Responsible investment in growth

Full year results | 30 April 2014

Issued: 17 June 2014

Ashtead group

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Overview

- Group rental revenue increase[1] of 24%
- Record Group pre-tax profit for the year of £362m, up 50% at constant exchange rates
- Group EBITDA margin improves to 42% (2013: 38%)
- £741m of capital invested in the business (2013: £580m)
- Group RoI of 19% (2013: 16%)
- Net debt to EBITDA leverage[1] reduced to 1.8 times (2013: 1.9 times)
- Proposed final dividend of 9.25p making 11.5p for the year (2013: 7.5p)

[1] At constant exchange rates

Suzanne Wood
Finance director

Q4 Group revenue and profit

(£m)	Q4 2014	Q4 2013[1]	Q4 Change[2]
Revenue	**385**	**348**	**19%**
- of which rental	356	307	24%
Operating costs	(231)	(226)	10%
EBITDA	**154**	**122**	**36%**
Depreciation	(71)	(59)	27%
Operating profit	**83**	**63**	**45%**
Net interest	(14)	(11)	33%
Profit before tax and amortisation	**69**	**52**	**48%**
Earnings per share (p)	**9.8**	**7.0**	**55%**
Margins			
- EBITDA	*40%*	*35%*	
- Operating profit	*21%*	*18%*	

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

Full year Group revenue and profit

	FY		
(£m)	2014	2013[1]	Change[2]
Revenue	**1,635**	**1,362**	**22%**
- of which rental	1,475	1,206	24%
Operating costs	(950)	(843)	14%
EBITDA	**685**	**519**	**34%**
Depreciation	(276)	(229)	22%
Operating profit	**409**	**290**	**43%**
Net interest	(47)	(45)	7%
Profit before tax and amortisation	**362**	**245**	**50%**
Earnings per share (p)	**46.6**	**31.4**	**51%**
Margins			
- EBITDA	*42%*	*38%*	
- Operating profit	*25%*	*21%*	

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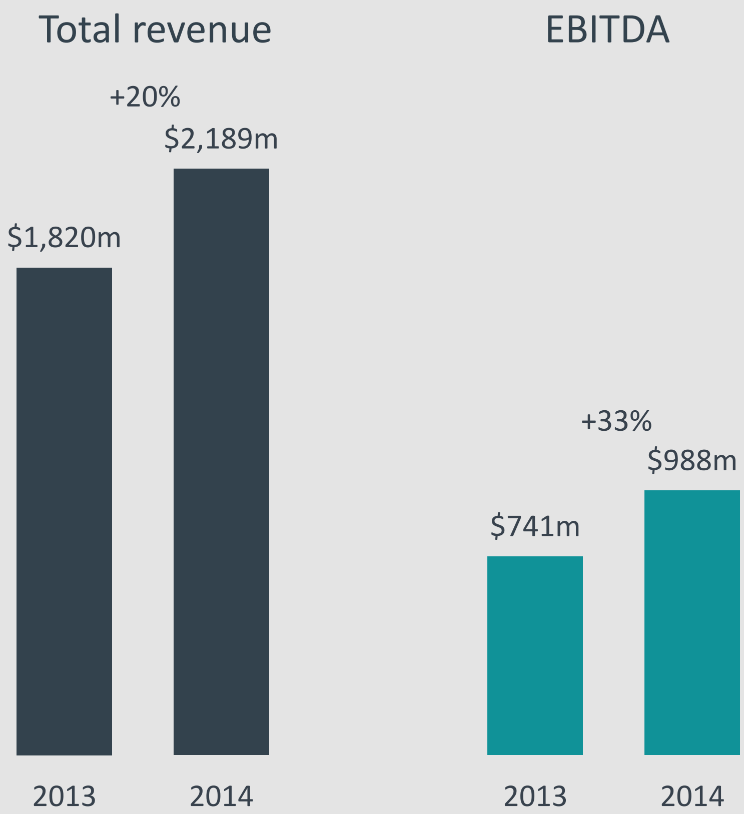
2 At constant exchange rates
3 The results in the table above are the Group's underlying results and are stated before exceptionals, intangible amortisation and fair value remeasurements

Full year results – Sunbelt



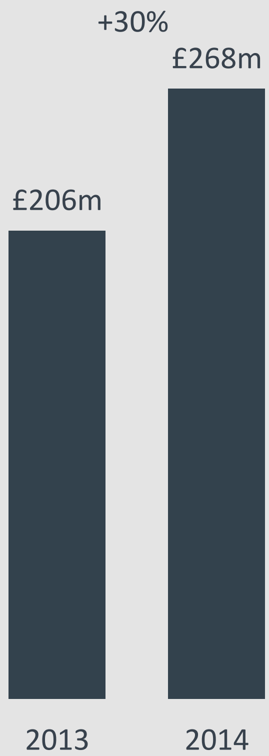
Margins:		41%	45%

	Revenue bridge Change	($m)
2013 rental revenue		1,611
Change – Volume	+17%	279
– Yield	+4%	83
2014 rental revenue		1,973
Sales revenue		216
2014 total revenue		**2,189**

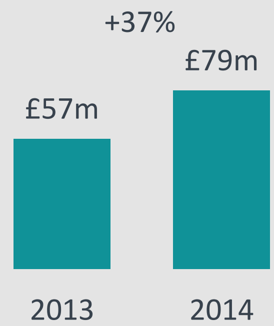
	EBITDA bridge Change	($m)
2013 EBITDA		741
Rental revenue increase	+23%	362
Operating cost increase	+14%	(126)
Increase in profit on sale of fixed assets		11
2014 EBITDA		**988**

Full year results – A-Plant

Total revenue



EBITDA



Margins: 28% 29%

	Revenue bridge Change	(£m)
2013 rental revenue		183
Change – Volume	+21%	39
– Yield	+9%	22
2014 rental revenue		244
Sales revenue		24
2014 total revenue		**268**

	EBITDA bridge Change	(£m)
2013 EBITDA		57
Rental revenue increase	+33%	61
Operating cost increase	+32%	(40)
Increase in profit on sale of fixed assets		1
2014 EBITDA		**79**

Cash flow

Significant reinvestment in our rental fleet

(£m)	2014	2013	Change
EBITDA before exceptional items	685	519	+32%
Cash conversion ratio[1]	94%	97%	
Cash inflow from operations[2]	**646**	**501**	**+29%**
Payments for capital expenditure	(741)	(583)	
Rental equipment and other disposal proceeds received	102	96	
	(639)	(487)	
Interest and tax paid	(56)	(48)	
Exceptional costs paid	(2)	(16)	
Free cash flow	**(51)**	**(50)**	
Business acquisitions	(103)	(34)	
Dividends paid	(41)	(20)	
Purchase of own shares by the ESOT	(23)	(10)	
Increase in net debt	**(218)**	**(114)**	

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

[2] Before fleet changes and exceptionals

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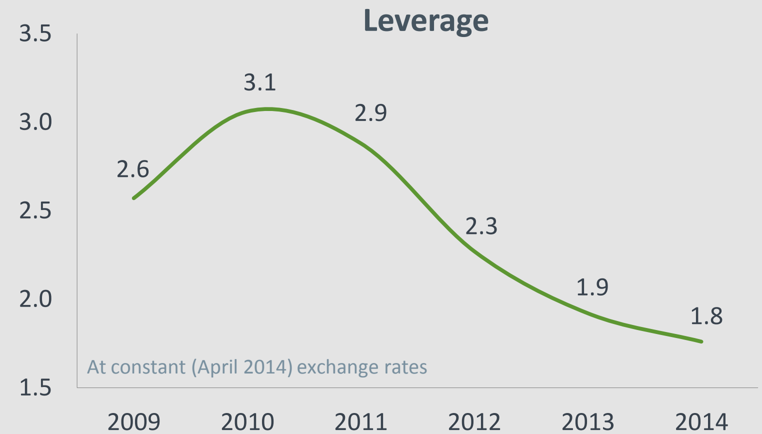
Net debt and leverage

Net debt to EBITDA continues to reduce as we invest in the fleet

(£m)	April 2014	April 2013
Net debt at 30 April	**1,014**	**854**
Translation impact	(88)	39
Opening debt at closing exchange rates	**926**	**893**
Change from cash flows	218	114
Non-cash movements	5	7
Net debt at period end	**1,149**	**1,014**
Comprising:		
First lien senior secured bank debt	610	716
Second lien secured notes	537	315
Finance lease obligations	5	3
Cash in hand	(3)	(20)
Total net debt	**1,149**	**1,014**
Net debt to EBITDA leverage* (x)	**1.8**	**1.9**

