14 June 2022

Audited results for the year and unaudited results for the fourth quarter ended 30 April 2022

	Fourth quarter			Year		
	2022	2021	Growth[1]	2022	2021	Growth[1]
	$m	$m	%	$m	$m	%
Revenue	2,078	1,759	19%	7,962	6,639	19%
Rental revenue	1,875	1,522	24%	7,235	5,902	22%
EBITDA	900	766	18%	3,609	3,037	18%
Operating profit	445	368	21%	1,948	1,498	30%
Adjusted[2] profit before taxation	418	326	28%	1,824	1,316	38%
Profit before taxation	386	306	26%	1,668	1,235	35%
Adjusted[2] earnings per share	72.0¢	54.0¢	34%	307.1¢	219.1¢	40%
Earnings per share	66.5¢	50.5¢	32%	280.9¢	205.4¢	37%

Full-year highlights[3]

- Record performance with strong momentum across the business
- Revenue up 19%[1]; rental revenue up 22%[1]
- Good progress against all Sunbelt 3.0 actionable components
- 123 locations added in North America
- $2.4bn of capital invested in the business (2021: $947m)
- $1.3bn spent on 25 bolt-on acquisitions (2021: $172m)
- $414m (£305m) allocated to share buybacks (2021: $nil)
- Net debt to EBITDA leverage[1,3] of 1.5 times (2021: 1.4 times)
- Proposed final dividend of 67.5¢, making 80.0¢ for the full year (2021: 58.0¢)

1 Calculated at constant exchange rates applying current period exchange rates.
2 Adjusted results are stated before exceptional items and amortisation.
3 Throughout this announcement we refer to a number of alternative performance measures which provide additional useful information. The directors have adopted these to provide additional information on the underlying trends, performance and position of the Group. The alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures, but are defined and reconciled in the Glossary of Terms on page 38.

Ashtead's chief executive, Brendan Horgan, commented:

"I am delighted to be able to report a year of record performance for the Group. We performed strongly across all geographies with rental revenue up 22% at constant currency (23% when compared with 2019/20). This market outperformance across the business is only possible through the dedication of our team members who deliver for all our stakeholders every day, while ensuring our leading value of safety remains at the forefront of all we do.

Sunbelt 3.0 is embedded in the business and we are making good progress across all actionable components. We invested $2.4bn in capital across existing locations and greenfields and $1.3bn on 25 bolt-on acquisitions, adding a combined total of 123 locations in North America during the year. This significant investment is enabling us to take advantage of the substantial structural growth opportunity that we see for the business as we deliver our strategic priorities to grow general tool and amplify specialty. We are achieving all this while maintaining a strong and flexible balance sheet with leverage at the lower end of our target range.

Our business has demonstrated its ability over the last two years to perform in both good times and more challenging ones. The new financial year has started well and the business has clear momentum. We are well positioned to navigate the challenges and capitalise on the opportunities arising from the market circumstances we face, including supply chain constraints, inflation, labour scarcity and economic uncertainty, all factors which we believe to be drivers of ongoing structural change. The Board looks to the future with confidence."

Contacts:

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Brendan Horgan and Michael Pratt will hold a meeting for equity analysts to discuss the results and outlook at 9:30am on Tuesday, 14 June 2022 at The London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. The meeting will be webcast live via the Company's website at www.ashtead-group.com and a replay will be available via the website shortly after the call concludes. A copy of this announcement and the slide presentation used for the call are available for download on the Company's website. The usual conference call for bondholders will begin at 3:30pm (10:30am EST).

Analysts and bondholders have already been invited to participate in the analyst call and conference call for bondholders but any eligible person not having received details should contact the Company's PR advisers, Maitland/AMO (Audrey Da Costa) at +44 (0)20 7379 5151.

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.

Change in presentational currency

Effective from 1 May 2021, the Group changed its presentational currency from sterling to US dollars to allow for greater transparency in the Group's performance for investors and other stakeholders and to reduce exchange rate volatility in reported figures, given that c. 80% of the Group's revenue and c. 90% of the Group's operating profit originate in US dollars. Accordingly, the Group's financial statements within this announcement are presented in US dollars. Further details were provided in our announcement 'Change in presentational currency' released on 15 June 2021 and in the Group's Annual Report & Accounts 2021, available via the Company's website at www.ashtead-group.com.

Trading results

	Revenue		EBITDA		Profit[1]	
	2022	2021	2022	2021	2022	2021
UK in £m	725.7	635.1	214.6	192.8	86.8	60.9
Canada in C$m	626.0	500.9	281.4	218.9	143.6	97.8
US	6,477.0	5,417.5	3,120.6	2,634.5	1,852.3	1,444.6
UK in $m	986.3	838.1	291.7	254.4	118.0	80.4
Canada in $m	499.0	383.0	224.3	167.4	114.4	74.8
Group central costs	-	-	(27.2)	(19.5)	(28.3)	(20.6)
	7,962.3	6,638.6	3,609.4	3,036.8	2,056.4	1,579.2
Net financing costs before exceptional items					(232.6)	(262.9)
Profit before amortisation, exceptional items and tax					**1,823.8**	**1,316.3**
Amortisation					(108.6)	(81.2)
Exceptional items					(47.1)	-
Profit before taxation					1,668.1	1,235.1
Taxation charge					(417.0)	(315.0)
Profit attributable to equity holders of the Company					1,251.1	920.1
Margins						
US			*48.2%*	*48.6%*	*28.6%*	*26.7%*
UK			*29.6%*	*30.4%*	*12.0%*	*9.6%*
Canada			*45.0%*	*43.7%*	*22.9%*	*19.5%*
Group			*45.3%*	*45.7%*	*25.8%*	*23.8%*

[1] Segment result presented is adjusted operating profit.

Group revenue increased 20% (19% at constant currency) to $7,962m during the year (2021: $6,639m). This revenue growth, combined with strong operational execution, resulted in adjusted profit before tax increasing 39% to $1,824m (2021: $1,316m).

In the US, rental only revenue of $4,782m (2021: $3,976m) was 20% higher than the prior year (and 18% higher than 2020), representing continued market outperformance and demonstrating the benefits of our strategy of growing our specialty businesses and broadening our end markets. Organic growth (same store and greenfields) was around 16%, while bolt-ons contributed approximately 4% of rental only revenue growth. In the year, our general tool business grew 17%, while our specialty businesses grew 28% following growth of 13% in 2020/21. While rental revenue growth has been driven by volume, with a larger fleet and improved utilisation, it has benefitted from improved rates in what is a better rate environment than we have seen for a number of years. Our year-over-year rate of growth increased as we progressed through the year. US total revenue, including new and used equipment, merchandise and consumable sales, increased 20% to $6,477m (2021: $5,418m).

The UK business generated rental only revenue of £403m, up 11% on the prior year (2021: £362m). While our performance continued to benefit from our essential support to the Department of Health in its COVID-19 response efforts, our core business is performing strongly and is benefitting from the operational improvements in the business which are ongoing. Total revenue increased 14% to £726m (2021: £635m) reflecting the higher level of ancillary and sales revenue associated with the work for the Department of Health, which accounted for c. 30% of UK revenue in the twelve months. Following the UK government's announcement that free mass COVID testing would stop from April 2022, we are demobilising the test sites rapidly and expect a relatively low revenue contribution in 2022/23.

Canada's rental only revenue increased 26% to C$456m (2021: C$363m). While this rate of growth reflects the depressed comparatives last year, it is driven by the strong performance of the original Canadian business and our lighting, grip and lens business since lockdowns eased. That said, the lighting, grip and lens business was affected again by COVID induced production restrictions in the second half. Canada's total revenue was C$626m (2021: C$501m).

Last year, we took action to reduce operating costs and eliminate discretionary expenditure in all our markets. While we continue to maintain a focus on the cost base, a number of these costs have returned to the business, reflecting the increased activity levels. In addition, we continue to invest in the infrastructure of the business to enable us to take advantage of the market and structural opportunities, particularly in our technology platform. In common with many businesses, we face inflationary pressures across all cost lines, but particularly in relation to labour, transportation and fuel. However, our strong performance on rate, combined with our scale, has enabled us to navigate this inflationary environment and deliver US rental revenue drop through to EBITDA in line with our expectations for the first year of Sunbelt 3.0 at 39%. This contributed to a reported EBITDA margin of 48% (2021: 49%) and a 28% increase in segment profit to $1,852m (2021: $1,445m) at a margin of 29% (2021: 27%).

Support for the Department of Health has been a benefit to the UK business but also presented it with logistical and operational challenges. It remains focused on delivering operational efficiency and improving returns in the business and will seek to redeploy the assets dedicated to the testing centres elsewhere in the business. The UK generated an EBITDA margin of 30% (2021: 30%) and a segment profit of £87m (2021: £61m) at a margin of 12% (2021: 10%).

The development of our Canadian business continues as it invests to expand its network and broaden its markets. Growth has been achieved across the business while delivering a 45% EBITDA margin (2021: 44%) and generating a segment profit of C$144m (2021: C$98m) at a margin of 23% (2021: 20%).

Overall, Group adjusted operating profit increased to $2,056m (2021: $1,579m), up 30% at constant exchange rates. After net financing costs before exceptional items of $233m (2021: $263m), Group profit before exceptional items, amortisation of intangibles and taxation was $1,824m (2021: $1,316m). After a tax charge of 25% (2021: 25%) of the adjusted pre-tax profit, adjusted earnings per share increased 40% at constant currency to 307.1¢ (2021: 219.1¢).

Statutory profit before tax was $1,668m (2021: $1,235m). This is after amortisation of $109m (2021: $81m) and, in the current year, exceptional interest costs of $47m. Included within the total tax charge is a tax credit of $39m (2021: $20m) which relates to exceptional items and the amortisation of intangibles. As a result, basic earnings per share were 280.9¢ (2021: 205.4¢). The overall cash tax charge was 15%.

Capital expenditure and acquisitions

Capital expenditure for the year was $2,397m gross and $2,032m net of disposal proceeds (2021: $947m gross and $540m net). Despite the supply chain challenges we have faced this represents a record year of fleet investment for the Group. Given strong demand and slower fleet deliveries than expected during the year due to supply chain delays, we deferred certain fleet disposals. As a result, the Group's rental fleet at 30 April 2022 at cost was $13.5bn and our average fleet age is now 40 months (2021: 41 months).

We invested $1,274m (2021: $172m) including acquired borrowings in 25 bolt-on acquisitions during the year as we continue to both expand our footprint and diversify our end markets. Further details are provided in note 16. Since the period end, we have invested a further $230m in bolt-ons.

For 2022/23, our plan is for gross capital expenditure to be in the range of $3.3 – 3.6bn as we execute on Sunbelt 3.0.

Return on Investment

Return on investment returned to pre-pandemic levels following the depressed levels of COVID affected 2020/21. In the US, return on investment (excluding goodwill and intangible assets) for the 12 months to 30 April 2022 was 25% (2021: 20%). In the UK, reflecting the benefits of increased volumes supporting the Department of Health and operational improvements, return on investment (excluding goodwill and intangible assets) was 14% (2021: 10%). In Canada, return on investment (excluding goodwill and intangible assets) was 20% (2021: 16%). This reflects improved performance across the business and an increasing contribution from our lighting, grip and lens business. For the Group as a whole, return on investment (including goodwill and intangible assets) was 18% (2021: 15%). Return on investment excludes the impact of IFRS 16.

