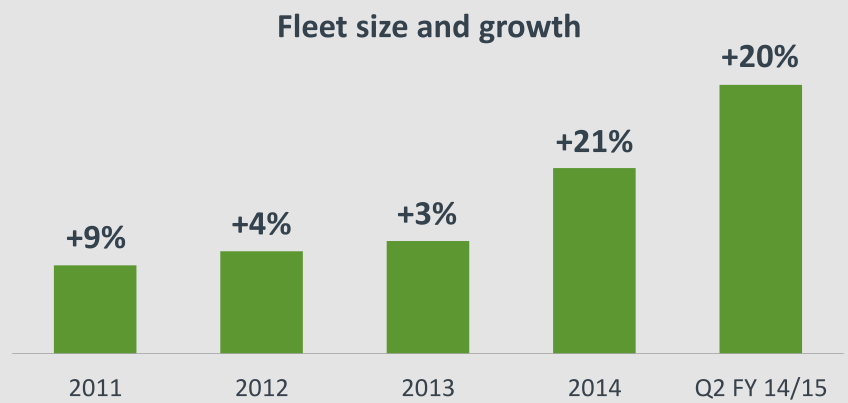
A-Plant revenue drivers

Growth continues backed by fleet investment









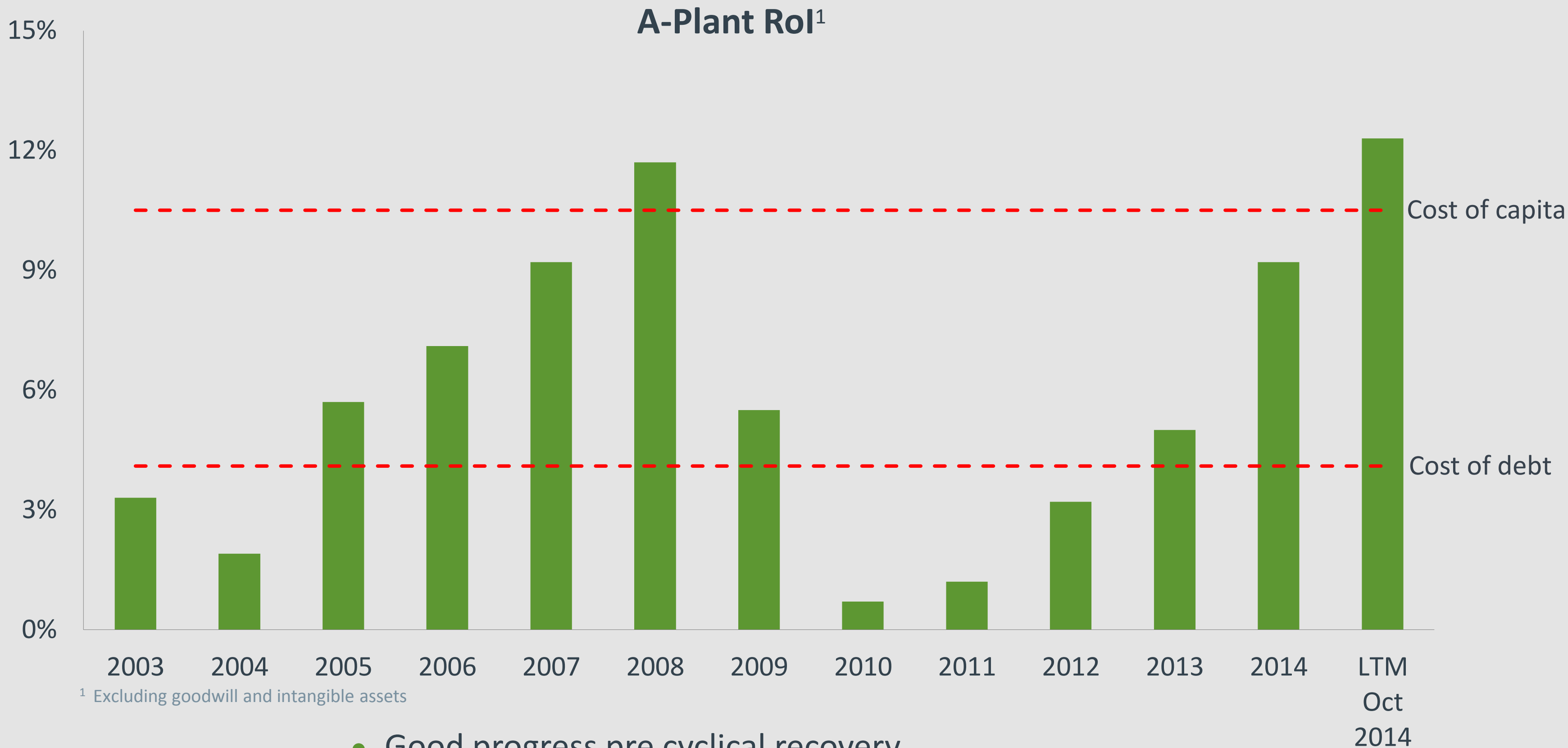
UK construction industry forecasts

Improving trends

(£m constant 2010 prices)	2013 Actual	2014 Estimate	2015 Forecast	2016 Forecast	2017 Projection	2018 Projection	% of Total
Residential	31,180	33,737	36,218	37,875	38,792	39,734	29%
		+8.2%	+7.4%	+4.6%	+2.4%	+2.4%	
Private commercial	33,853	35,491	37,374	39,166	40,758	42,253	30%
		+4.8%	+5.3%	+4.8%	+4.1%	+3.7%	
Public and infrastructure	47,053	48,241	50,051	51,749	53,465	55,987	41%
		+2.5%	+3.8%	+3.4%	+3.3%	+4.7%	
Total	112,086	117,469	123,643	128,790	133,015	137,974	100%
		+4.8%	+5.3%	+4.2%	+3.3%	+3.7%	

Source: Consumer Products Association (Autumn 2014)

Improving RoI pre cyclical recovery



[1] Excluding goodwill and intangible assets

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

Summary

- Strategy focused on organic growth and bolt on acquisitions remains unchanged
- We are building a broader base for longer term growth both in terms of the geography and the markets we serve