*At constant exchange rates



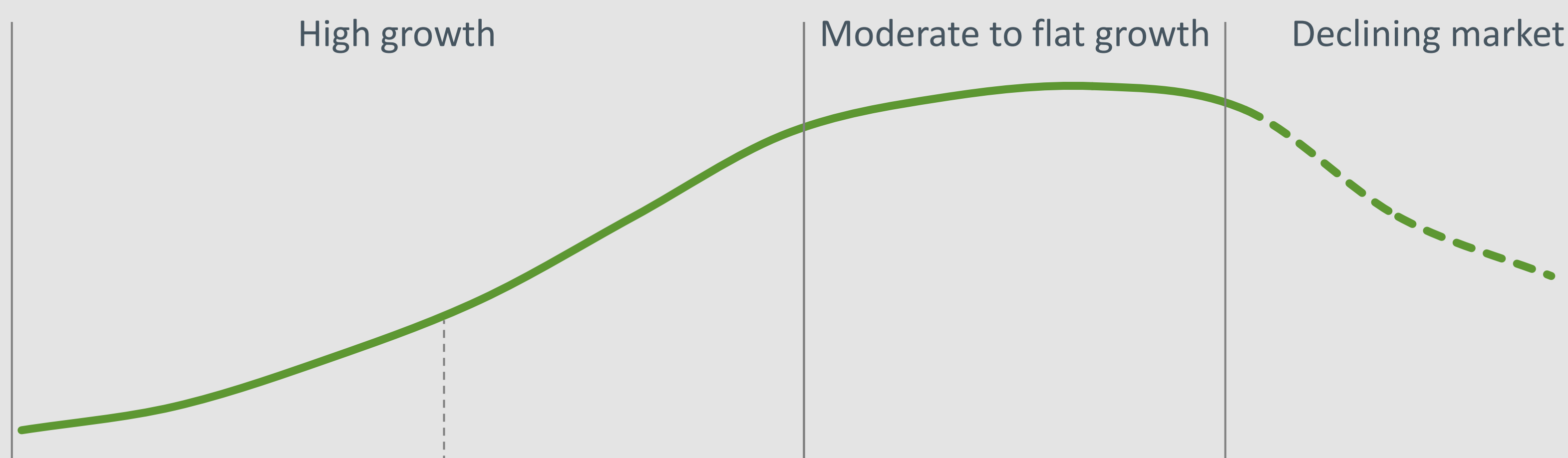
Interest

Floating rate: 53%

Fixed rate: 47%

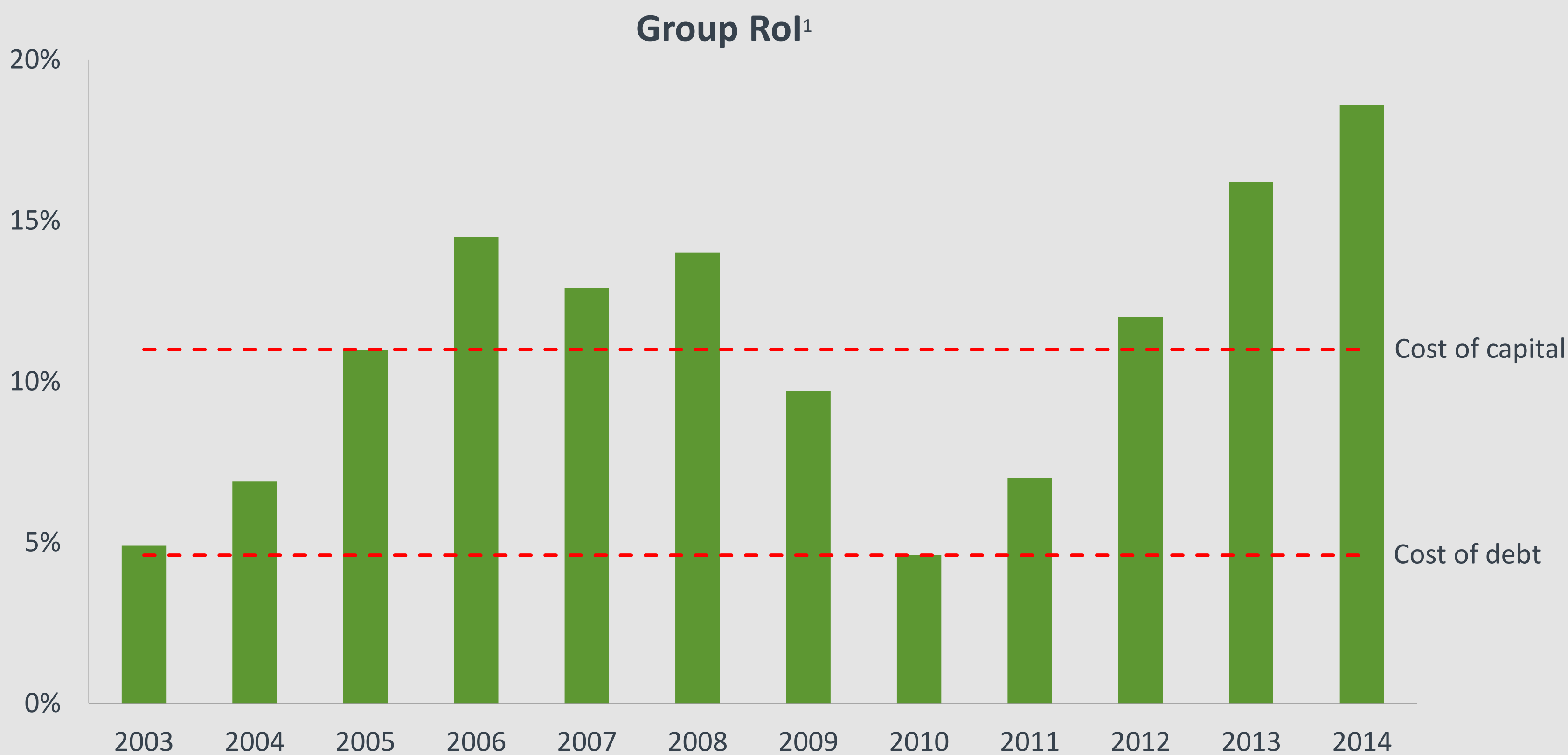
Cyclical cash generation

Cash positive once growth moderates – highly generative during downturn



	2011	2012	2013	2014	← Ongoing →	Moderate / flat growth	Cyclical downturn
Cash flow from operations	280	365	501	646	Growing	Growing	Decreasing but remains positive
Capital expenditure	225	476	580	741	High	Moderating	Significantly reduced
Sunbelt average fleet growth	-	+9%	+16%	+21%	High (>12%)	Low (<12%)	Flat to declining
Free cash flow	54	(13)	(50)	(51)	Negative	Positive	Highly positive
Leverage (absent significant M&A)	2.9	2.3	1.9	1.8	Declining	Lower end of 1-2 range	Initial increase, subsequent decline
Dividend	3.0p	3.5p	7.5p	11.5p	Increasing	Lower rate of increase	Maintained