Cash flow and net debt

The increased scale of the business enabled the Group to generate free cash flow of $1,125m (2021: $1,822m) during the year, despite capital expenditure payments of $2,164m (2021: $955m). However, as expected, debt increased during the year as we continued to invest in bolt-ons and returned capital to shareholders. During the year, we spent $410m (£302m) on share buybacks (2021: $nil) under the two year buy back programme launched in May 2021 of up to £1bn.

In August 2021, the Group took advantage of good debt markets and refinanced its debt facilities by issuing $550m 1.500% senior notes maturing in August 2026 and $750m 2.450% senior notes maturing in August 2031. The net proceeds of the issues were used to repurchase the Group's $600m 4.125% senior notes due 2025 and $600m 5.250% senior notes due 2026, pay related fees and expenses and repay an element of the amount outstanding under the ABL facility. In addition, the Group also increased and extended its asset-based senior bank facility, with $4.5bn committed until August 2026. Other principal terms and conditions remain unchanged. These actions ensure the Group's debt package continues to be well structured and flexible, enabling us to optimise the opportunity presented by end market conditions. The Group's debt facilities are now committed for an average of six years at a weighted average cost of 3%.

Net debt at 30 April 2022 was $7,160m (2021: $5,801m). Excluding the effect of IFRS 16, net debt at 30 April 2022 was $5,179m (2021: $4,180m), while the ratio of net debt to EBITDA was 1.5 times (2021: 1.4 times) on a constant currency basis. The Group's target range for net debt to EBITDA is 1.5 to 2.0 times excluding the impact of IFRS 16 (1.9 to 2.4 times post IFRS 16). Including the effect of IFRS 16, the ratio of net debt to EBITDA was 2.0 times (2021: 1.9 times) on a constant currency basis.

At 30 April 2022, availability under the senior secured debt facility was $2,537m with an additional $3,029m of suppressed availability – substantially above the $450m level at which the Group's entire debt package is covenant free.

Dividends

The Company has a progressive dividend policy, which considers both profitability and cash generation, and results in a dividend that is sustainable across the cycle. Our intention has always been to increase the dividend as profits increase and be able to maintain it when profits decline. In accordance with this policy, the Board is recommending a final dividend of 67.5¢ per share (2021: 48.24¢) making 80.0¢ for the year (2021: 58.0¢), an increase of 38%. If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 9 September 2022 to shareholders on the register on 12 August 2022.

The dividend is declared in US dollars but will be paid in sterling unless shareholders elect to receive their dividend in US dollars. Those shareholders who wish to receive their dividend in US dollars and have not yet made an election may do so by contacting Equiniti on 0371 384 2934 (International: +44 (0) 121 415 7011). The last day for election for the proposed final dividend is 26 August 2022.

Capital allocation

The Group remains disciplined in its approach to allocation of capital with the overriding objective being to enhance shareholder value.

Our capital allocation framework remains unchanged and prioritises:

- organic fleet growth;
    - same-stores;
    - greenfields;
- bolt-on acquisitions; and
- a progressive dividend with consideration to both profitability and cash generation that is sustainable through the cycle.

Additionally, we consider further returns to shareholders. In this regard, we assess continuously our medium term plans which take account of investment in the business, growth prospects, cash generation, net debt and leverage. Therefore, the amount allocated to buybacks is simply driven by that which is available after organic growth, bolt-on M&A and dividends, whilst allowing us to operate within our 1.5 to 2.0 times target range for net debt to EBITDA pre IFRS 16.

Current trading and outlook

Our business has demonstrated its ability over the last two years to perform in both good times and more challenging ones. The new financial year has started well and the business has clear momentum. We are well positioned to navigate the challenges and capitalise on the opportunities arising from the market circumstances we face, including supply chain constraints, inflation, labour scarcity and economic uncertainty, all factors which we believe to be drivers of ongoing structural change. The Board looks to the future with confidence."

	Guidance
Rental revenue[1]	
- US	13 to 16%
- Canada	15 to 18%
- UK[2]	-5 to -2%
- Group	12 to 14%
Capital expenditure (gross)[3]	\$3.3 – 3.6bn
Free cash flow[3]	c. \$300m

[1] Represents change in year-over-year rental revenue at constant exchange rates
[2] UK total revenue down c. 15% due to NHS impact
[3] Stated at C\$1=\$0.80 and £1=\$1.25

Directors' responsibility statement on the annual report

The responsibility statement below has been prepared in connection with the Company's Annual Report & Accounts for the year ended 30 April 2022. Certain parts thereof are not included in this announcement.

"We confirm to the best of our knowledge:

a) the consolidated financial statements, prepared in accordance with IFRS in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Group;

b) the Strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces; and

c) the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board

Eric Watkins
Company secretary
13 June 2022"

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 30 APRIL 2022

	2022			2021		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	$m	$m	$m	$m (restated[2])	$m (restated[2])	$m (restated[2])
Fourth quarter - unaudited						
Revenue						
Rental revenue	1,874.8	-	1,874.8	1,522.1	-	1,522.1
Sale of new equipment, merchandise and consumables	86.5	-	86.5	107.3	-	107.3
Sale of used rental equipment	116.9	-	116.9	129.4	-	129.4
	2,078.2	-	2,078.2	1,758.8	-	1,758.8
Operating costs						
Staff costs	(490.5)	-	(490.5)	(394.2)	-	(394.2)
Other operating costs	(603.7)	-	(603.7)	(479.5)	-	(479.5)
Used rental equipment sold	(83.6)	-	(83.6)	(119.4)	-	(119.4)
	(1,177.8)	-	(1,177.8)	(993.1)	-	(993.1)
EBITDA[1]	900.4	-	900.4	765.7	-	765.7
Depreciation	(422.7)	-	(422.7)	(377.5)	-	(377.5)
Amortisation of intangibles	-	(32.4)	(32.4)	-	(20.6)	(20.6)
Operating profit	477.7	(32.4)	445.3	388.2	(20.6)	367.6
Interest expense	(59.6)	-	(59.6)	(62.1)	-	(62.1)
Profit on ordinary activities before taxation	418.1	(32.4)	385.7	326.1	(20.6)	305.5
Taxation	(99.1)	8.4	(90.7)	(84.3)	5.1	(79.2)
Profit attributable to equity holders of the Company	319.0	(24.0)	295.0	241.8	(15.5)	226.3
Basic earnings per share	72.0¢	(5.5¢)	66.5¢	54.0¢	(3.5¢)	50.5¢
Diluted earnings per share	71.7¢	(5.5¢)	66.2¢	53.8¢	(3.4¢)	50.4¢

[1] EBITDA is presented here as an alternative performance measure as it is commonly used by investors and lenders.
[2] All comparative information has been restated for presentation in US dollars. For more information, see note 2.

All revenue and profit is generated from continuing operations.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 APRIL 2022

	2022			2021		
	Before exceptional items and amortisation	Exceptional items and amortisation	Total	Before amortisation	Amortisation	Total
	$m	$m	$m	$m (restated[2])	$m (restated[2])	$m (restated[2])
Year to 30 April 2022 - audited						
Revenue						
Rental revenue	7,234.7	-	7,234.7	5,901.6	-	5,901.6
Sale of new equipment, merchandise and consumables	387.2	-	387.2	347.7	-	347.7
Sale of used rental equipment	340.4	-	340.4	389.3	-	389.3
	7,962.3	-	7,962.3	6,638.6	-	6,638.6
Operating costs						
Staff costs	(1,830.5)	-	(1,830.5)	(1,501.5)	-	(1,501.5)
Other operating costs	(2,260.9)	-	(2,260.9)	(1,735.9)	-	(1,735.9)
Used rental equipment sold	(261.5)	-	(261.5)	(364.4)	-	(364.4)
	(4,352.9)	-	(4,352.9)	(3,601.8)	-	(3,601.8)
EBITDA[1]	3,609.4	-	3,609.4	3,036.8	-	3,036.8
Depreciation	(1,553.0)	-	(1,553.0)	(1,457.6)	-	(1,457.6)
Amortisation of intangibles	-	(108.6)	(108.6)	-	(81.2)	(81.2)
Operating profit	2,056.4	(108.6)	1,947.8	1,579.2	(81.2)	1,498.0
Interest income	0.1	-	0.1	-	-	-
Interest expense	(232.7)	(47.1)	(279.8)	(262.9)	-	(262.9)
Profit on ordinary activities before taxation	1,823.8	(155.7)	1,668.1	1,316.3	(81.2)	1,235.1
Taxation	(456.3)	39.3	(417.0)	(335.0)	20.0	(315.0)
Profit attributable to equity holders of the Company	1,367.5	(116.4)	1,251.1	981.3	(61.2)	920.1
Basic earnings per share	307.1¢	(26.2¢)	280.9¢	219.1¢	(13.7¢)	205.4¢
Diluted earnings per share	305.8¢	(26.1¢)	279.7¢	218.4¢	(13.6¢)	204.8¢

[1] EBITDA is presented here as an alternative performance measure as it is commonly used by investors and lenders.
[2] All comparative information has been restated for presentation in US dollars. For more information, see note 2.

All revenue and profit is generated from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Three months to 30 April		Audited Year to 30 April	
	2022	2021	2022	2021
	$m	$m (restated)	$m	$m (restated)
Profit attributable to equity holders of the Company for the period	295.0	226.3	1,251.1	920.1
Items that will not be reclassified to profit or loss:				
Remeasurement of the defined benefit pension plan	11.4	18.4	11.4	18.4
Tax on defined benefit pension plan	(2.7)	(3.7)	(2.7)	(3.7)
	8.7	14.7	8.7	14.7
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	(57.4)	19.0	(92.7)	76.8
Total other comprehensive income for the period	(48.7)	33.7	(84.0)	91.5
Total comprehensive income for the period	246.3	260.0	1,167.1	1,011.6

CONSOLIDATED BALANCE SHEET AT 30 APRIL 2022

	2022 $m	Audited 2021 $m (restated)	2020 $m (restated)
Current assets			
Inventories	168.5	102.2	105.0
Trade and other receivables	1,390.4	1,083.7	1,036.1
Current tax asset	7.2	18.4	41.3
Cash and cash equivalents	15.3	26.6	304.4
	1,581.4	1,230.9	1,486.8
Non-current assets			
Property, plant and equipment			
- rental equipment	7,814.3	6,908.9	7,429.2
- other assets	1,078.3	867.2	893.9
	8,892.6	7,776.1	8,323.1
Right-of-use asset	1,864.8	1,545.9	1,372.7
Goodwill	2,300.0	1,796.1	1,690.6
Other intangible assets	475.3	387.3	411.3
Other non-current assets	157.5	95.5	-
Net defined benefit pension plan asset	18.5	6.2	-
	13,708.7	11,607.1	11,797.7
Total assets	15,290.1	12,838.0	13,284.5
Current liabilities			
Trade and other payables	1,197.1	819.5	724.9
Current tax liability	20.2	5.7	2.8
Lease liabilities	188.6	168.7	133.6
Provisions	68.8	54.0	67.7
	1,474.7	1,047.9	929.0
Non-current liabilities			
Lease liabilities	1,806.6	1,464.6	1,269.2
Long-term borrowings	5,180.1	4,194.0	5,666.0
Provisions	68.0	61.0	49.0
Deferred tax liabilities	1,695.4	1,514.2	1,607.3
Other non-current liabilities	31.6	30.8	-
Net defined benefit pension plan liability	-	-	15.3
	8,781.7	7,264.6	8,606.8
Total liabilities	10,256.4	8,312.5	9,535.8
Equity			
Share capital	81.8	81.8	82.3
Share premium account	6.5	6.5	6.5
Capital redemption reserve	20.0	20.0	19.5
Own shares held by the Company	(480.1)	(66.2)	(149.7)
Own shares held by the ESOT	(44.9)	(36.8)	(36.0)
Cumulative foreign exchange translation differences	(226.7)	(134.0)	(210.8)
Retained reserves	5,677.1	4,654.2	4,036.9
Equity attributable to equity holders of the Company	5,033.7	4,525.5	3,748.7
Total liabilities and equity	15,290.1	12,838.0	13,284.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2022