- Investment has created a platform allowing us to capitalize on;
  - Recovering markets
  - Structural growth
- Confidence in outlook supported by strong fleet investment
- Discipline on leverage reconfirmed – "responsible growth"
- Interim dividend raised 33% to 3.0p per share (2013: 2.25p)
- We now anticipate a full year result ahead of our previous expectations

Appendices

Divisional performance – Q2

	Revenue			EBITDA			Profit		
	2014	2013	Change[1]	2014	2013	Change[1]	2014	2013	Change[1]
Sunbelt ($m)	730	581	+26%	355	272	+31%	242	184	+32%
Sunbelt (£m)	445	367	+21%	218	172	+26%	148	116	+27%
A-Plant	84	72	+18%	31	23	+37%	16	10	+68%
Group central costs	-	-	-	(3)	(2)	+13%	(3)	(2)	+13%
	529	**439**	**+21%**	**246**	**193**	**+28%**	**161**	**124**	**+30%**
Net financing costs							(16)	(11)	+47%
Profit before amortisation and tax							**145**	**113**	**+29%**
Amortisation							(3)	(3)	+39%
Profit before taxation							**142**	**110**	**+28%**
Taxation							(51)	(40)	+26%
Profit after taxation							**91**	**70**	**+30%**
Margins									
- Sunbelt				*49%*	*47%*		*33%*	*32%*	
- A-Plant				*37%*	*32%*		*19%*	*13%*	
- Group				*46%*	*44%*		*30%*	*28%*	