Continued progression in RoI



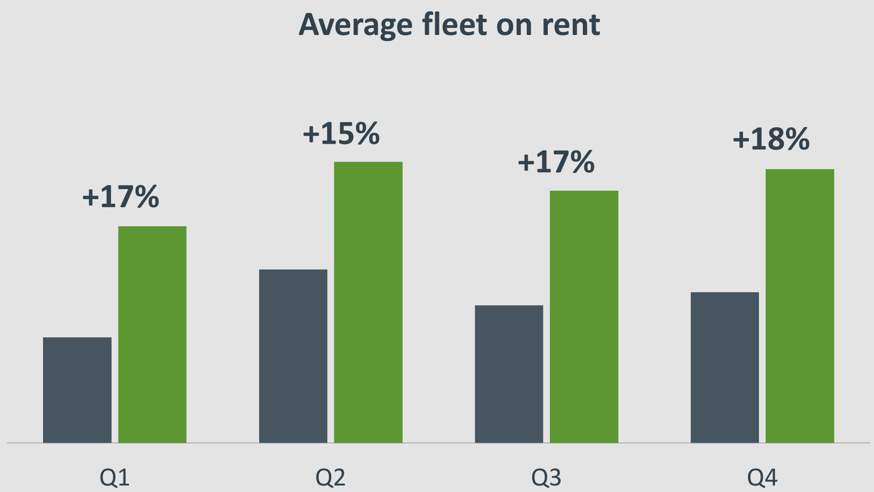
[1] Including goodwill and intangibles

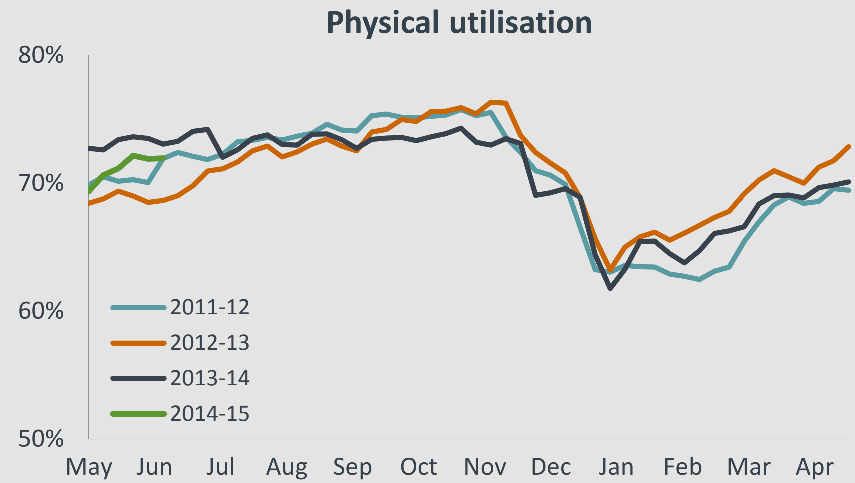
Geoff Drabble

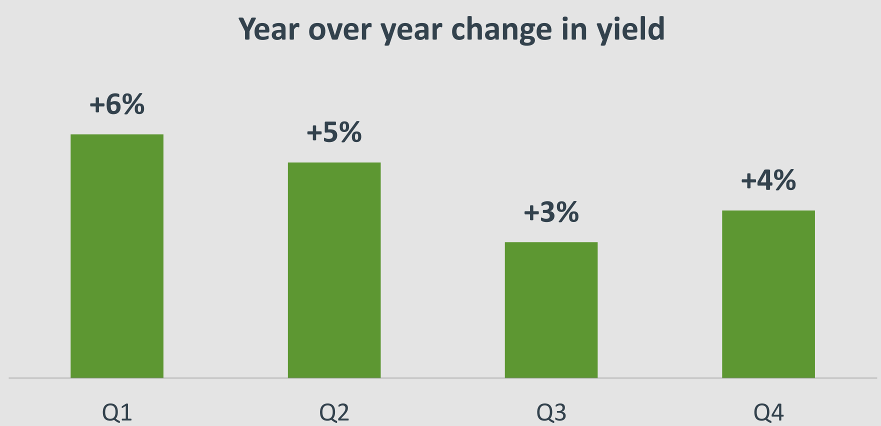
Chief executive

Sunbelt revenue drivers

Continuation of strong performance in both volume and yield

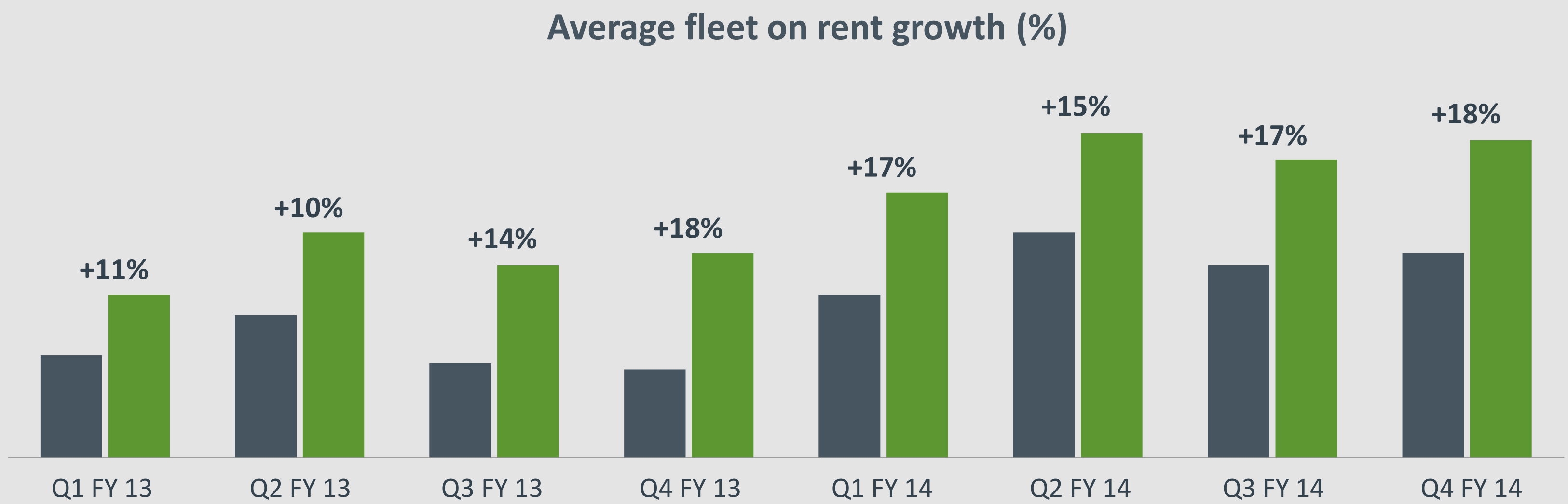


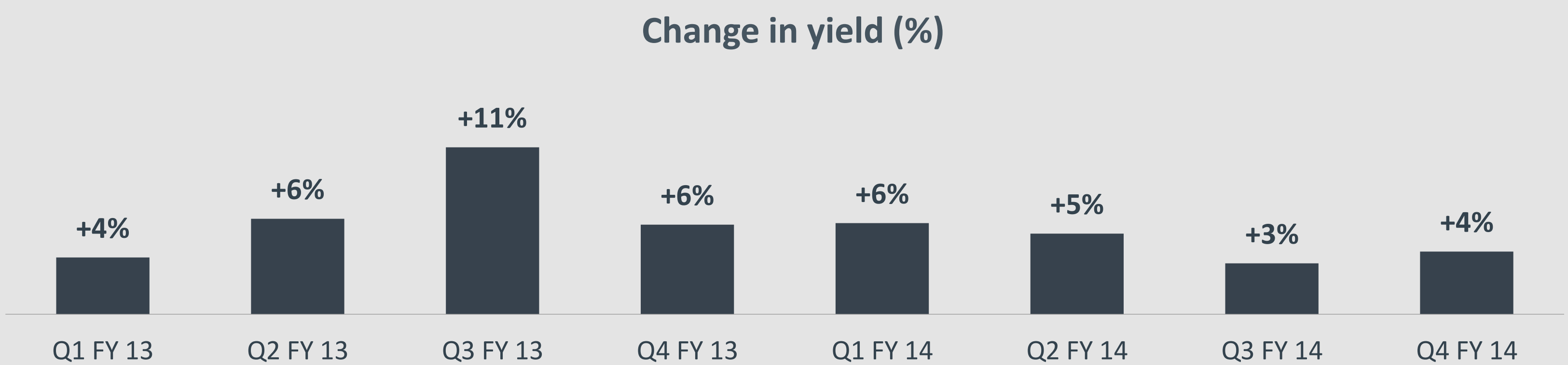




Sustained period of growth

Further opportunity within these ranges





Strategy going forward

No change

- Strong operational and financial platform realising scale benefits
- Fragmented market with clear opportunity for further significant share gains
- Focus will continue to be on organic growth with bolt-ons and greenfields playing an increasing part
- All delivered whilst retaining financial discipline

Sunbelt has successfully repositioned itself over the last 3 years

	2011	2014	Change
Rental revenue	$1,084m	$1,973m	+82%
EBITDA margins	32%	45%	
RoI	12.3%	26.4%	
Leverage[1]	2.9x	1.8x	
Net debt	$1,294m	$1,939m	$0.6bn
Fleet size	$2,151m	$3,596m	+67%
OLV[2] of fleet	$1,127m	$2,608m	$1.5bn
Fleet age (months)	44	27	

[1] At constant (April 2014) exchange rates
[2] Rouse Orderly Liquidation Value

Market outlook

Look set to benefit from improving markets over the medium term

Trends very encouraging

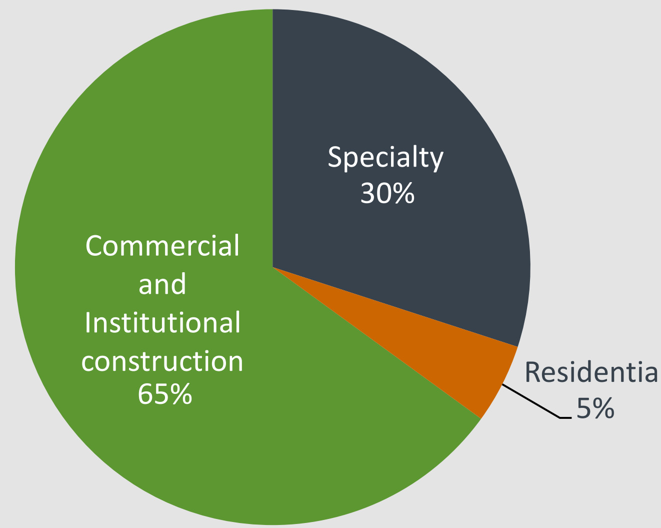
Rental revenue forecasts	2013	2014	2015
Industry rental revenue	+6%	+8%	+10%

Source: IHS Global Insight

Total building starts (Millions of square feet)	2013	2014	2015
Total building	+18%	+18%	+21%
Commercial and Industrial	+17%	+16%	+16%
Institutional	-3%	+2%	+11%
Residential	+23%	+21%	+24%