	Share capital $m	Share premium account $m	Capital redemption reserve $m	Own shares held by the Company $m	Own shares held through the ESOT $m	Cumulative foreign exchange translation differences $m	Retained reserves $m	Total $m
At 1 May 2020 (restated)	82.3	6.5	19.5	(149.7)	(36.0)	(210.8)	4,036.9	3,748.7
Profit for the year	-	-	-	-	-	-	920.1	920.1
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	76.8	-	76.8
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	18.4	18.4
Tax on defined benefit pension plan	-	-	-	-	-	-	(3.7)	(3.7)
Total comprehensive income for the year	-	-	-	-	-	76.8	934.8	1,011.6
Dividends paid	-	-	-	-	-	-	(239.1)	(239.1)
Own shares purchased by the ESOT	-	-	-	-	(15.5)	-	-	(15.5)
Share-based payments	-	-	-	-	14.7	-	(5.2)	9.5
Tax on share-based payments	-	-	-	-	-	-	10.3	10.3
Cancellation of shares	(0.5)	-	0.5	83.5	-	-	(83.5)	-
At 30 April 2021 (restated)	81.8	6.5	20.0	(66.2)	(36.8)	(134.0)	4,654.2	4,525.5
Profit for the year	-	-	-	-	-	-	1,251.1	1,251.1
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	(92.7)	-	(92.7)
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	11.4	11.4
Tax on defined benefit pension plan	-	-	-	-	-	-	(2.7)	(2.7)
Total comprehensive income for the year	-	-	-	-	-	(92.7)	1,259.8	1,167.1
Dividends paid	-	-	-	-	-	-	(271.5)	(271.5)
Own shares purchased by the ESOT	-	-	-	-	(23.8)	-	-	(23.8)
Own shares purchased by the Company	-	-	-	(413.9)	-	-	-	(413.9)
Share-based payments	-	-	-	-	15.7	-	32.4	48.1
Tax on share-based payments	-	-	-	-	-	-	2.2	2.2
At 30 April 2022	81.8	6.5	20.0	(480.1)	(44.9)	(226.7)	5,677.1	5,033.7

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2022

	Audited	
	2022	2021
	$m	$m
		(restated)
Cash flows from operating activities		
Cash generated from operations before changes in rental equipment	3,406.5	3,017.0
Payments for rental property, plant and equipment	(1,765.4)	(817.0)
Proceeds from disposal of rental property, plant and equipment	343.8	384.7
Cash generated from operations	1,984.9	2,584.7
Financing costs paid (net)	(231.1)	(254.9)
Exceptional financing costs paid	(36.0)	-
Tax paid (net)	(218.8)	(387.6)
Net cash generated from operating activities	1,499.0	1,942.2
Cash flows from investing activities		
Acquisition of businesses	(1,277.4)	(195.1)
Financial asset investments	(40.0)	-
Payments for non-rental property, plant and equipment	(398.4)	(138.3)
Proceeds from disposal of non-rental property, plant and equipment	24.8	18.3
Net cash used in investing activities	(1,691.0)	(315.1)
Cash flows from financing activities		
Drawdown of loans	3,054.5	643.4
Redemption of loans	(2,062.7)	(2,228.4)
Repayment of principal under lease liabilities	(107.6)	(73.9)
Dividends paid	(269.3)	(235.5)
Purchase of own shares by the ESOT	(23.8)	(15.5)
Purchase of own shares by the Company	(409.6)	-
Net cash generated from/(used in) financing activities	181.5	(1,909.9)
Decrease in cash and cash equivalents	(10.5)	(282.8)
Opening cash and cash equivalents	26.6	304.4
Effect of exchange rate differences	(0.8)	5.0
Closing cash and cash equivalents	15.3	26.6

Reconciliation of net cash flows to net debt

	2022	2021
Decrease in cash and cash equivalents in the period	10.5	282.8
Increase/(decrease) in debt through cash flow	884.2	(1,658.9)
Change in net debt from cash flows	894.7	(1,376.1)
Exchange differences	(47.1)	129.3
Debt acquired	131.7	25.2
Non-cash movements:		
- deferred costs of debt raising	18.0	11.0
- new lease liabilities	362.0	246.9
Increase/(decrease) in net debt in the period	1,359.3	(963.7)
Net debt at 1 May	5,800.7	6,764.4
Net debt at 30 April	7,160.0	5,800.7

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Ashtead Group plc ('the Company') is a company incorporated and domiciled in England and Wales and listed on the London Stock Exchange. The condensed consolidated financial statements as at, and for the year ended 30 April 2022, comprise the Company and its subsidiaries ('the Group').

The financial statements for the year ended 30 April 2022 were approved by the directors on 13 June 2022.

This preliminary announcement of the results for the year ended 30 April 2022 contains information derived from the forthcoming 2021/22 Annual Report & Accounts and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 April 2022 were approved by the directors on 13 June 2022 and will be delivered to shareholders, filed with the Registrar of Companies and made available on the Group's website at www.ashtead-group.com in July 2022. The auditor's report on those accounts was unqualified, did not include a reference to any matter by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

Details of principal risks and uncertainties are given in the Review of Fourth Quarter, Balance Sheet and Cash Flow accompanying these condensed consolidated financial statements.

2. Basis of preparation

The financial statements for the year ended 30 April 2022 have been prepared in accordance with relevant United Kingdom adopted International Financial Reporting Standards ('IFRS') and the accounting policies set out in the Group's Annual Report & Accounts for the year ended 30 April 2021, except for the change in presentational currency set out below.

On 1 May 2021, the Group changed its presentational currency from sterling to US dollars to provide greater transparency in the Group's performance for investors and other stakeholders and to reduce exchange rate volatility in reported figures, given that c. 80% of the Group's revenue and c. 90% of the Group's operating profit originate in US dollars. In accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, this change in presentational currency was applied retrospectively and accordingly, prior year comparatives have been restated.

Financial information included in the financial statements for the years ended 30 April 2021 and 2020 has been restated in US dollars as follows:

- assets and liabilities in non-US denominated currencies were translated into US dollars at the rate of exchange ruling at the relevant balance sheet date;

- non-US dollar income statements and cash flows were translated into US dollars at average rates of exchange for the relevant period;

- share capital, share premium and all other equity items were translated at the historical rates prevailing at 1 May 2004, the date of transition to IFRS, or the subsequent rates prevailing on the date of each relevant transaction; and

- the cumulative foreign exchange translation reserve was set to zero on 1 May 2004, the date of transition to IFRS and this reserve has been restated on the basis that the Group has reported in US dollars since that date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of preparation (continued)

In preparing the financial statements, the exchange rates used in respect of the pound sterling (£) and Canadian dollar (C$) are:

	Pound sterling		Canadian dollar	
	2022	2021	2022	2021
Average for the three months ended 30 April	1.32	1.39	0.79	0.79
Average for the year ended 30 April	1.36	1.32	0.80	0.76
At 30 April	1.26	1.38	0.78	0.81

The directors have adopted various alternative performance measures to provide additional useful information on the underlying trends, performance and position of the Group. The alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures, but are defined within the Glossary of Terms on page 38.

The financial statements have been prepared on the going concern basis. The Group's internal budgets and forecasts of future performance, available financing facilities and facility headroom (see note 13), provide a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the financial statements.

3. Segmental analysis

Three months to 30 April 2022 (unaudited)

	US	UK	Canada	Corporate items	Group
	$m	$m	$m	$m	$m
Revenue					
Rental revenue	1,574.2	182.3	118.3	-	1,874.8
Sale of new equipment, merchandise and consumables	40.8	38.6	7.1	-	86.5
Sale of used rental equipment	98.4	15.1	3.4	-	116.9
	1,713.4	236.0	128.8	-	2,078.2
Segment profit	438.4	19.8	26.2	(6.7)	477.7
Amortisation					(32.4)
Net financing costs					(59.6)
Profit before taxation					385.7
Taxation					(90.7)
Profit attributable to equity shareholders					295.0

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Segmental analysis (continued)

Three months to 30 April 2021 (unaudited)

	US	UK	Canada	Corporate items	Group
	$m	$m	$m	$m	$m
Revenue					
Rental revenue	1,230.0	192.2	99.9	-	1,522.1
Sale of new equipment, merchandise and consumables	39.3	60.4	7.6	-	107.3
Sale of used rental equipment	114.0	9.0	6.4	-	129.4
	1,383.3	261.6	113.9	-	1,758.8
Segment profit	339.2	30.0	26.6	(7.6)	388.2
Amortisation					(20.6)
Net financing costs					(62.1)
Profit before taxation					305.5
Taxation					(79.2)
Profit attributable to equity shareholders					226.3

Year to 30 April 2022

	US	UK	Canada	Corporate items	Group
	$m	$m	$m	$m	$m
Revenue					
Rental revenue	6,041.9	739.0	453.8	-	7,234.7
Sale of new equipment, merchandise and consumables	155.0	202.2	30.0	-	387.2
Sale of used rental equipment	280.1	45.1	15.2	-	340.4
	6,477.0	986.3	499.0	-	7,962.3
Segment profit	1,852.3	118.0	114.4	(28.3)	2,056.4
Amortisation					(108.6)
Exceptional items					(47.1)
Net financing costs					(232.6)
Profit before taxation					1,668.1
Taxation					(417.0)
Profit attributable to equity shareholders					1,251.1

Year to 30 April 2021

	US	UK	Canada	Corporate items	Group
	$m	$m	$m	$m	$m
Revenue					
Rental revenue	4,932.7	635.2	333.7	-	5,901.6
Sale of new equipment, merchandise and consumables	152.3	164.8	30.6	-	347.7
Sale of used rental equipment	332.5	38.1	18.7	-	389.3
	5,417.5	838.1	383.0	-	6,638.6
Segment profit	1,444.6	80.4	74.8	(20.6)	1,579.2
Amortisation					(81.2)
Net financing costs					(262.9)
Profit before taxation					1,235.1
Taxation					(315.0)
Profit attributable to equity shareholders					920.1

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Segmental analysis (continued)

	US $m	UK $m	Canada $m	Corporate items $m	Group $m
At 30 April 2022					
Segment assets	12,839.6	1,162.3	1,212.7	53.0	15,267.6
Cash					15.3
Taxation assets					7.2
Total assets					15,290.1
At 30 April 2021					
Segment assets	10,384.3	1,208.7	1,141.0	59.0	12,793.0
Cash					26.6
Taxation assets					18.4
Total assets					12,838.0