[1] As reported

Divisional performance – LTM

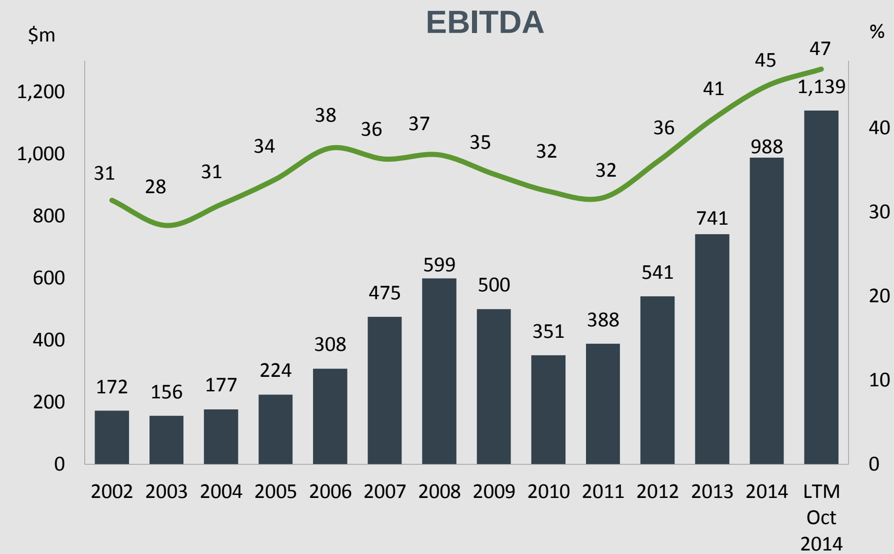
	Revenue			EBITDA			Profit		
	2014	2013	Change[1]	2014	2013	Change[1]	2014	2013	Change[1]
Sunbelt ($m)	2,449	2,014	+22%	1,139	861	+32%	736	543	+35%
Sunbelt (£m)	1,476	1,290	+14%	686	552	+24%	443	348	+27%
A-Plant	296	241	+23%	95	70	+37%	37	22	+70%
Group central costs	-	-	-	(10)	(9)	+7%	(10)	(9)	+7%
	1,772	**1,531**	**+16%**	**771**	**613**	**+26%**	**470**	**361**	**+30%**
Net financing costs							(55)	(43)	+26%
Profit before exceptionals, amortisation and tax							**415**	**318**	**+31%**
Exceptionals and amortisation							(7)	(8)	-8%
Profit before taxation							**408**	**310**	**+32%**
Taxation							(142)	(112)	+27%
Profit after taxation							**266**	**198**	**+34%**
Margins									
- Sunbelt				*47%*	*43%*		*30%*	*27%*	
- A-Plant				*32%*	*29%*		*13%*	*9%*	
- Group				*44%*	*40%*		*26%*	*24%*	