Source: McGraw Hill

This supports strong medium-term growth

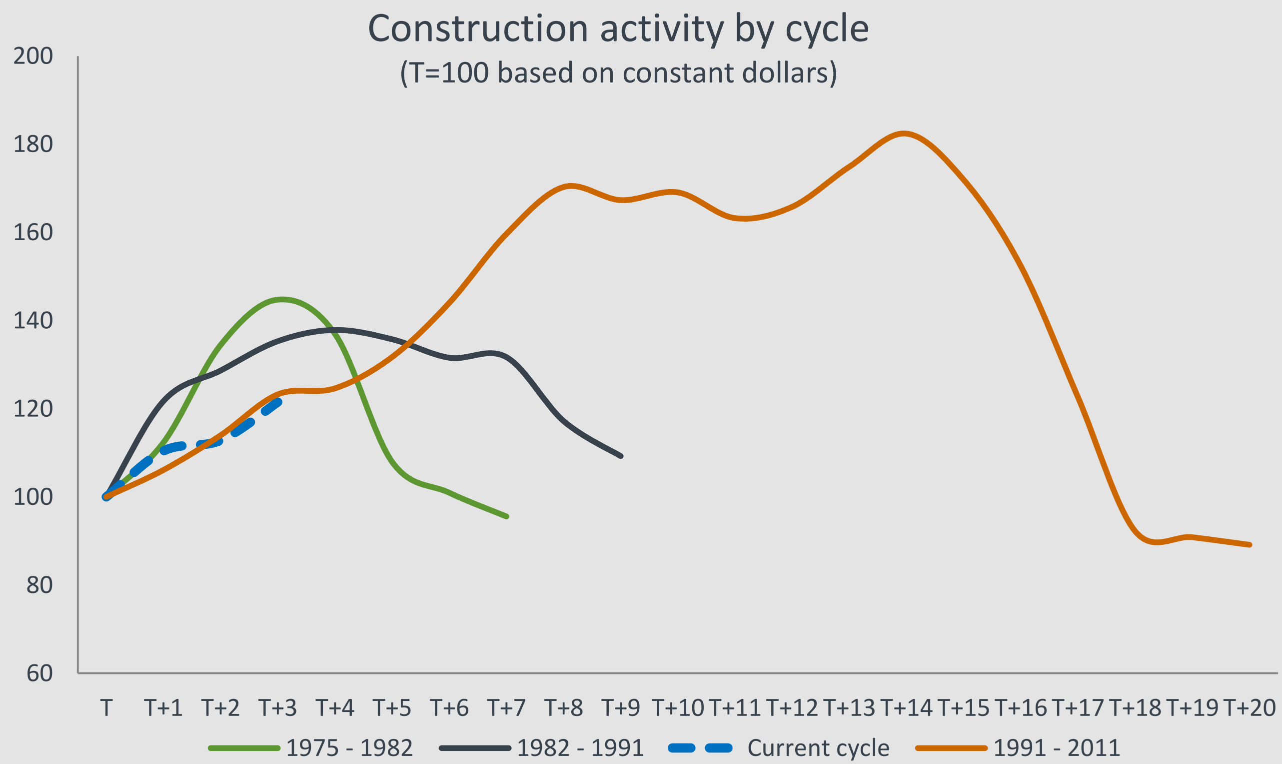


Business mix

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

Early cycle

We maintain our view of a long and steady recovery



Source: McGraw Hill Construction

Significant investment in fleet continues

$ million	2014 spend
Existing store growth	585
Greenfields growth	70
Total growth	655
Fleet replacement	308
Non fleet	119
Total gross	1,082
Disposal proceeds	(132)
Net	950

- $93m spent on acquisitions
- Fleet at the year end was 25% larger than a year ago
- Similar levels of expenditure anticipated in the current year – low to mid teens percentage fleet growth

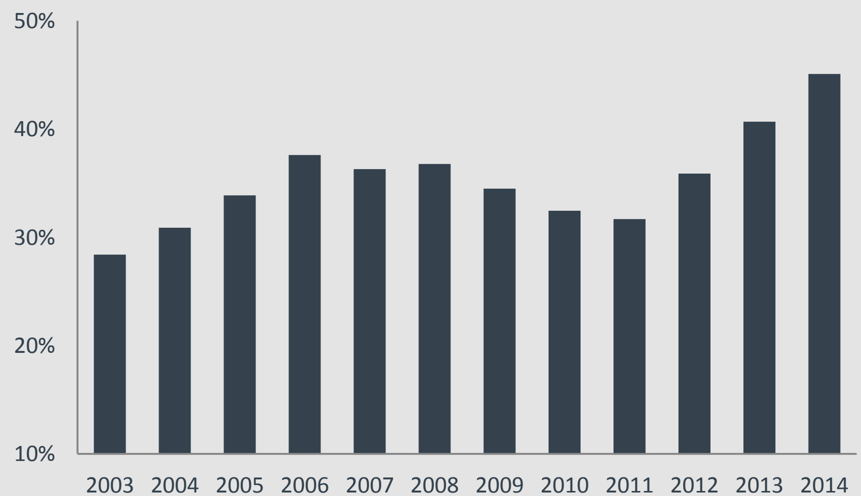
Clear scale opportunities

Enhanced by more organic fleet growth

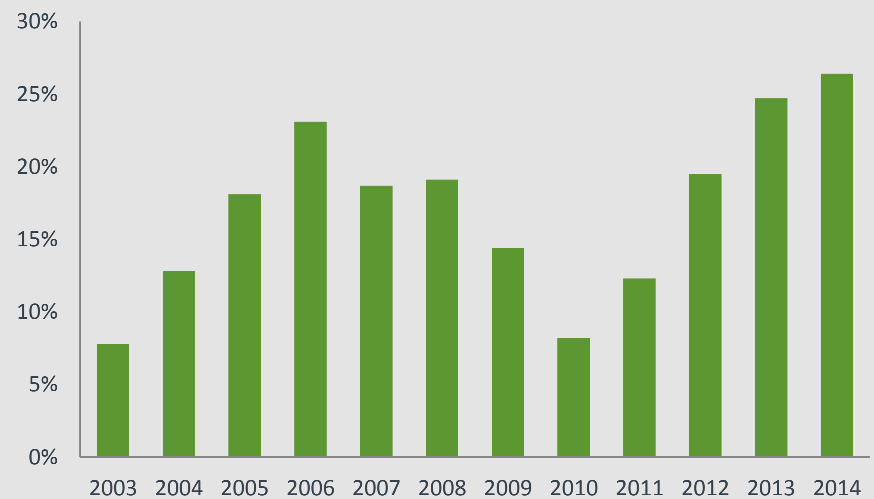
Location size	Fleet size	Number		Operating margin		RoI	
		2008	2014	2008	2014	2008	2014
Extra large	> $15 million	14	43	37%	42%	26%	31%
Large	> $10 million	35	84	35%	36%	25%	27%
Medium	> $5 million	174	173	30%	33%	22%	25%
Small	< $5 million	115	62	24%	26%	19%	24%

Note: 2008 reflects prior peak performance post the acquisition of NationsRent

EBITDA margin



RoI[1]



[1] Excluding goodwill and intangibles

Significant opportunity for further growth

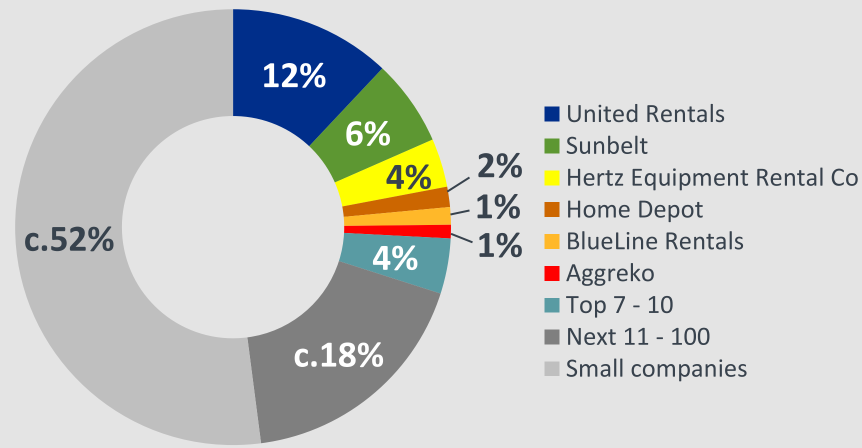
Balanced growth strategy between greenfields and bolt-ons

New locations

	General tool	Specialty	Total
FY 13			
Bolt-ons	4	2	6
Greenfield	9	8	17
	13	10	23
FY 14			
Bolt-ons	6	9	15
Greenfield	9	15	24
	15	24	39
FY 15 to date			
Bolt-ons	3	1	4
Greenfield	2	2	4
	5	3	8