4. Operating costs and other income

	2022			2021		
	Before amortisation $m	Amortisation $m	Total $m	Before amortisation $m	Amortisation $m	Total $m
Three months to 30 April (unaudited)						
Staff costs:						
Salaries	446.0	-	446.0	358.2	-	358.2
Social security costs	36.1	-	36.1	29.1	-	29.1
Other pension costs	8.4	-	8.4	6.9	-	6.9
	490.5	-	490.5	394.2	-	394.2
Other operating costs:						
Vehicle costs	133.3	-	133.3	108.0	-	108.0
Spares, consumables & external repairs	121.3	-	121.3	102.0	-	102.0
Facility costs	25.1	-	25.1	18.4	-	18.4
Other external charges	324.0	-	324.0	251.1	-	251.1
	603.7	-	603.7	479.5	-	479.5
Used rental equipment sold	83.6	-	83.6	119.4	-	119.4
Depreciation and amortisation:						
Depreciation of tangible assets	376.6	-	376.6	344.2	-	344.2
Depreciation of right-of-use assets	46.1	-	46.1	33.3	-	33.3
Amortisation of intangibles	-	32.4	32.4	-	20.6	20.6
	422.7	32.4	455.1	377.5	20.6	398.1
	1,600.5	32.4	1,632.9	1,370.6	20.6	1,391.2

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Operating costs and other income (continued)

	2022			2021		
	Before amortisation $m	Amortisation $m	Total $m	Before amortisation $m	Amortisation $m	Total $m
Year to 30 April (audited)						
Staff costs:						
Salaries	1,668.8	-	1,668.8	1,369.9	-	1,369.9
Social security costs	127.1	-	127.1	104.5	-	104.5
Other pension costs	34.6	-	34.6	27.1	-	27.1
	1,830.5	-	1,830.5	1,501.5	-	1,501.5
Other operating costs:						
Vehicle costs	510.1	-	510.1	375.7	-	375.7
Spares, consumables & external repairs	431.7	-	431.7	374.3	-	374.3
Facility costs	82.1	-	82.1	67.8	-	67.8
Other external charges	1,237.0	-	1,237.0	918.1	-	918.1
	2,260.9	-	2,260.9	1,735.9	-	1,735.9
Used rental equipment sold	261.5	-	261.5	364.4	-	364.4
Depreciation and amortisation:						
Depreciation of tangible assets	1,398.9	-	1,398.9	1,320.0	-	1,320.0
Depreciation of right-of-use assets	154.1	-	154.1	137.6	-	137.6
Amortisation of intangibles	-	108.6	108.6	-	81.2	81.2
	1,553.0	108.6	1,661.6	1,457.6	81.2	1,538.8
	5,905.9	108.6	6,014.5	5,059.4	81.2	5,140.6

5. Exceptional items and amortisation

Exceptional items are those items of financial performance that are those items of income or expense which are material and have limited predictive value. Amortisation relates to the write-off of intangible assets over their estimated useful economic life. The Group believes these items should be disclosed separately within the consolidated income statement to assist in the understanding of the financial performance of the Group. Adjusted profit and earnings per share are stated before exceptional items and amortisation of intangibles.

	Unaudited Three months to 30 April		Audited Year to 30 April	
	2022 $m	2021 $m	2022 $m	2021 $m
Amortisation of intangibles	32.4	20.6	108.6	81.2
Write-off of deferred financing costs	-	-	11.1	-
Early redemption fee	-	-	36.0	-
Taxation	(8.4)	(5.1)	(39.3)	(20.0)
	24.0	15.5	116.4	61.2

The costs associated with the redemption of the $600m 4.125% senior notes and the $600m 5.25% senior notes in August 2021 have been classified as exceptional items. The write-off of deferred financing costs consisted of the unamortised balance of the costs relating to the notes. In addition, an early redemption fee of $36m was paid to redeem the notes prior to their scheduled maturity. Of these items, total cash costs were $36m.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Exceptional items and amortisation (continued)

The items detailed in the table above are presented in the income statement as follows:

	Unaudited Three months to 30 April		Audited Year to 30 April	
	2022	2021	2022	2021
	$m	$m	$m	$m
Amortisation of intangibles	32.4	20.6	108.6	81.2
Charged in arriving at operating profit	32.4	20.6	108.6	81.2
Interest expense	-	-	47.1	-
Charged in arriving at profit before tax	32.4	20.6	155.7	81.2
Taxation	(8.4)	(5.1)	(39.3)	(20.0)
	24.0	15.5	116.4	61.2

6. Net financing costs

	Unaudited Three months to 30 April		Audited Year to 30 April	
	2022	2021	2022	2021
	$m	$m	$m	$m
Interest income:				
Net income on the defined benefit pension plan asset	-	-	0.1	-
Interest expense:				
Bank interest payable	10.6	7.9	32.8	47.9
Interest payable on senior notes	25.6	33.0	111.2	132.0
Interest payable on lease liabilities	21.5	18.3	80.7	70.5
Net interest on the net defined benefit pension plan liability	-	0.2	-	0.2
Non-cash unwind of discount on provisions	0.3	0.2	1.1	1.3
Amortisation of deferred debt raising costs	1.6	2.5	6.9	11.0
Total interest expense	59.6	62.1	232.7	262.9
Net financing costs before exceptional items	59.6	62.1	232.6	262.9
Exceptional items	-	-	47.1	-
Net financing costs	59.6	62.1	279.7	262.9

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Taxation

The tax charge for the year has been computed using a tax rate of 25% in the US (2021: 25%), 19% in the UK, rising to 25% from 1 April 2023 (2021: 19%) and 26% in Canada (2021: 26%). This results in a blended effective rate for the Group as a whole of 25% (2021: 25%) for the year.

The tax charge of $456m (2021: $335m) on the adjusted profit before taxation of $1,824m (2021: $1,316m) can be explained as follows:

	Year to 30 April	
	2022	2021
	$m	$m
Current tax		
- current tax on income for the year	266.2	416.2
- adjustments to prior year	6.6	9.1
	272.8	425.3
Deferred tax		
- origination and reversal of temporary differences	187.0	(87.5)
- adjustment due to change in UK corporate tax rate	9.6	-
- adjustments to prior year	(13.1)	(2.8)
	183.5	(90.3)
Tax on adjusted profit	456.3	335.0
Comprising:		
- UK	43.0	32.3
- US	389.9	290.9
- Canada	23.4	11.8
	456.3	335.0

In addition, the tax credit of $39m (2021: $20m) on exceptional items and amortisation of $156m (2021: $81m) consists of a current tax credit of $21m (2021: $8m) relating to the US and $1m (2021: $nil) relating to Canada and a deferred tax credit of $11m (2021: $5m) relating to the US, $1m (2021: $2m) relating to the UK and $5m (2021: $5m) relating to Canada.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. Earnings per share

Basic and diluted earnings per share for the three and twelve months ended 30 April 2022 have been calculated based on the profit for the relevant period and the weighted average number of ordinary shares in issue during that period (excluding shares held by the Company and the ESOT over which dividends have been waived). Diluted earnings per share is computed using the result for the relevant period and the diluted number of shares (ignoring any potential issue of ordinary shares which would be anti-dilutive). These are calculated as follows:

	Unaudited Three months to 30 April		Audited Year to 30 April	
	2022	2021	2022	2021
Profit for the financial period ($m)	295.0	226.3	1,251.1	920.1
Weighted average number of shares (m) - basic	443.3	447.9	445.3	447.9
- diluted	445.2	449.3	447.2	449.3
Basic earnings per share	66.5¢	50.5¢	280.9¢	205.4¢
Diluted earnings per share	66.2¢	50.4¢	279.7¢	204.8¢

Adjusted earnings per share (defined in any period as the earnings before exceptional items and amortisation for that period divided by the weighted average number of shares in issue in that period) may be reconciled to the basic earnings per share as follows:

	Unaudited Three months to 30 April		Audited Year to 30 April	
	2022	2021	2022	2021
Basic earnings per share	66.5	50.5	280.9	205.4
Amortisation of intangibles	7.4	4.6	24.4	18.1
Exceptional items	-	-	10.6	-
Tax on exceptional items and amortisation	(1.9)	(1.1)	(8.8)	(4.4)
Adjusted earnings per share	72.0	54.0	307.1	219.1

9. Dividends

During the year, a final dividend in respect of the year ended 30 April 2021 of 48.24¢ (2020: 43.63¢) and an interim dividend for the year ending 30 April 2022 of 12.50¢ (2021: 9.76¢) per share were paid to shareholders costing $269m (2021: $235m).

In addition, the directors are proposing a final dividend in respect of the year ended 30 April 2022 of 67.5¢ (2021: 48.24¢) per share which will absorb $298m of shareholders' funds, based on the 441m shares qualifying for dividend on 10 June 2022. Subject to approval by shareholders, it will be paid on 9 September 2022 to shareholders who are on the register of members on 12 August 2022.

The dividends per share disclosed above are presented in US dollars. Dividends for periods prior to the Group's change in presentational currency on 1 May 2021 have been translated into dollars at the date at which a liability arose in accordance with their treatment in the Statement of Changes in Equity. All dividends for periods subsequent to 1 May 2021 will be declared in US dollars.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. Property, plant and equipment

Net book value	2022 Rental equipment $m	2022 Total $m	2021 Rental equipment $m	2021 Total $m
At 1 May	6,908.9	7,776.1	7,429.2	8,323.1
Exchange differences	(83.6)	(97.1)	107.6	123.8
Reclassifications	(0.6)	-	(1.5)	-
Additions	1,999.2	2,397.3	809.2	947.4
Acquisitions	456.8	485.3	62.3	64.7
Disposals	(253.0)	(270.1)	(345.6)	(362.9)
Depreciation	(1,213.4)	(1,398.9)	(1,152.3)	(1,320.0)
At 30 April	7,814.3	8,892.6	6,908.9	7,776.1

Included within depreciation is an impairment charge of $9m (2021: $nil).

11. Right-of-use assets

Net book value	2022 Property leases $m	2022 Other leases $m	2022 Total $m	2021 Property leases $m	2021 Other leases $m	2021 Total $m
At 1 May	1,533.5	12.4	1,545.9	1,367.0	5.7	1,372.7
Exchange differences	(16.1)	(1.1)	(17.2)	17.0	0.6	17.6
Additions	331.0	8.4	339.4	200.6	8.3	208.9
Acquisitions	125.9	-	125.9	25.2	-	25.2
Remeasurement	35.0	-	35.0	63.5	-	63.5
Disposals	(8.8)	(1.3)	(10.1)	(4.0)	(0.4)	(4.4)
Depreciation	(151.4)	(2.7)	(154.1)	(135.8)	(1.8)	(137.6)
At 30 April	1,849.1	15.7	1,864.8	1,533.5	12.4	1,545.9

Included within depreciation is an impairment charge of $6m (2021: $12m).

12. Lease liability

	30 April 2022 $m	30 April 2021 $m
Current	188.6	168.7
Non-current	1,806.6	1,464.6
	1,995.2	1,633.3

13. Borrowings

	30 April 2022 $m	30 April 2021 $m
Non-current		
First priority senior secured bank debt	2,108.1	1,225.2
4.125% senior notes, due 2025	-	594.9
5.250% senior notes, due 2026	-	593.4
1.500% senior notes, due 2026	545.8	-
4.375% senior notes, due 2027	594.8	593.9
4.000% senior notes, due 2028	594.3	593.4
4.250% senior notes, due 2029	593.9	593.2
2.450% senior notes, due 2031	743.2	-
	5,180.1	4,194.0

13. Borrowings (continued)

The senior secured bank debt is secured by way of fixed and floating charges over substantially all the Group's property, plant and equipment, inventory and trade receivables. The senior notes are guaranteed by Ashtead Group plc and all its principal subsidiary undertakings.