[1] As reported

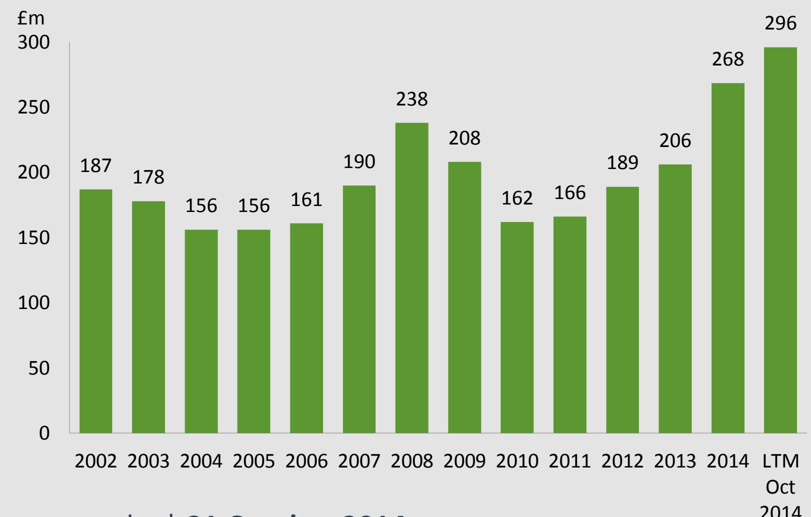
Margins continue to improve

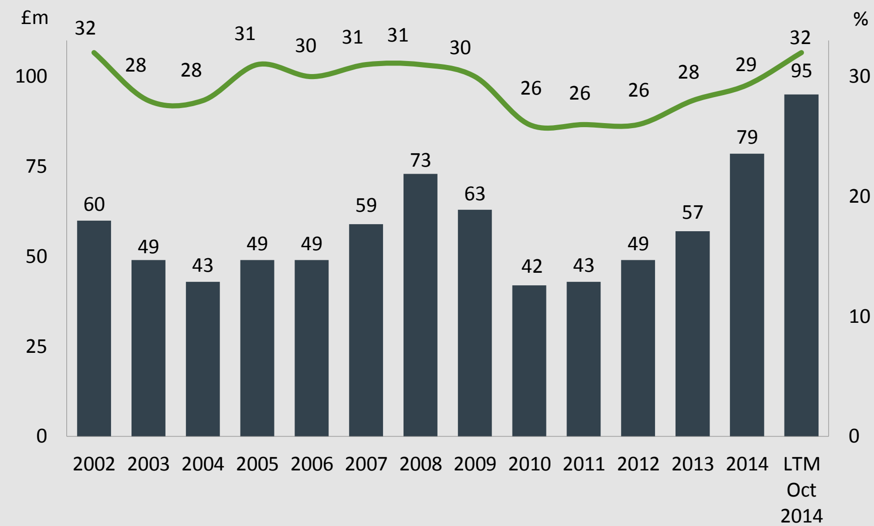
US margins have exceeded the previous peak with substantial opportunity for future earnings growth and margin expansion