Good mix of greenfields and bolt-ons

US market share



Network size

Currently	**425**
Medium term	**600**

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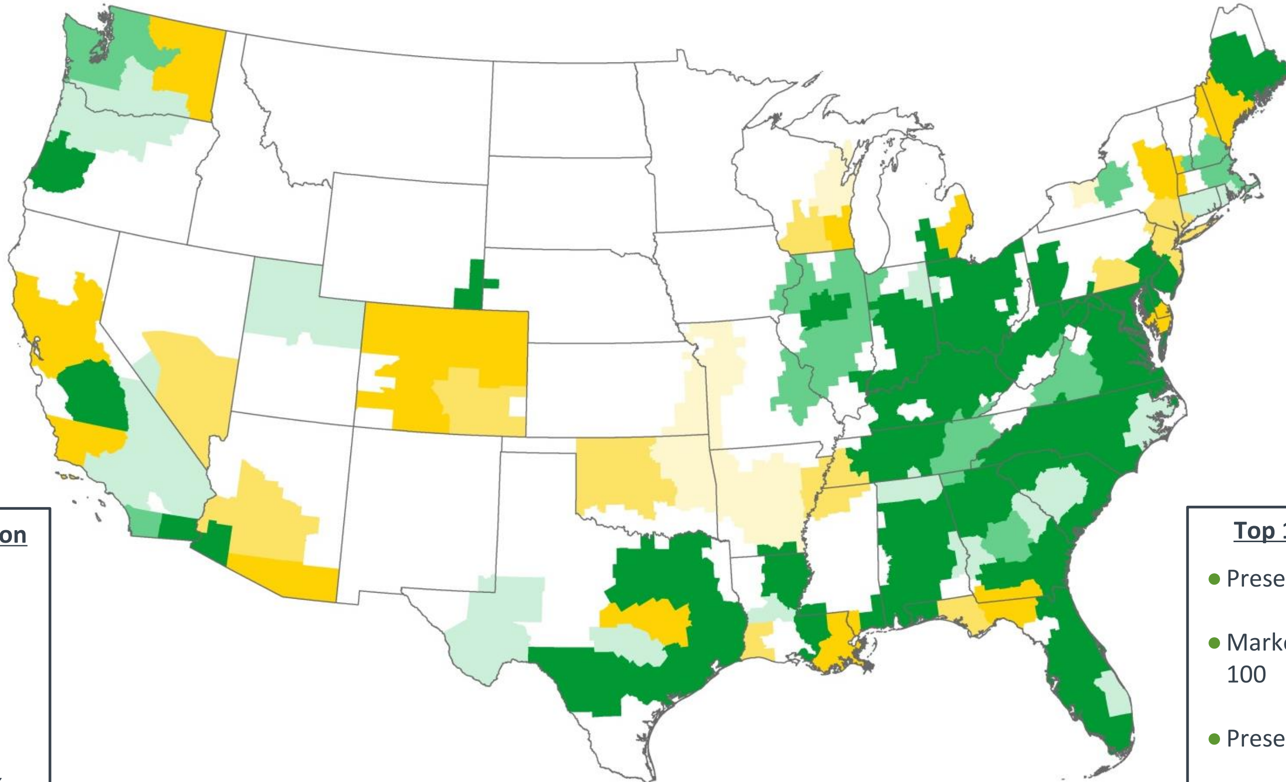
Greenfields and bolt-ons – where?

Model consistently delivers 15%+ market share – just need to fill in the gaps



Market penetration

- 0%
- 10%
- 15+%

Top 100 designated markets

- Present in 83 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

Greenfields and bolt-on strategy delivering high return growth

	Revenue ($m)			Target
	FY13	FY14	FY15	FY17/18
FY 13 Greenfields and acquisitions	32	108	120 – 130	-
FY14 Greenfields and acquisitions	-	56	115 – 125	-
FY15 Greenfields	-	-	40 – 70	-
	32	164	275 – 325	500 – 600
RoI			20 – 25%	25 – 30%

- Well established team and process
- Target is circa $500m to $600m incremental revenue added through this process
- Low risk, high RoI strategy

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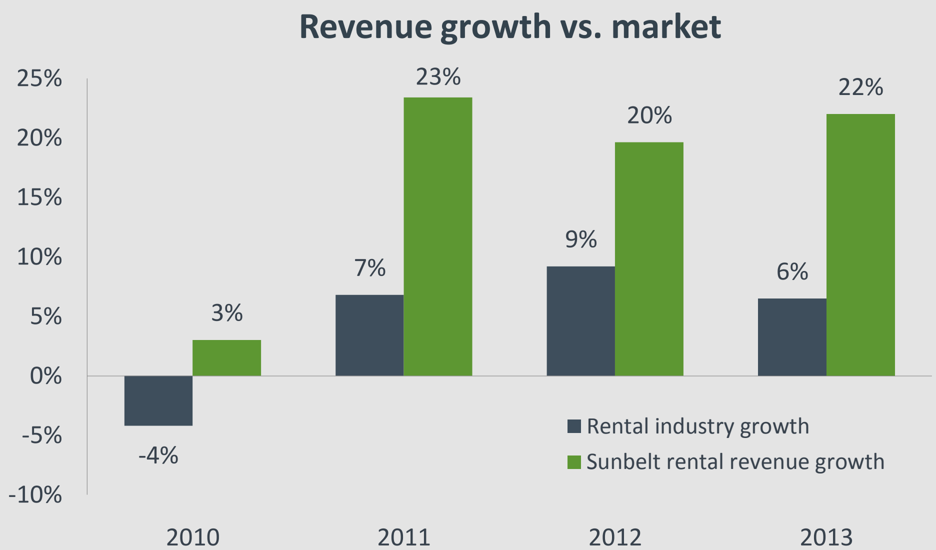
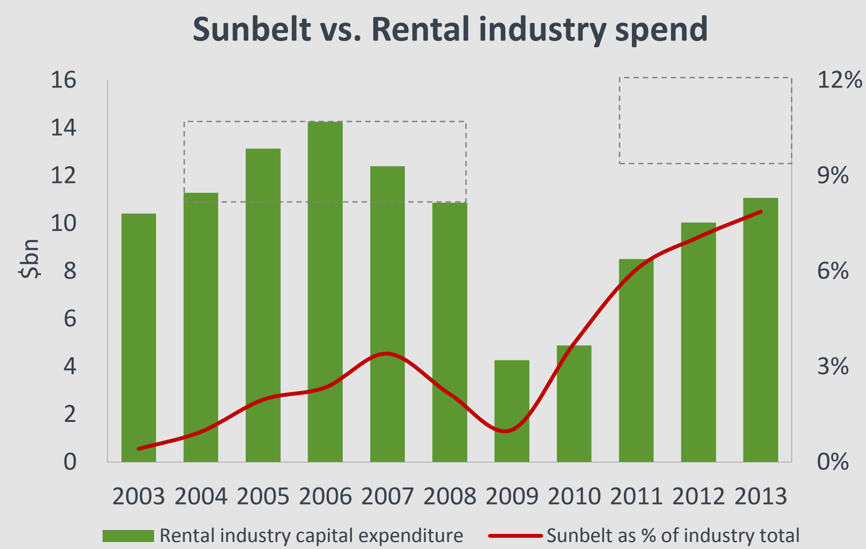
Track record supports this plan



Source: IHS Global Insight / Management information



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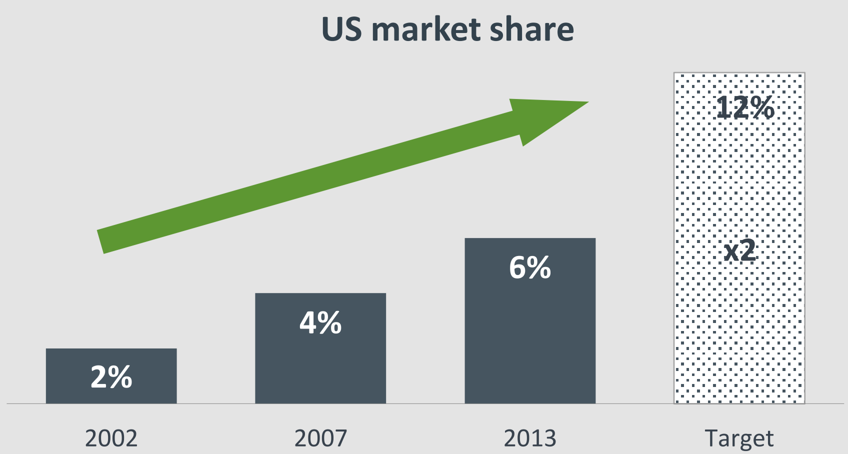


Source: Management estimates

Why not accelerate the process with larger deals?

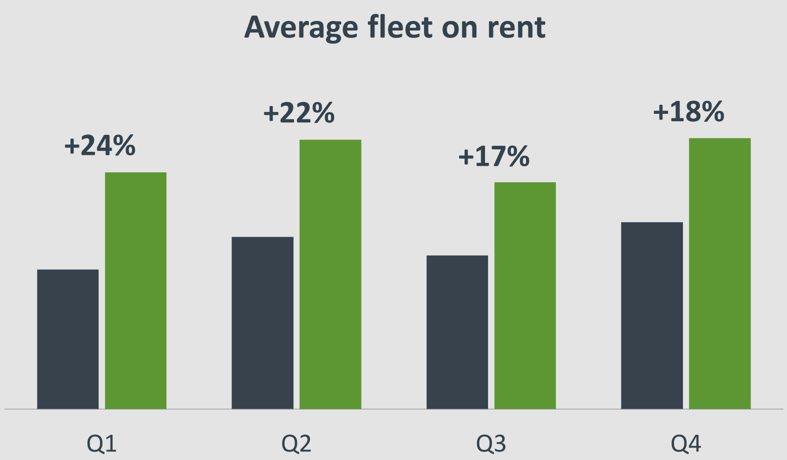
- Small population of quality assets
- Why pay large multiples to replicate high returning existing model
- However, we would consider:
  - more significant deals in specialty products
  - opportunities that broaden geographic footprint