Our debt facilities are committed for the long term, with an average maturity of six years. Our $4.5bn asset-based senior credit facility is committed until August 2026. The $550m 1.500% senior notes mature in August 2026, the $600m 4.375% senior notes mature in August 2027, the $600m 4.000% senior notes mature in May 2028, the $600m 4.250% senior notes mature in November 2029 and the $750m 2.450% senior notes mature in August 2031.

The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is 3%.

There is one financial performance covenant under the first priority senior credit facility. That is the fixed charge ratio (comprising LTM EBITDA before exceptional items less LTM net capital expenditure paid in cash over the sum of scheduled debt repayments plus cash interest, cash tax payments and dividends paid in the last twelve months) which, must be equal to, or greater than, 1.0. This covenant does not apply when availability exceeds $450m. The covenant ratio is calculated each quarter. At 30 April 2022, the fixed charge ratio exceeded the covenant requirement.

At 30 April 2022, availability under the senior secured bank facility was $2,537m ($3,011m at 30 April 2021), with an additional $3,029m of suppressed availability, meaning that the covenant did not apply at 30 April 2022 and is unlikely to apply in forthcoming quarters.

Fair value of financial instruments

At 30 April 2022, the Group had no derivative financial instruments.

With the exception of the Group's senior notes detailed in the table below, the carrying value of non-derivative financial assets and liabilities is considered to equate materially to their fair value.

	At 30 April 2022		At 30 April 2021	
	Book value $m	Fair value $m	Book value $m	Fair value $m
4.125% senior notes	-	-	600.0	616.5
5.250% senior notes	-	-	600.0	627.8
1.500% senior notes	548.8	487.4	-	-
4.375% senior notes	600.0	583.5	600.0	628.5
4.000% senior notes	600.0	564.7	600.0	627.7
4.250% senior notes	600.0	566.2	600.0	641.3
2.450% senior notes	748.2	607.5	-	-
	3,097.0	2,809.3	3,000.0	3,141.8
Deferred costs of raising finance	(25.0)	-	(31.2)	-
	3,072.0	2,809.3	2,968.8	3,141.8

The fair value of the senior notes has been calculated using quoted market prices at 30 April 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. Share capital

Ordinary shares of 10p each:

	30 April 2022 Number	30 April 2021 Number	30 April 2022 $m	30 April 2021 $m
Issued and fully paid	451,354,833	451,354,833	81.8	81.8

During the year, the Company purchased 5.7m ordinary shares at a total cost of $414m (£305m) under the Group's share buyback programme, which are held in treasury. At 30 April 2022, 7.7m (April 2021: 2.0m) shares were held by the Company ($480m; April 2021: $66m) and a further 1.2m (April 2021: 1.4m) shares were held by the Company's Employee Share Ownership Trust ($45m; April 2021: $37m).

15. Notes to the cash flow statement

a) Cash flow from operating activities

	Year to 30 April 2022 $m	Year to 30 April 2021 $m
Operating profit	1,947.8	1,498.0
Depreciation	1,553.0	1,457.6
Amortisation	108.6	81.2
EBITDA	3,609.4	3,036.8
Profit on disposal of rental equipment	(78.9)	(24.9)
Profit on disposal of other property, plant and equipment	(9.0)	(0.4)
(Increase)/decrease in inventories	(67.2)	5.3
Increase in trade and other receivables	(164.1)	(127.8)
Increase in trade and other payables	68.8	118.6
Exchange differences	(0.6)	(0.1)
Other non-cash movement	48.1	9.5
Cash generated from operations before changes in rental equipment	3,406.5	3,017.0

b) Analysis of net debt

Net debt consists of total borrowings and lease liabilities less cash and cash equivalents. Borrowings exclude accrued interest. Non-US dollar denominated balances are translated to US dollars at rates of exchange ruling at the balance sheet date.

	1 May 2021 $m	Cash flow $m	Non-cash movements: Exchange movement $m	Debt acquired $m	New lease liabilities $m	Other movements $m	30 April 2022 $m
Long-term borrowings	4,194.0	991.8	(29.5)	5.8	-	18.0	5,180.1
Lease liabilities	1,633.3	(107.6)	(18.4)	125.9	362.0	-	1,995.2
Total liabilities from financing activities	5,827.3	884.2	(47.9)	131.7	362.0	18.0	7,175.3
Cash and cash equivalents	(26.6)	10.5	0.8	-	-	-	(15.3)
Net debt	5,800.7	894.7	(47.1)	131.7	362.0	18.0	7,160.0

15. Notes to the cash flow statement (continued)

b) Analysis of net debt (continued)

			Non-cash movements				
	1 May 2020 $m	Cash flow $m	Exchange movement $m	Debt acquired $m	New lease liabilities $m	Other movements $m	30 April 2021 $m
Long-term borrowings	5,666.0	(1,585.0)	102.0	-	-	11.0	4,194.0
Lease liabilities	1,402.8	(73.9)	32.3	25.2	246.9	-	1,633.3
Total liabilities from financing activities	7,068.8	(1,658.9)	134.3	25.2	246.9	11.0	5,827.3
Cash and cash equivalents	(304.4)	282.8	(5.0)	-	-	-	(26.6)
Net debt	6,764.4	(1,376.1)	129.3	25.2	246.9	11.0	5,800.7

Details of the Group's cash and debt are given in notes 12 and 13 and the Review of Fourth Quarter, Balance Sheet and Cash Flow accompanying these condensed consolidated financial statements.

c) Acquisitions

	Year to 30 April	
	2022 $m	2021 $m
Cash consideration paid:		
- acquisitions in the period	1,264.8	170.7
- contingent consideration	12.6	24.4
	1,277.4	195.1

During the year, 25 businesses were acquired with cash paid of $1,265m (2021: $171m), after taking account of net cash acquired of $20m (2021: $nil). Further details are provided in Note 16.

Contingent consideration of $13m (2021: $24m) was paid relating to prior year acquisitions.

16. Acquisitions

During the year, the following acquisitions were completed:

i) On 12 May 2021, Sunbelt Canada acquired the business and assets of Island Equipment Rentals Ltd. ('Island Equipment'). Island Equipment is a general tool business in British Columbia.

ii) On 26 May 2021, Sunbelt US acquired the business and assets of Randall Industries, Inc. ('Randall'). Randall is a general tool business in Illinois and Indiana.

iii) On 24 June 2021, Sunbelt US acquired the business and assets of AMI3, LLC, trading as Iron Equipment Rental ('IER'). IER is a general tool business in Ohio.

iv) On 21 July 2021, Sunbelt US acquired the business and assets of National Drying Technologies LLC ('NDT'). NDT is a specialty business in Florida and Georgia.

v) On 28 July 2021, Sunbelt US acquired the business and assets of Special Event Service & Rental, Inc. ('SESR'). SESR is a specialty business in Tennessee and Nevada.

16. Acquisitions (continued)

vi) On 18 August 2021, Sunbelt US acquired the business and assets of Lloyd's Rental & Sales, Inc. ('Lloyd's'). Lloyd's is a general tool business in Pennsylvania.

vii) On 25 August 2021, Sunbelt US acquired the business and assets of Bedrock Tool & Equipment Co. ('Bedrock'). Bedrock is a general tool business in Ohio.

viii) On 28 September 2021, Sunbelt US acquired the business and assets of 202 Rent All, Inc. ('202 Rent All'). 202 Rent All is a general tool business in Pennsylvania.

ix) On 13 October 2021, Sunbelt US acquired the business and assets of Atlas Aerials & Equipment, LLC ('Atlas Aerials'). Atlas Aerials is a general tool business in Illinois.

x) On 22 October 2021, Sunbelt US acquired the business and assets of Action Rental Holdings, LLC, Action Equipment Holdings, LLC and Action Rentals Trench, Shoring & Supply, LLC (together 'Action'). Action is a general tool business in Florida, Georgia and Louisiana.

xi) On 5 November 2021, Sunbelt US acquired the business and assets of All Keys Rentall, LLC ('All Keys'). All Keys is a general tool business in Florida.

xii) On 19 November 2021, Sunbelt US acquired the business and assets of Essex Rental & Sales Center, Inc. ('Essex'). Essex is a general tool business in Vermont.

xiii) On 23 November 2021, Sunbelt Canada acquired the business and assets of Lift Services, Inc. ('Lift Services'). Lift Services is a general tool business in Ontario.

xiv) On 1 December 2021, Sunbelt US acquired the entire share capital of Mahaffey Tent & Awning LLC, Mahaffey USA LLC, Mahaffey Industrial Contractors LLC and Cajun Affiliates LLC (together 'Mahaffey'). Mahaffey is a specialty business operating across the United States.

xv) On 8 December 2021, Sunbelt US acquired the business and assets of Dorado Holdings, LLC, trading as Toolshed Equipment Rental ('Toolshed'). Toolshed is a general tool business in California.

xvi) On 10 December 2021, Sunbelt US acquired the business and assets of Jackson Rents & Supply, Inc. ('Jackson'). Jackson is a general tool business in Florida.

xvii) On 15 December 2021, Sunbelt US acquired the business and assets of Pilchuck Equipment Rental & Sales, L.L.C. ('Pilchuck'). Pilchuck is a general tool business in Washington.

xviii) On 17 December 2021, Sunbelt US acquired the business and assets of Illinois Truck & Equipment Co., Inc. ('ITE'). ITE is a general tool business in Illinois.

xix) On 21 January 2022, Sunbelt US acquired the business and assets of Priority Equipment Rental, Ltd ('Priority'). Priority is a general tool business in Pennsylvania.

xx) On 1 February 2022, Sunbelt US acquired the business and assets of Total Equipment Rental, Inc. ('Total Equipment'). Total Equipment is a general tool business in California.

xxi) On 11 February 2022, Sunbelt US acquired the business and assets of California High Reach & Equipment Rental, Inc. ('CHR'). CHR is a general tool business in California.

16. Acquisitions (continued)

xxii) On 15 February 2022, Sunbelt US acquired the entire share capital of ComRent Holdings, Inc. (‘ComRent’). ComRent is a specialty business operating in California, Illinois, Maryland, Texas and Ontario, Canada.

xxiii) On 18 March 2022, Sunbelt US acquired the business and assets of D&D Lift, LLC and Reach Solutions II, LLC (together ‘D&D’). D&D is a general tool business in California.

xxiv) On 22 March 2022, Sunbelt US acquired the business and assets of Bondservant.Life, Inc., trading as CBB Sales & Rental (‘CBB’). CBB is a general tool business in Alabama.

xxv) On 24 March 2022, Sunbelt US acquired the business and assets of Baker Rentals and Sales, Inc. and Baker Party Rentals, Inc. (together ‘Baker’). Baker is a general tool business in California.

The following table sets out the fair value of the identifiable assets and liabilities acquired by the Group. The fair values have been determined provisionally at the balance sheet date.