Sunbelt



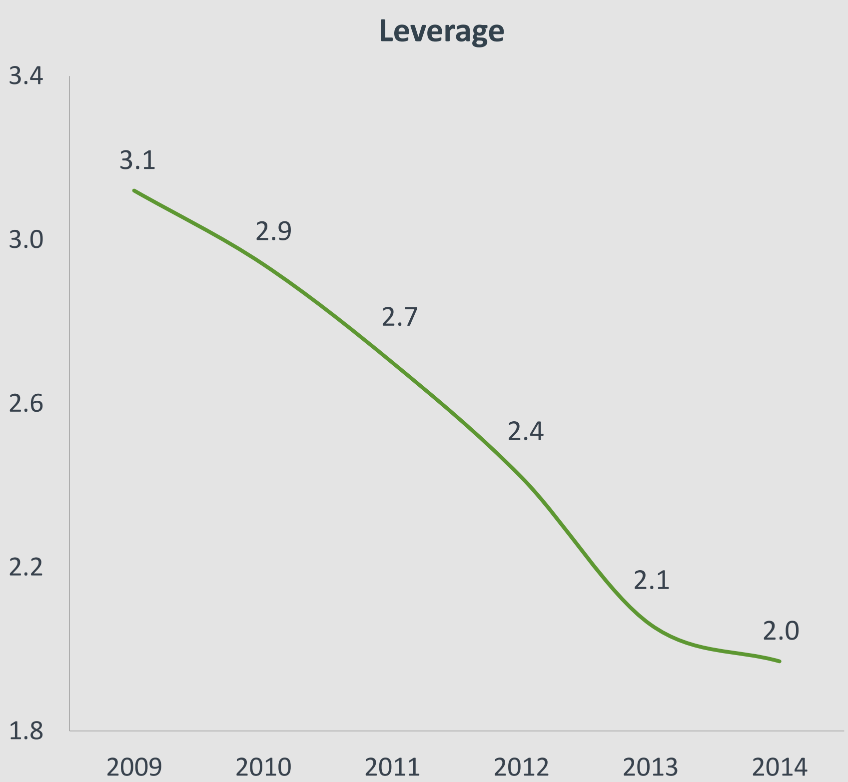
A-Plant



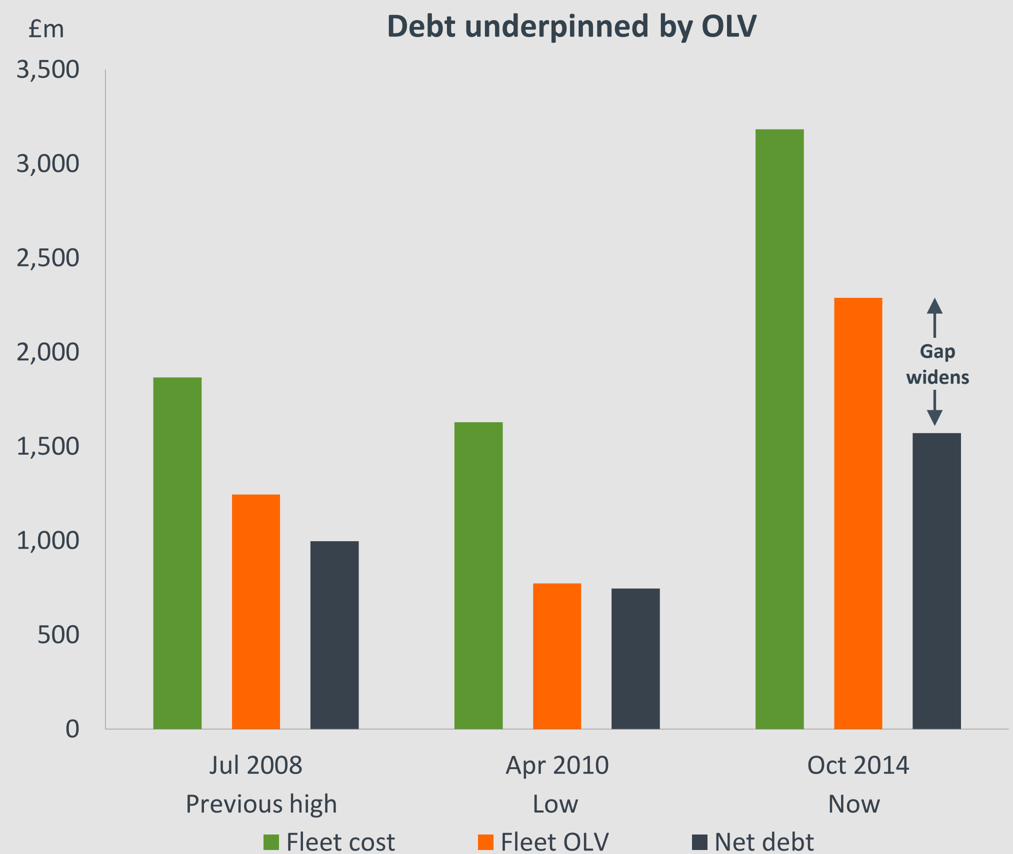


Financial strength

Growth potential is underpinned by the financial strength of the business



Note: At constant (October 2014) exchange rates



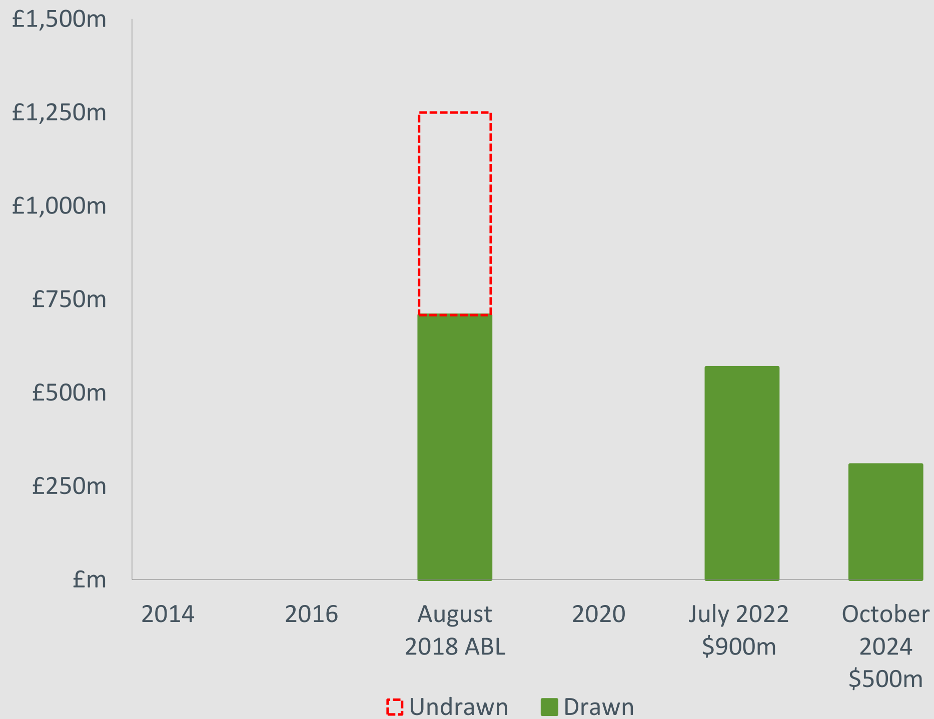
Note: At constant exchange rates

Cash flow funds organic fleet growth

(£m)	LTM Oct 14	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
EBITDA before exceptional items	**771**	**685**	**519**	**381**	**284**	**255**	**359**	**380**	**310**	**225**	**170**	**147**	**150**
EBITDA margin	44%	42%	38%	34%	30%	30%	33%	38%	35%	35%	32%	29%	28%
Cash inflow from operations before fleet changes and exceptionals	**720**	**646**	**501**	**365**	**280**	**266**	**374**	**356**	**319**	**215**	**165**	**140**	**157**
Cash conversion ratio	93%	94%	97%	96%	99%	104%	104%	94%	97%	96%	97%	95%	105%
Replacement capital expenditure	(318)	(335)	(329)	(273)	(203)	(43)	(236)	(231)	(245)	(167)	(101)	(83)	(89)
Disposal proceeds	99	102	96	90	60	31	92	93	78	50	36	32	29
Interest and tax	(82)	(56)	(48)	(57)	(71)	(54)	(64)	(83)	(69)	(41)	(31)	(33)	(40)
Growth capital expenditure	(504)	(406)	(254)	(135)	-	-	-	(120)	(63)	(63)	(10)	-	(18)
Dividends paid	(58)	(41)	(20)	(15)	(15)	(13)	(13)	(10)	(7)	(2)	-	-	(9)
Cash available to fund debt pay down or M&A	**(143)**	**(90)**	**(54)**	**(25)**	**51**	**187**	**153**	**5**	**13**	**(8)**	**59**	**56**	**30**