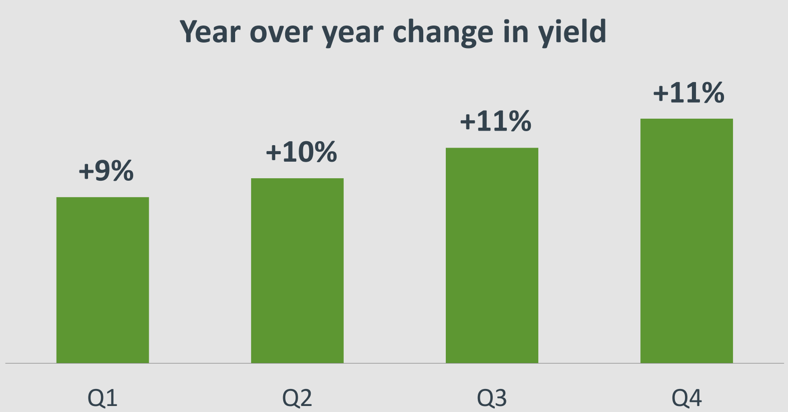
But:

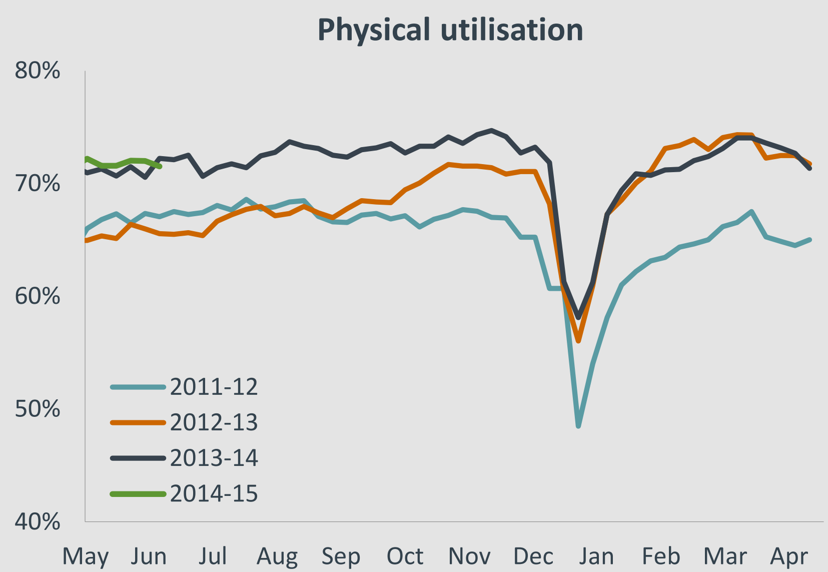
- Remain committed to our cyclical planning and leverage commitments of working broadly within 1 to 2 times EBITDA

A-Plant revenue drivers

Rental revenue growth of 33% benefitted from acquisitions – 19% excluding Eve







Note: Amounts include acquisitions and Q1 has been restated

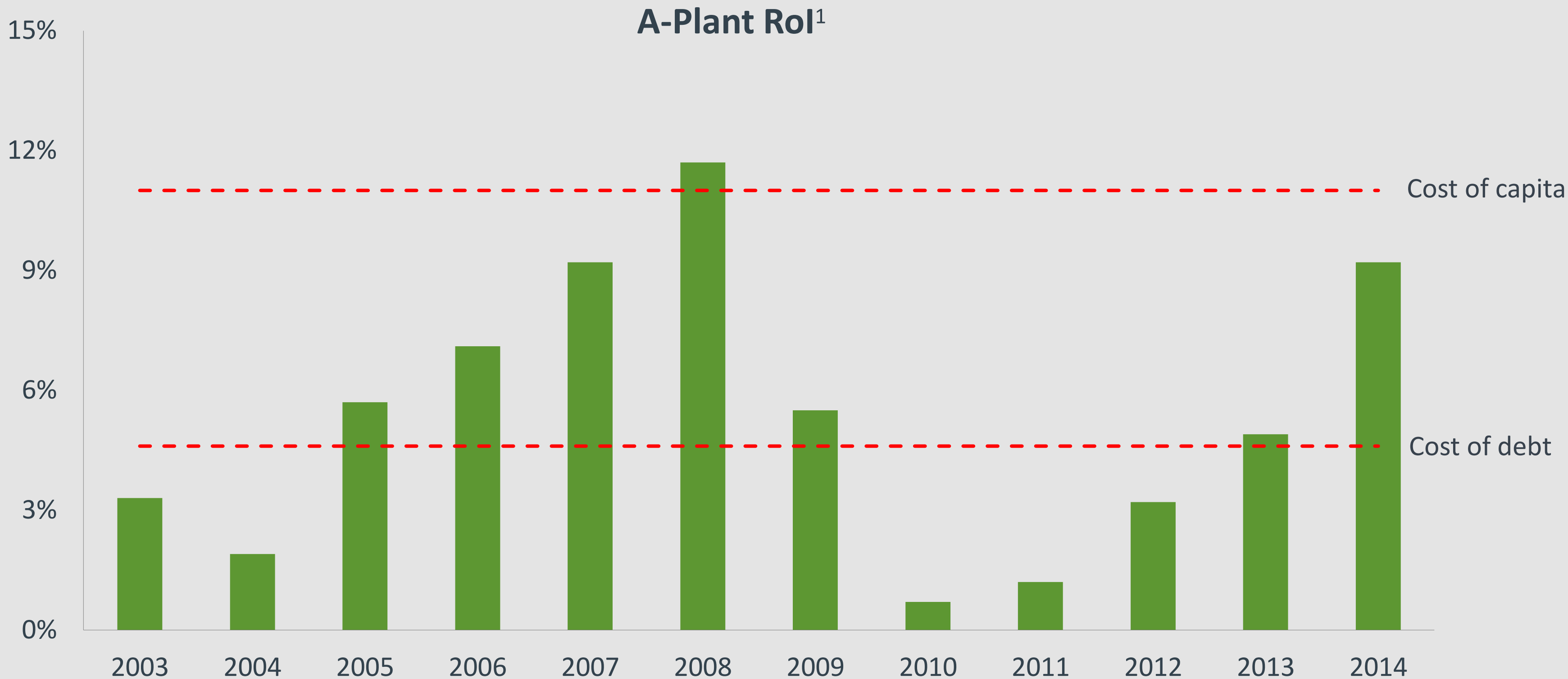
UK construction industry forecasts

Improving trends

(£m constant 2010 prices)	2012 Actual	2013 Actual	2014 Forecast	2015 Forecast	2016 Projection	2017 Projection	% of Total
Residential	29,360	30,929	33,327	35,782	37,420	38,326	29%
		+5.3%	+7.8%	+7.4%	+4.6%	+2.4%	
Private commercial	33,654	33,613	34,963	36,521	38,201	39,873	30%
		-0.1%	+4.0%	+4.5%	+4.6%	+4.4%	
Public and infrastructure	47,262	46,970	48,195	49,741	51,622	53,643	41%
		-0.6%	+2.6%	+3.2%	+3.8%	+3.9%	
Total	110,276	111,512	116,485	122,044	127,243	131,842	100%
		+1.1%	+4.5%	+4.8%	+4.3%	+3.6%	

Source: Consumer Products Association (Spring 2014)

Improving RoI pre cyclical recovery



[1] Excluding goodwill and intangibles

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

Summary

- Both divisions performing well and beginning to enjoy recovering markets
- Well positioned to support further growth
- No significant change to plans with continued emphasis on organic growth
- Bolt-on and greenfield strategy now delivering real value
- Dividend increased to 11.5p for the year
- The Board looks forward to the medium term with continued confidence

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Appendices

Divisional performance – Q4

	Revenue			EBITDA			Profit		
	2014	2013	Change[1]	2014	2013[2]	Change[1]	2014	2013[2]	Change[1]
Sunbelt ($m)	530	452	+17%	232	170	+37%	137	95	+44%
Sunbelt (£m)	318	295	+8%	140	111	+25%	82	63	+31%
A-Plant	67	53	+27%	17	14	+26%	4	3	+28%
Group central costs	-	-		(3)	(3)	+5%	(3)	(3)	+5%
	385	**348**	**+11%**	**154**	**122**	**+26%**	**83**	**63**	**+32%**
Net financing costs							(14)	(11)	+23%
Profit before tax, exceptionals, amortisation and remeasurements							**69**	**52**	**+34%**
Exceptionals, amortisation and remeasurements							2	(2)	
Profit before taxation							**71**	**50**	**+42%**
Taxation							(19)	(16)	+18%
Profit after taxation							**52**	**34**	**+53%**
Margins									
- Sunbelt				*44%*	*38%*		*26%*	*21%*	
- A-Plant				*26%*	*26%*		*6%*	*6%*	
- Group				*40%*	*35%*		*21%*	*18%*	

1. As reported
2. Prior year figures restated for the adoption of IAS 19 'Employee Benefits' (revised)

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Divisional performance – twelve months