	Fair value to the Group $m
Net assets acquired	
Trade and other receivables	202.3
Inventory	1.4
Current tax	0.7
Property, plant and equipment	
- rental equipment	456.8
- other assets	28.5
Right-of-use asset	125.9
Creditors	(107.7)
Deferred tax	(14.3)
Debt	(5.8)
Lease liabilities	(125.9)
Intangible assets (non-compete agreements and customer relationships)	202.2
	764.1
Consideration:	
- cash paid and due to be paid (net of cash acquired)	1,268.1
- contingent consideration	19.1
	1,287.2
Goodwill	523.1

The goodwill arising can be attributed to the key management personnel and workforce of the acquired businesses and to the synergies and other benefits the Group expects to derive from the acquisitions. The synergies and other benefits include elimination of duplicate costs, improving utilisation of the acquired rental fleet, using the Group’s financial strength to invest in the acquired business and drive improved returns through a semi-fixed cost base and the application of the Group’s proprietary software to optimise revenue opportunities. $372m of the goodwill is expected to be deductible for income tax purposes.

16. Acquisitions (continued)

The gross value and the fair value of trade receivables at acquisition was $202m.

Due to the operational integration of acquired businesses post acquisition, in particular due to the merger of some stores, the movement of rental equipment between stores and investment in the rental fleet, it is not practical to report the revenue and profit of the acquired businesses post-acquisition.

The revenue and operating profit of these acquisitions from 1 May 2021 to their date of acquisition was not material.

17. Contingent liabilities

Following its state aid investigation, in April 2019 the European Commission announced its decision that the Group Financing Exemption in the UK controlled foreign company ('CFC') legislation constitutes state aid in some circumstances. In common with the UK Government and other UK-based international companies, the Group does not agree with the decision and has therefore lodged a formal appeal with the General Court of the European Union. In common with other UK taxpayers, the Group's appeal has been stayed while the appeals put forward by the UK Government and ITV plc proceed.

On 8 June 2022 the General Court of the European Union dismissed the appeals put forward by the UK Government and ITV plc. However, there remains a high degree of uncertainty in the final outcome given it is likely that both the UK Government and ITV will appeal the decision. Accordingly, the Group does not consider that the decision affects its position but will continue to monitor proceedings closely.

Despite the UK Government appealing the European Commission's decision, Her Majesty's Revenue & Customs ('HMRC') was required to make an assessment of the tax liability which would arise if the decision is not successfully appealed and collect that amount from taxpayers. HMRC issued a charging notice stating that the tax liability it believes to be due on this basis is £36m, including interest payable. The Group has appealed the charging notice and has settled the amount assessed on it, including interest, in line with HMRC requirements. The £36m paid has been recognised as a non-current asset on the balance sheet. On successful appeal in whole or in part, all or part of the amount paid in accordance with the charging notice would be returned to the Group. If either the decision reached by the General Court of the European Union or the charging notice issued by HMRC are not ultimately appealed successfully, we have estimated the Group's maximum potential liability to be £36m as at 30 April 2022 ($45m at April 2022 exchange rates), including any interest payable. Based on the current status of proceedings, we have concluded that no provision is required in relation to this matter.

The £36m ($45m at April 2022 exchange rates) paid has been recognised as a non-current asset on the balance sheet.

18. Events after the balance sheet date

Since the balance sheet date, the Group has completed five acquisitions for total purchase consideration of $230m as follows:

i) On 5 May 2022, Sunbelt UK acquired the entire share capital of Movietech Camera Rentals Limited and Movietech Cymru Limited (together ‘Movietech’). Movietech is a lighting, grip and lens business.

ii) On 13 May 2022, Sunbelt US acquired the business and assets of the power rental division of Filmwerks, LLC (‘Filmwerks’). Filmwerks is a specialty business in North Carolina.

iii) On 20 May 2022, Sunbelt US acquired the business and assets of Mashburn Equipment, L.L.C. (‘Mashburn’). Mashburn is a general tool business in Georgia.

iv) On 1 June 2022, Sunbelt Canada acquired the entire share capital of MacFarlands Limited (‘MacFarlands’). MacFarlands is a general tool business in Nova Scotia and New Brunswick.

v) On 8 June 2022, Sunbelt US acquired the business and assets of Amos Metz Rentals & Sales, LLC (‘Amos Metz’). Amos Metz is a general tool business in California.

The initial accounting for these acquisitions is incomplete. Had these acquisitions taken place on 1 May 2021, their contribution to revenue and operating profit would not have been material.

REVIEW OF FOURTH QUARTER, BALANCE SHEET AND CASH FLOW

Fourth quarter (unaudited)

	Revenue		EBITDA		Profit[1]	
	2022	2021	2022	2021	2022	2021
UK in £m	178.6	191.0	49.7	57.3	15.2	22.1
Canada in C$m	162.9	144.3	69.6	65.1	33.2	33.9
US	1,713.4	1,383.3	786.3	643.1	438.4	339.2
UK in $m	236.0	261.6	65.5	78.5	19.8	30.0
Canada in $m	128.8	113.9	55.0	51.3	26.2	26.6
Group central costs	-	-	(6.4)	(7.2)	(6.7)	(7.6)
	2,078.2	1,758.8	900.4	765.7	477.7	388.2
Net financing costs					(59.6)	(62.1)
Profit before amortisation and tax					**418.1**	**326.1**
Amortisation					(32.4)	(20.6)
Profit before taxation					385.7	305.5
Margins						
US			*45.9%*	*46.5%*	*25.6%*	*24.5%*
UK			*27.8%*	*30.0%*	*8.5%*	*11.6%*
Canada			*42.7%*	*45.1%*	*20.4%*	*23.5%*
Group			*43.3%*	*43.5%*	*23.0%*	*22.1%*

[1] Segment result presented is operating profit before amortisation.

Group revenue for the quarter increased 18% (19% at constant currency) to $2,078m (2021: $1,759m). Adjusted profit before tax for the quarter increased to $418m (2021: $326m).

US rental only revenue in the quarter was $1,234m (2021: $985m), 25% higher than a year ago. This consisted of our general tool business which was 23% higher than last year while our specialty businesses were 34% higher than a year ago.

The UK generated rental only revenue in the quarter was £102m (2021: £97m), 4% higher than the prior year, while total revenue decreased 6% to £179m (2021: £191m) due principally to the Department of Health testing sites closing from the start of April. Excluding the impact of the Department of Health work, rental only revenue was up 10% over the prior year.

Canada's rental only revenue increased 11% to C$116m (2021: C$104m), as the lighting, grip and lens business was affected by the latest COVID induced production restrictions. Total revenue was C$163m (2021: C$144m).

Group operating profit increased 23% to $478m (2021: $388m). After net financing costs of $60m (2021: $62m), Group profit before amortisation of intangibles and taxation was $418m (2021: $326m). After amortisation of $32m (2021: $21m), statutory profit before taxation was $386m (2021: $306m).

Balance sheet

Property, plant and equipment

Capital expenditure in the year totalled $2,397m (2021: $947m) with $1,999m invested in the rental fleet (2021: $809m). Expenditure on rental equipment was 83% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division was:

	2022			2021
	Replacement	Growth	Total	Total
UK in £m	84.1	74.0	158.1	131.6
Canada in C$m	42.7	157.8	200.5	78.6
US	748.2	876.4	1,624.6	575.6
UK in $m	114.3	100.5	214.8	173.5
Canada in $m	34.0	125.8	159.8	60.1
Total rental equipment	896.5	1,102.7	1,999.2	809.2
Delivery vehicles, property improvements & IT equipment			398.1	138.2
Total additions			2,397.3	947.4

In a strong US rental market, $876m of rental equipment capital expenditure was spent on growth while $748m was invested in replacement of existing fleet. 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 equipment sold.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 30 April 2022 was 40 months (2021: 41 months) on a net book value basis. The US fleet had an average age of 41 months (2021: 41 months), the UK fleet had an average age of 37 months (2021: 39 months) and the Canadian fleet had an average age of 36 months (2021: 38 months).

	Rental fleet at original cost			LTM rental	LTM dollar
	30 April 2022	30 April 2021	LTM average	revenue	utilisation
UK in £m	988	914	945	544	58%
Canada in C$m	1,116	938	1,034	569	55%
US	11,425	9,827	10,586	6,042	57%
UK in $m	1,241	1,266	1,284	739	58%
Canada in $m	873	762	824	454	55%
	13,539	11,855	12,694	7,235	

Dollar utilisation was 57% in the US (2021: 50%), 58% for the UK (2021: 54%) and 55% for Canada (2021: 47%). The improvement in US dollar utilisation reflects better fleet utilisation following the COVID-19 pandemic and an improved rate environment. In the UK, the increase in dollar utilisation reflects the significant increase in activity levels and associated ancillary services to support the Department of Health, while in Canada, dollar utilisation has benefitted from improved fleet utilisation and a good rate environment.

Trade receivables

Receivable days at 30 April 2022 were 47 days (2021: 42 days). The bad debt charge for the last twelve months ended 30 April 2022 as a percentage of total turnover was 0.4% (2021: credit to the income statement of 0.2% of total turnover). The credit in 2020/21 reflected the release of the additional provisions established at the onset of the COVID-19 pandemic, which were not required. Trade receivables at 30 April 2022 of $1,174m (2021: $928m) are stated net of allowances for bad debts and credit notes of $86m (2021: $74m), with the provision representing 7% (2021: 7%) of gross receivables.

Trade and other payables

Group payable days were 43 days at 30 April 2022 (2021: 40 days) with capital expenditure related payables totalling $363m (2021: $135m). Payment periods for purchases other than rental equipment vary between seven and 60 days and for rental equipment between 30 and 120 days.

Cash flow and net debt

	Year to 30 April 2022 $m	2021 $m
EBITDA	3,609.4	3,036.8
Cash inflow from operations before changes in rental equipment	3,406.5	3,017.0
*Cash conversion ratio**	*94.4%*	*99.3%*
Replacement rental capital expenditure	(829.7)	(754.1)
Payments for non-rental capital expenditure	(398.4)	(138.3)
Rental equipment disposal proceeds	343.8	384.7
Other property, plant and equipment disposal proceeds	24.8	18.3
Tax (net)	(218.8)	(387.6)
Net financing costs before exceptional items	(231.1)	(254.9)
Cash inflow before growth capex and payment of exceptional costs	**2,097.1**	**1,885.1**
Growth rental capital expenditure	(935.7)	(62.9)
Exceptional costs	(36.0)	-
Free cash flow	**1,125.4**	**1,822.2**
Business acquisitions	(1,277.4)	(195.1)
Financial asset investments	(40.0)	-
Total cash (absorbed)/generated	**(192.0)**	**1,627.1**
Dividends	(269.3)	(235.5)
Purchase of own shares by the Company	(409.6)	-
Purchase of own shares by the ESOT	(23.8)	(15.5)
(Increase)/decrease in net debt due to cash flow	**(894.7)**	**1,376.1**

* Cash inflow from operations before changes in rental equipment as a percentage of EBITDA.

Cash inflow from operations before the net investment in the rental fleet was $3,406m (2021: $3,017m). The conversion ratio for the year was 94% (2021: 99%), reflecting a more normalised level in a year of strong growth.

Total payments for capital expenditure (rental equipment and other PPE) during the year were $2,164m (2021: $955m). Disposal proceeds received totalled $369m (2021: $403m), giving net payments for capital expenditure of $1,795m in the period (2021: $552m). Financing costs paid totalled $231m (2021: $255m) while tax payments were $219m (2021: $388m). Financing costs paid typically differ from the charge in the income statement due to the timing of interest payments in the year and non-cash interest charges. The exceptional costs relate to the premium on redemption of the senior notes that were due in 2025 and 2026.