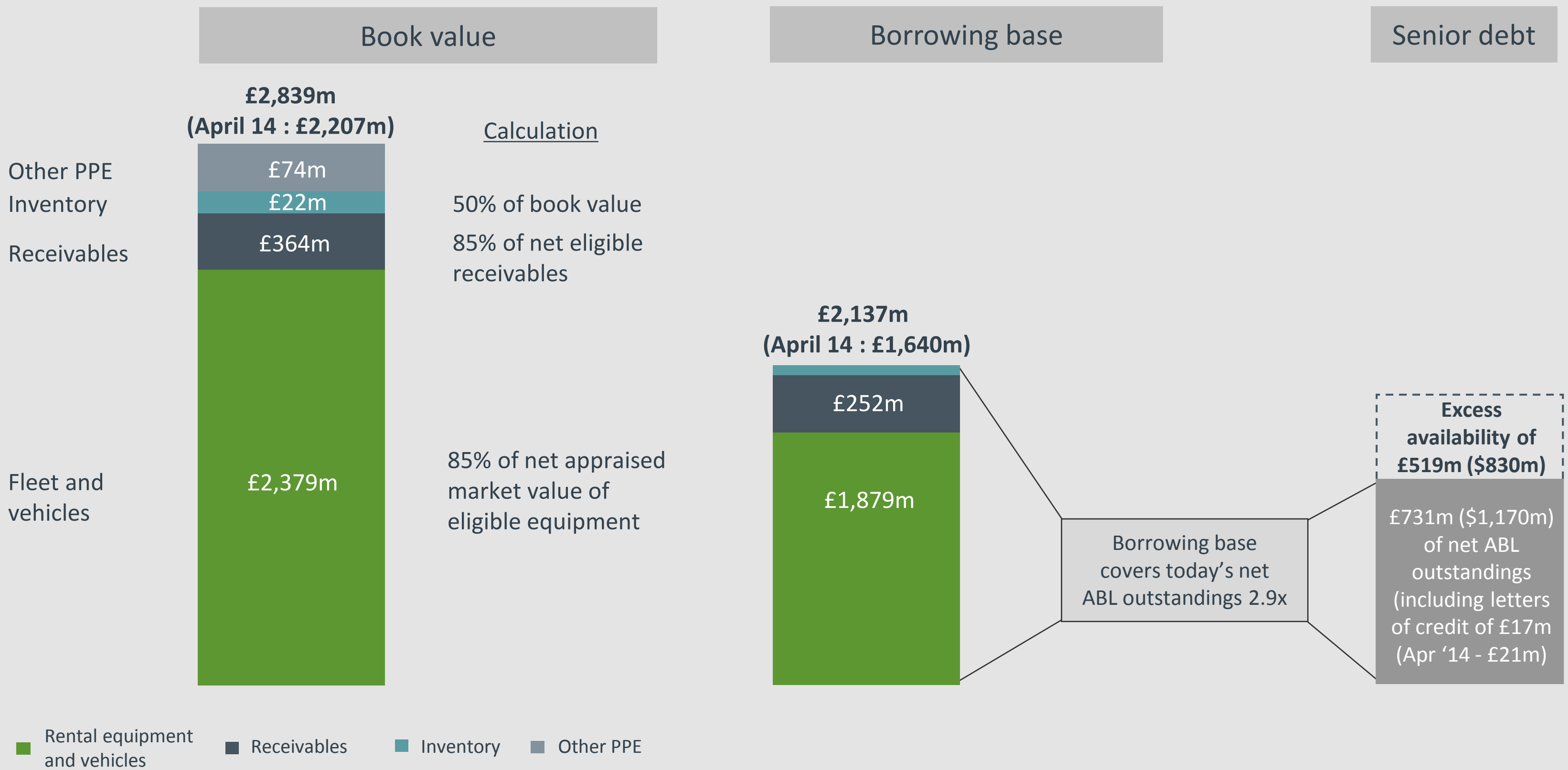
- Healthy EBITDA margins ensure significant top line cash generation throughout the cycle

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 2014 : $830m)

$830m of availability at 31 October 2014



- Borrowing base reflects July 2014 asset values

Debt and covenants

Debt

Facility	Interest rate	Maturity
$2bn first lien revolver	LIBOR +175-225bp	August 2018
$900m second lien notes	6.5%	July 2022
$500m second lien notes	5.625%	October 2024
Capital leases	~7%	Various

Ratings

	S&P	Moody's
Corporate family	BB	Ba2
Second lien	BB-	Ba3

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
- 2.0x at October 2014

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 2014

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