	Revenue			EBITDA			Profit		
	2014	2013	Change[1]	2014	2013[2]	Change[1]	2014	2013[2]	Change[1]
Sunbelt ($m)	2,189	1,820	+20%	988	741	+33%	631	453	+39%
Sunbelt (£m)	1,367	1,156	+18%	616	471	+31%	394	287	+37%
A-Plant	268	206	+30%	79	57	+37%	25	12	+111%
Group central costs	-	-		(10)	(9)	+8%	(10)	(9)	+8%
	1,635	**1,362**	**+20%**	**685**	**519**	**+32%**	**409**	**290**	**+41%**
Net financing costs							(47)	(45)	+5%
Profit before tax, exceptionals, amortisation and remeasurements							**362**	**245**	**+48%**
Exceptionals, amortisation and remeasurements							(5)	(31)	
Profit before taxation							**357**	**214**	**+66%**
Taxation							(126)	(76)	+64%
Profit after taxation							**231**	**138**	**+68%**
Margins									
- Sunbelt				*45%*	*41%*		*29%*	*25%*	
- A-Plant				*29%*	*28%*		*9%*	*6%*	
- Group				*42%*	*38%*		*25%*	*21%*	

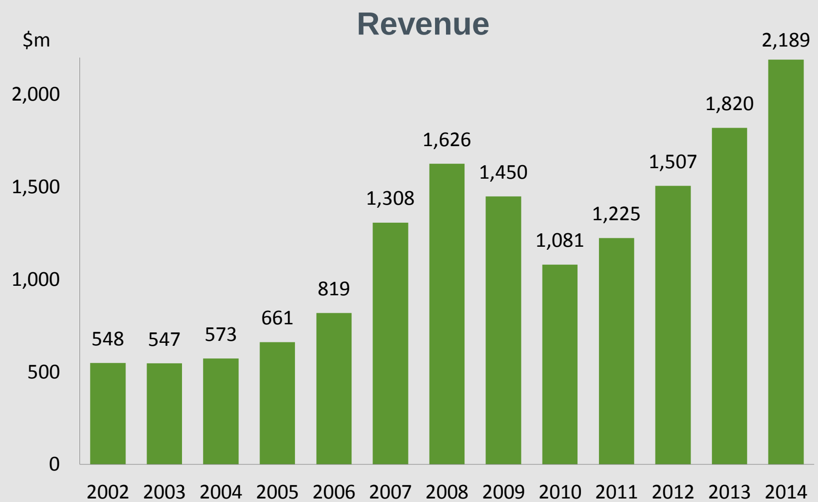
1. As reported

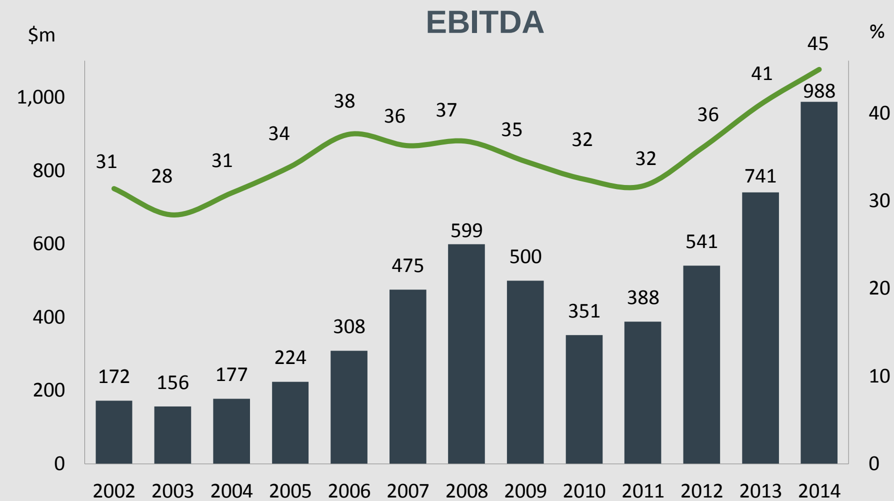
2. Prior year figures restated for the adoption of IAS 19 'Employee Benefits' (revised)

Margins continue to improve

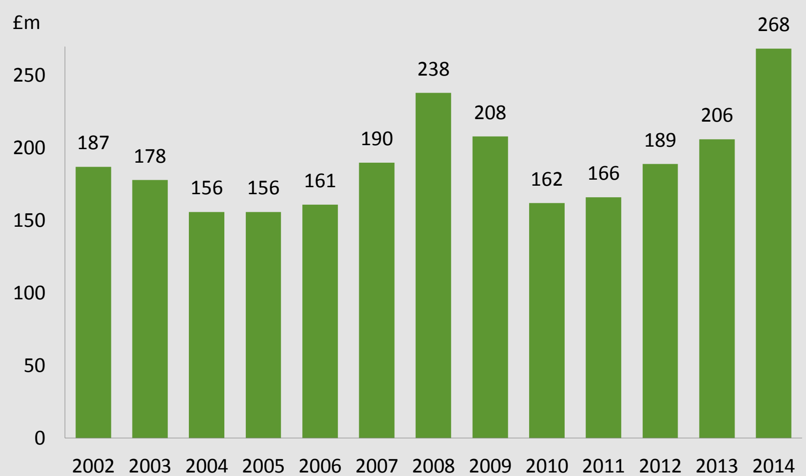
US margins have exceeded the previous peak with substantial opportunity for future earnings growth and margin expansion