Accordingly, the Group generated free cash flow of $1,125m (2021: $1,822m) and, after acquisition and investment related expenditure of $1,317m (2021: $195m), a net cash outflow of $192m (2021: inflow of $1,627m), before returns to shareholders.

Net debt	2022	2021
	$m	$m
First priority senior secured bank debt	2,108.1	1,225.2
4.125% senior notes, due 2025	-	594.9
5.250% senior notes, due 2026	-	593.4
1.500% senior notes, due 2026	545.8	-
4.375% senior notes, due 2027	594.8	593.9
4.000% senior notes, due 2028	594.3	593.4
4.250% senior notes, due 2029	593.9	593.2
2.450% senior notes, due 2031	743.2	-
Total external borrowings	5,180.1	4,194.0
Lease liabilities	1,995.2	1,633.3
Total gross debt	7,175.3	5,827.3
Cash and cash equivalents	(15.3)	(26.6)
Total net debt	7,160.0	5,800.7

Net debt at 30 April 2022 was $7,160m with the increase since 30 April 2021 reflecting principally the net cash outflow set out above. The Group's EBITDA for the year ended 30 April 2022 was $3,609m. Excluding the impact of IFRS 16, the ratio of net debt to EBITDA was 1.5 times (2021: 1.4 times) on a constant currency and a reported basis as at 30 April 2022. Including the impact of IFRS 16, the ratio of net debt to EBITDA was 2.0 times at April 2022 (2021: 1.9 times).

Financial risk management

The Group's trading and financing activities expose it to various financial risks that, if left unmanaged, could adversely impact on current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

The Group's activities expose it primarily to interest rate and currency risk. Interest rate risk is monitored on a continuous basis and managed, where appropriate, through the use of interest rate swaps whereas the use of forward foreign exchange contracts to manage currency risk is considered on an individual non-trading transaction basis. The Group is not exposed to commodity price risk or equity price risk as defined in IFRS 7.

Interest rate risk

The Group has fixed and variable rate debt in issue with 59% of the drawn debt at a fixed rate as at 30 April 2022, excluding lease liabilities. The Group's accounting policy requires all borrowings to be held at amortised cost. As a result, the carrying value of fixed rate debt is unaffected by changes in credit conditions in the debt markets and there is therefore no exposure to fair value interest rate risk. The Group's debt that bears interest at a variable rate comprises all outstanding borrowings under the senior secured credit facility. Pricing is based on leverage and average availability according to a grid, varying from the applicable interest rate plus 125bp to 150bp. The applicable interest rate is based on LIBOR for US dollar loans, SONIA for sterling loans and CDOR for Canadian dollar loans. The ABL facility includes provision for the US LIBOR transition. At 30 April 2022, the borrowing rate was the applicable interest rate plus 125bp.

The Group periodically utilises interest rate swap agreements to manage and mitigate its exposure to changes in interest rates. However, during the year ended and as at 30 April 2022, the Group had no such swap agreements outstanding. The Group may, at times, hold cash and cash equivalents, which earn interest at a variable rate.

Currency risk

Currency risk is predominantly translation risk as there are no significant transactions in the ordinary course of business that take place between foreign entities. The Group's reporting currency is US dollars. The majority of our assets, liabilities, revenue and costs are denominated in US dollars, but sterling and Canadian dollars make up 24% of our net assets. Fluctuations in the value of pounds sterling and Canadian dollars with respect to US dollars may have an impact on our financial condition and results of operations as reported in US dollars. The Group's financing is arranged such that the majority of its debt and interest expense is in US dollars. At 30 April 2022, 88% of its debt (including lease liabilities) was denominated in US dollars. Based on the current currency mix of our profits and on current sterling and dollar debt levels, interest and exchange rates at 30 April 2022, a 1% change in the US dollar to sterling and Canadian dollar exchange rates would impact pre-tax profit by $1m.

The Group's exposure to exchange rate movements on trading transactions is relatively limited. All Group companies invoice revenue in their respective local currency and generally incur expense and purchase assets in their local currency. Consequently, the Group does not routinely hedge either forecast foreign exchange exposures or the impact of exchange rate movements on the translation of overseas profits into dollars. Where the Group does hedge, it maintains appropriate hedging documentation. Foreign exchange risk on significant non-trading transactions is considered on an individual basis.

Credit risk

The Group's principal financial assets are cash and bank balances and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group has a large number of unrelated customers, serving over 800,000 during the financial year, and does not have any significant credit exposure to any particular customer. Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the markets they serve. The Group believes that management of credit risk on a devolved basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management practice are observed across the Group, such as the use of credit reference agencies and the maintenance of credit control functions.

Liquidity risk

Liquidity risk is the risk that the Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment.

The Group generates significant free cash flow before investment (defined as cash flow from operations less replacement capital expenditure net of proceeds of asset disposals, interest paid and tax paid). This free cash flow before investment is available to the Group to invest in growth capital expenditure, acquisitions, dividend payments and other returns to shareholders or to reduce debt.

In addition to the strong free cash flow from normal trading activities, additional liquidity is available through the Group's senior secured debt facility. At 30 April 2022, availability under the $4.5bn facility was $2,537m.

Principal risks and uncertainties

The Group faces a number of risks and uncertainties in its day-to-day operations and it is management's role to mitigate and manage these risks. The Board has established a formal risk management process which has identified the following principal risks and uncertainties which could affect employees, operations, revenue, profits, cash flows and assets of the Group.

Economic conditions

Potential impact
In the longer term, there is a link between levels of economic activity and demand for our services. The most significant end market which affects our business is construction. The construction market is cyclical and typically lags the general economic cycle by between 12 and 24 months.

The economic uncertainties resulting from the impact of COVID-19 or other pandemics are considered as part of this risk.

Mitigation
- Prudent management through the different phases of the cycle.
- Flexibility in the business model.
- Capital structure and debt facilities arranged in recognition of the cyclical nature of our market and able to withstand market shocks.

Change
The North American and UK economies have rebounded from the adverse impact of the COVID-19 pandemic and our markets, particularly in North America are strong. However, concerns over inflation and increasing interest rates has heightened concerns over an economic slowdown in 2023.

Competition

Potential impact
The already competitive market could become even more competitive and we could suffer increased competition from large national competitors or small companies or local companies resulting in reduced market share and lower revenue.

This could negatively affect rental rates and physical utilisation. Continuing industry consolidation could also have a similar effect.

Mitigation
- Create commercial advantage by providing the highest level of service, consistently and at a price which offers value.
- Differentiation of service.
- Enhance the barriers to entry to newcomers provided by our platform: industry-leading technology, experienced personnel and a broad network and equipment fleet.
- Regularly estimate and monitor our market share and track the performance of our competitors.

Change
Our competitive position continues to improve. We have grown faster than our larger competitors and the market, and continue to take market share from our smaller, less well financed competitors. We have a 12% market share in the US, an 8% market share in Canada and a 10% market share in the UK.

Cyber security

Potential impact
A cyber-attack or serious uncured failure in our systems could result in us being unable to deliver service to our customers and / or the loss of data. In particular, we are heavily dependent on technology for the smooth running of our business given the large number of both units of equipment we rent and our customers. As a result, we could suffer reputational loss, revenue loss and financial penalties.

This is the most significant factor in our business continuity planning.

Mitigation
- Stringent policies surrounding security, user access, change control and the ability to download and install software.
- Testing of cyber security including red team exercises, system penetration testing and internal phishing and other training exercises undertaken.
- Use of antivirus and malware software, firewalls, email scanning and internet monitoring as an integral part of our security plan.
- Use of firewalls and encryption to protect systems and any connections to third parties.
- Use of multi-factor authentication.
- Continued focus on development of IT strategy taking advantage of cloud technology available.
- Separate near-live back-up data centres which are designed to be able to provide the necessary services in the event of a failure at a primary site.

Change
Good progress has been made in enhancing the Group's cyber security profile, with a significant and ongoing investment in resource and tooling. Nevertheless, cyber security remains a continually evolving area and a priority for the Group.

In relation to business continuity, our plans have been subject to continued review and update during the year and our disaster recovery plans are tested regularly.

Health and safety

Potential impact
A failure to comply with laws and regulations governing health and safety and ensure the highest standards of health and safety across the Group could result in accidents which may result in injury to or fatality of an individual, claims against the Group and/or damage to our reputation.

Mitigation
- Maintain appropriate health and safety policies and procedures regarding the need to comply with laws and regulations and to reasonably guard our employees against the risk of injury.
- Induction and training programmes reinforce health and safety policies.
- Programmes to support our customers exercising their responsibility to their own workforces when using our equipment.
- Maintain appropriate insurance coverage.

Change
The health and safety of our team members continues to be a key focus area for the Group and an area of continuous improvement.

In terms of reportable incidents, the RIDDOR reportable rate was 0.17 (2021: 0.31) in the US, 0.15 (2021: 0.29) in Canada and 0.22 (2021: 0.27) in the UK.

People and culture

Potential impact
Retaining and attracting good people is key to delivering superior performance and customer service and maintaining and enhancing our culture.

Excessive staff turnover is likely to impact on our ability to maintain the appropriate quality of service to our customers and our culture and would ultimately impact our financial performance adversely.

At a leadership level, succession planning is required to ensure the Group can continue to inspire the right culture, leadership and behaviours and meet its strategic objectives.

Mitigation
- Provide well-structured and competitive reward and benefit packages that ensure our ability to attract and retain the employees we need.
- Ensure that our staff have the right working environment and equipment to enable them to do the best job possible and maximise their satisfaction at work.
- Invest in training and career development opportunities for our people to support them in their careers.
- Ensure succession plans are in place and reviewed regularly which meet the ongoing needs of the Group.

Change
Our compensation and incentive programmes have continued to evolve to reflect market conditions, the economic environment and the results of our employee engagement surveys.

Diversity, equity and inclusion programmes have been established across the business to enhance our efforts to attract and retain the best people.

We are increasing our focus on mental health including 'Let's Talk Mental Health' in the UK.

Environmental

Potential impact
The Group made a long-term commitment to reduce its carbon intensity by 35% by 2030, with a near term commitment to reduce its carbon intensity by 15% by 2024, and set out a roadmap to achieve this. Failure to do so could adversely impact the Group and its stakeholders.

A significant part of our rental fleet is reliant on diesel engines. Over time, 'greener' alternatives will become available as technology advances. If we do not remain at the forefront of technological advances, and invest in the latest equipment, our rental fleet could become obsolete.

In addition, we need to comply with the numerous laws governing environmental protection matters. These laws regulate such issues as wastewater, storm water, solid and hazardous wastes and materials, and air quality. Breaches potentially create hazards to our employees, damage to our reputation and expose the Group to, amongst other things, the cost of investigating and remediating contamination and also fines and penalties for non-compliance.

Mitigation
- Policies and procedures in place at all our stores regarding the need to adhere to local laws and regulations.
- Procurement policies reflect the need for the latest available emissions management and fuel efficiency tools in our fleet.
- Collaboration with key suppliers to develop and pilot new technologies
- Greener vehicle transition plan
- Real estate and facility standards to reduce emissions from our operations
- Monitoring and reporting of carbon emissions.

Change
The work of the Health, Safety and Environmental departments and Performance Standards teams continue to assess environmental compliance.

Our Scope 1 and 2 carbon emissions have been validated by the Carbon Trust and we are working with them to quantify our Scope 3 emissions. We continue to assess the appropriateness of science-based targets for a rapidly growing business.