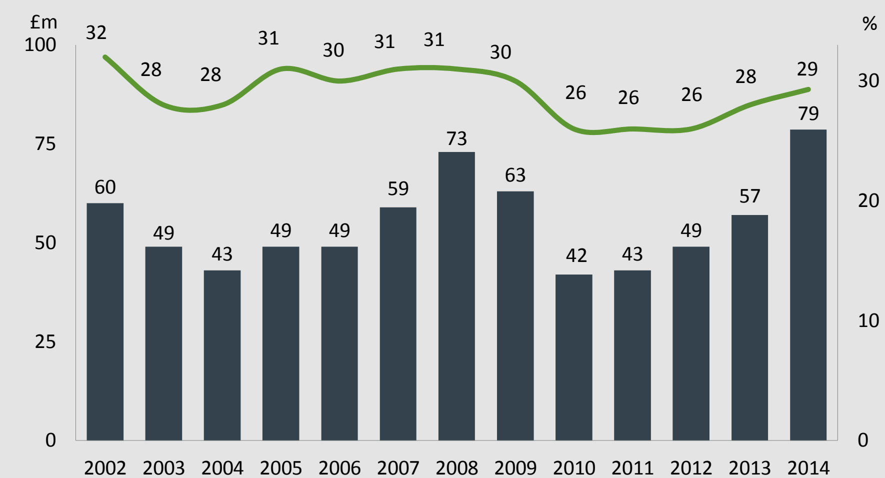
Sunbelt





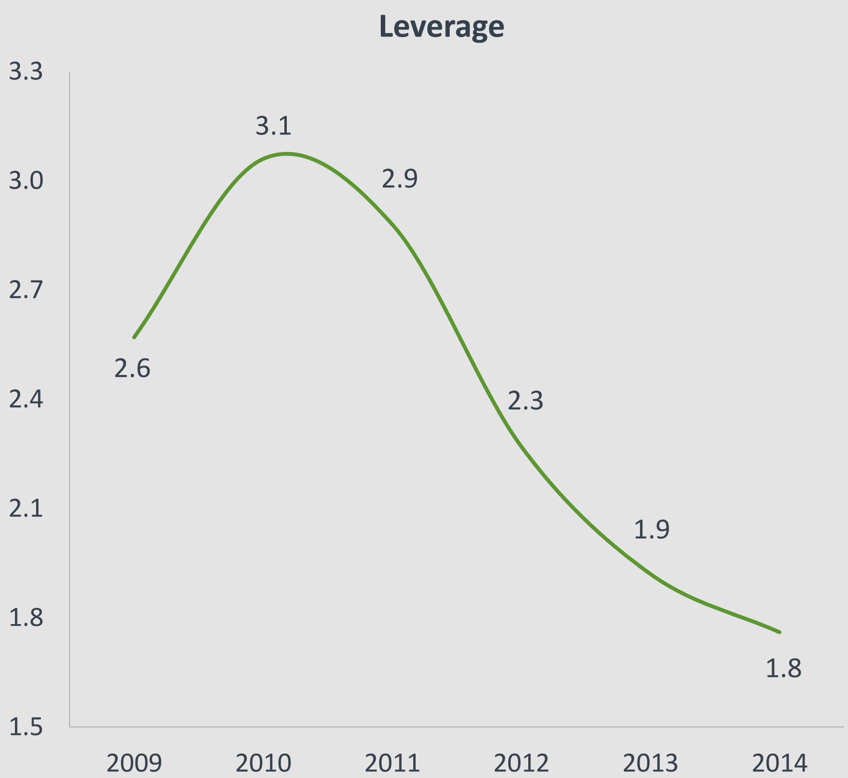
A-Plant



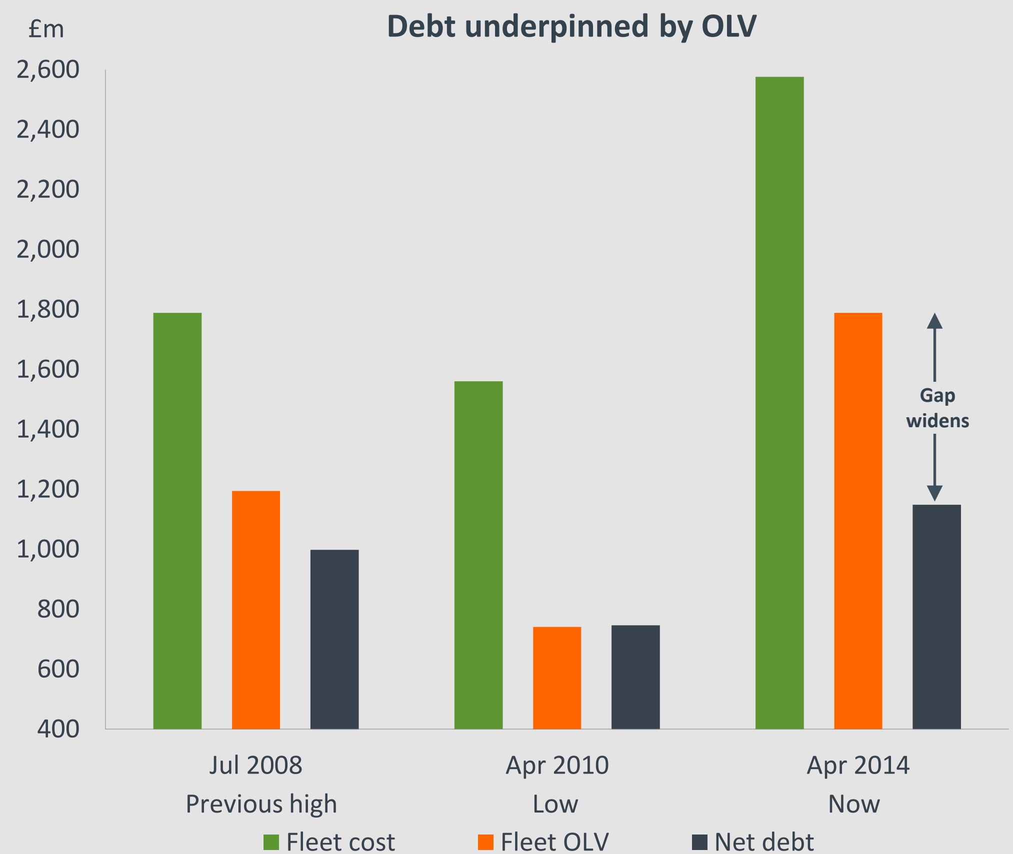


Financial strength

Growth potential is underpinned by the financial strength of the business

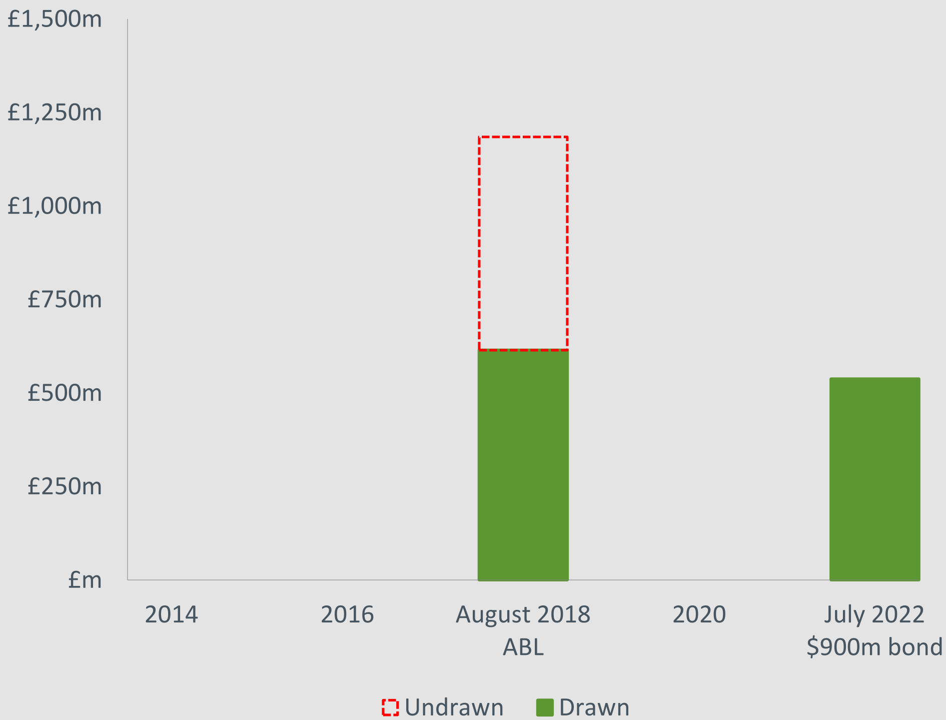


Note: At constant (April 2014) exchange rates



Note: At constant exchange rates

Robust debt structure with substantial capacity to fund further growth



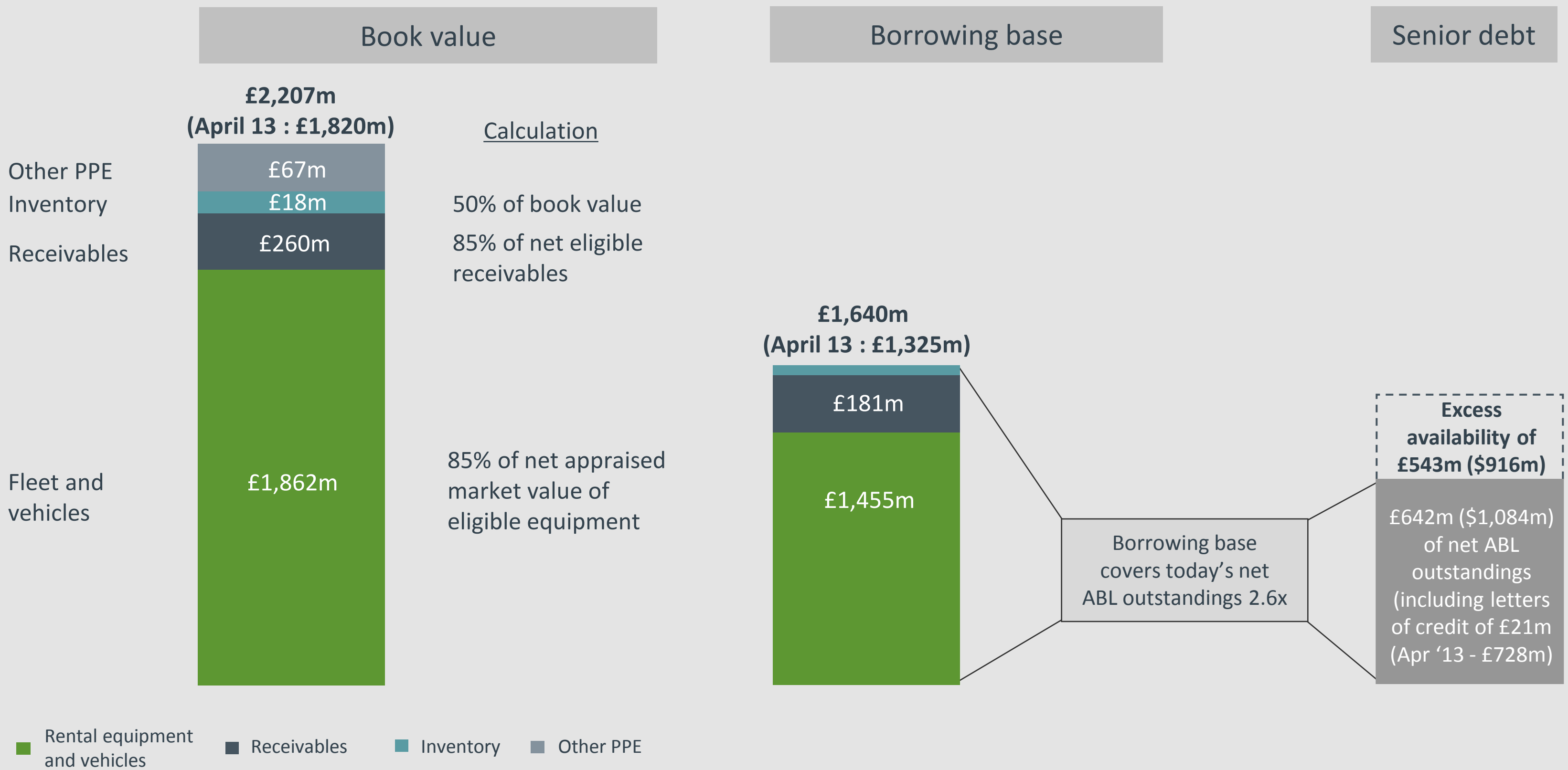
- 6 year average remaining commitment
- No amortisation
- No financial monitoring covenants
  - whilst availability exceeds $200m (April 2014 : $916m)

Cash flow funds organic fleet growth

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

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

$916m of availability at 30 April 2014



- Borrowing base reflects July 2013 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
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
- 1.8x at April 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 April 2014