In 2021/22 our carbon emission intensity ratio reduced to 42.2 (2021: 48.5).

Laws and regulations

Potential impact
Failure to comply with the frequently changing regulatory environment could result in reputational damage or financial penalty.

Mitigation
- Maintaining a legal function to oversee management of these risks and to achieve compliance with relevant legislation.
- Group-wide ethics policy and whistle-blowing arrangements.
- Evolving policies and practices to take account of changes in legal obligations.
- Training and induction programmes ensure our staff receive appropriate training and briefing on the relevant policies.

Change
We monitor regulatory and legislative changes to ensure our policies and practices reflect them and we comply with relevant legislation.

Our whistle-blowing arrangements are well established and the Company Secretary reports matters arising to the Audit Committee and the Board during the course of the year.

During the year over 5,970 people in the US, 671 people in Canada and 845 people in the UK underwent induction training. In addition, training programmes were undertaken in safety and business ethics.

OPERATING STATISTICS

	Number of rental stores		Staff numbers	
	2022	2021	2022	2021
US	967	861	16,068	13,553
UK	177	188	3,983	3,777
Canada	89	77	1,682	1,479
Corporate office	-	-	19	17
Group	1,233	1,126	21,752	18,826

GLOSSARY OF TERMS

The glossary of terms below sets out definitions of terms used throughout this announcement. Included are a number of alternative performance measures ('APMs') which the directors have adopted in order to provide additional useful information on the underlying trends, performance and position of the Group. The directors use these measures, which are common across the industry, for planning and reporting purposes. These measures are also used in discussions with the investment analyst community and credit rating agencies. The APMs are not defined by IFRS and therefore may not be directly comparable with other companies' APMs and should not be considered superior to or a substitute for IFRS measures.

<table>
<tr><th>Term</th><th>Closest equivalent statutory measure</th><th>Definition and purpose</th></tr>
<tr><td>Drop through</td><td>None</td><td>Calculated as the change in rental revenue which converts into EBITDA (excluding gains from sale of new equipment, merchandise and consumables and used equipment).
<table>
<tr><th></th><th>2022</th><th>2021</th><th>Change</th></tr>
<tr><td>US ($m)</td><td></td><td></td><td></td></tr>
<tr><td>Rental revenue</td><td>6,042</td><td>4,933</td><td>1,109</td></tr>
<tr><td>EBITDA</td><td>3,121</td><td>2,635</td><td></td></tr>
<tr><td>Gains</td><td>(128)</td><td>(76)</td><td></td></tr>
<tr><td>EBITDA excluding gains</td><td>2,993</td><td>2,559</td><td>434</td></tr>
<tr><td>Drop through</td><td></td><td></td><td>39%</td></tr>
</table>
This measure is utilised by the Group to demonstrate the change in profitability generated by the Group as a result of the change in rental revenue in the period.</td></tr>
<tr><td>Free cash flow</td><td>Net cash generated from operating activities</td><td>Net cash generated from operating activities less non-rental net property, plant and equipment expenditure. Non-rental net property, plant and equipment expenditure comprises payments for non-rental capital expenditure less disposal proceeds received in relation to non-rental asset disposals.
<table>
<tr><th></th><th>2022 ($m)</th><th>2021 ($m)</th></tr>
<tr><td>Net cash generated from operating activities</td><td>1,499.0</td><td>1,942.2</td></tr>
<tr><td>Payments for non-rental property, plant and equipment</td><td>(398.4)</td><td>(138.3)</td></tr>
<tr><td>Proceeds from disposal of non-rental property, plant and equipment</td><td>24.8</td><td>18.3</td></tr>
<tr><td>Free cash flow</td><td>1,125.4</td><td>1,822.2</td></tr>
</table>
This measure shows the cash retained by the Group prior to discretionary expenditure on acquisitions and returns to shareholders.</td></tr>
<tr><td>Growth at constant exchange rates</td><td>None</td><td>Calculated by applying the current period exchange rate to the comparative period result. The relevant foreign currency exchange rates are provided within Note 2, Basis of preparation, to the financial statements. This measure is used as a means of eliminating the effects of foreign exchange rate movements on the period-on-period changes in reported results.
<table>
<tr><th></th><th>2022</th><th>2021</th><th>%</th></tr>
<tr><td>Rental revenue ($m)</td><td></td><td></td><td></td></tr>
<tr><td>As reported</td><td>7,235</td><td>5,902</td><td>23%</td></tr>
<tr><td>Retranslation effect</td><td>-</td><td>33</td><td></td></tr>
<tr><td>At constant currency</td><td>7,235</td><td>5,935</td><td>22%</td></tr>
<tr><td>Adjusted profit before tax ($m)</td><td></td><td></td><td></td></tr>
<tr><td>As reported</td><td>1,824</td><td>1,316</td><td>39%</td></tr>
<tr><td>Retranslation effect</td><td>-</td><td>4</td><td></td></tr>
<tr><td>At constant currency</td><td>1,824</td><td>1,320</td><td>38%</td></tr>
</table></td></tr>
<tr><td>Leverage</td><td>None</td><td>Leverage calculated at constant exchange rates uses the period end exchange rate for the relevant period and is determined as net debt divided by adjusted EBITDA.
<table>
<tr><th></th><th colspan="2">2022</th><th colspan="2">2021</th></tr>
<tr><th></th><th>Excluding IFRS 16</th><th>Including IFRS 16</th><th>Excluding IFRS 16</th><th>Including IFRS 16</th></tr>
<tr><td>Net debt ($m)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>As reported and at constant currency</td><td>5,179</td><td>7,160</td><td>4,180</td><td>5,801</td></tr>
</table></td></tr>
</table>

<table>
<tr><th>Term</th><th>Closest equivalent statutory measure</th><th>Definition and purpose</th></tr>
<tr><td></td><td></td><td>
<table>
<tr><th></th><th>2022</th><th></th><th>2021</th><th></th></tr>
<tr><th></th><th>Excluding IFRS 16</th><th>Including IFRS 16</th><th>Excluding IFRS 16</th><th>Including IFRS 16</th></tr>
<tr><td>EBITDA ($m)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>As reported</td><td>3,430</td><td>3,609</td><td>2,885</td><td>3,037</td></tr>
<tr><td>Retranslation effect</td><td>(23)</td><td>(24)</td><td>20</td><td>22</td></tr>
<tr><td>At constant currency</td><td>3,407</td><td>3,585</td><td>2,905</td><td>3,059</td></tr>
<tr><td>Leverage</td><td></td><td></td><td></td><td></td></tr>
<tr><td>As reported</td><td>1.5</td><td>2.0</td><td>1.4</td><td>1.9</td></tr>
<tr><td>At constant currency</td><td>1.5</td><td>2.0</td><td>1.4</td><td>1.9</td></tr>
</table>
This measure is used to provide an indication of the strength of the Group’s balance sheet and is widely used by investors and credit rating agencies. It also forms part of the remuneration targets of the Group and has been identified as one of the Group’s key performance indicators.
</td></tr>
<tr><td>Return on Investment (‘RoI’)</td><td>None</td><td>
Last 12-month (‘LTM’) adjusted operating profit divided by the last 12-month average of the sum of net tangible and intangible fixed assets, plus net working capital but excluding net debt and tax. RoI is calculated excluding the impact of IFRS 16.
RoI is used by management to help inform capital allocation decisions within the business and has been identified as one of the Group’s key performance indicators. It also forms part of the remuneration targets of the Group.
A reconciliation of Group RoI is provided below:
<table>
<tr><th></th><th>2022</th><th>2021</th></tr>
<tr><td>Adjusted operating profit ($m)</td><td>2,028</td><td>1,552</td></tr>
<tr><td>Average net assets ($m)</td><td>11,119</td><td>10,411</td></tr>
<tr><td>Return on investment (%)</td><td>18%</td><td>15%</td></tr>
</table>
RoI for the businesses is calculated in the same way, but excludes goodwill and intangible assets:
<table>
<tr><th></th><th>US ($m)</th><th>Canada (C$m)</th><th>UK (£m)</th></tr>
<tr><td>Adjusted operating profit</td><td>1,829</td><td>139</td><td>86</td></tr>
<tr><td>Average net assets, excluding goodwill and intangibles</td><td>7,305</td><td>679</td><td>624</td></tr>
<tr><td>Return on investment</td><td>25%</td><td>20%</td><td>14%</td></tr>
</table>
</td></tr>
</table>

Other terms used within this announcement include:

- **Adjusted:** adjusted results are results stated before exceptional items and the amortisation of acquired intangibles. A reconciliation is shown on the income statement.

- **Availability:** represents the headroom on a given date under the terms of our $4.5bn asset-backed senior bank facility, taking account of current borrowings.

- **Capital expenditure:** represents additions to rental equipment and other property, plant and equipment (excluding assets acquired through a business combination).

- **Cash conversion ratio:** represents cash flow from operations before changes in rental equipment as a percentage of EBITDA. Details are provided within the Review of Fourth Quarter, Balance Sheet and Cash Flow section.

- **Dollar utilisation:** dollar utilisation is trailing 12-month rental revenue divided by average fleet size at original (or ‘first’) cost measured over a 12-month period. Dollar utilisation has been identified as one of the Group’s key performance indicators. Details are shown within the Review of Fourth Quarter, Balance Sheet and Cash Flow section.

- **EBITDA and EBITDA margin:** EBITDA is earnings before interest, tax, depreciation and amortisation. A reconciliation of EBITDA to profit before tax is shown on the income statement. EBITDA margin is calculated as EBITDA divided by revenue. Progression in EBITDA margin is an important indicator of the Group’s performance and this has been identified as one of the Group’s key performance indicators.

- **Exceptional items:** those items of income or expense which the directors believe should be disclosed separately by virtue of their significant size or nature and limited predictive value to enable a better understanding of the Group's financial performance. Excluding these items provides readers with helpful additional information on the performance of the business across periods and against peer companies. It is also consistent with how business performance is reported to the Board and the remuneration targets set by the Company.

- **Fleet age:** net book value weighted age of serialised rental assets. Serialised rental assets constitute the substantial majority of our fleet.

- **Fleet on rent:** quantity measured at original cost of our rental fleet on rent. Fleet on rent has been identified as one of the Group's key performance indicators.

- **Net debt:** net debt is total borrowings (bank, bonds) and lease liabilities less cash balances, as reported. This measure is used to provide an indication of the Group's overall level of indebtedness and is widely used by investors and credit rating agencies. An analysis of net debt is provided in note 15.

- **Operating profit and operating profit margin:** Operating profit is earnings before interest and tax. A reconciliation of operating profit to profit before tax is shown on the income statement. Operating profit margin is calculated as operating profit divided by revenue. Progression in operating profit margin is an important indicator of the Group's performance.

- **Organic:** organic measures comprise all locations, excluding locations arising from a bolt-on acquisition completed after the start of the comparative financial period.

- **Rental only revenue:** rental revenue excluding loss damage waiver, environmental fees and revenue from rental equipment delivery and collection.

- **RIDDOR rate:** the RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) reportable rate is the number of major injuries or over seven-day injuries per 100,000 hours worked.

- **Same store:** same-stores are those locations which were open at the start of the comparative financial period.

- **Segment profit:** operating profit before amortisation and exceptional items by segment.

- **Suppressed availability:** represents the amount on a given date that the asset base exceeds the facility size under the terms of our $4.5bn asset-backed senior bank facility.