

## Ashtead Group PLC

AHT.L: LSE. Sector: Consumer Services/General Retailers

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As of 24/03/2019

### Update Date 24/03/2019

As a fund, we have decided to hold on to the shares of Ashtead Group PLC. The company is currently trading around its fair value, therefore there is not much room for growth. The beta of Ashtead has increased since the last report and so it has become more volatile: this can be seen by its recent drops in share price. The CEO of the company is expected to change in May this year also, and so we need to be aware of the potential drop in share value during this time. Overall, we would like to hold onto the shares until they increase back up to 1,900.00 – 1,950.00 and then we intend on selling them.

### Business Model

Ashtead Group plc is an equipment rental company. The Company rents a range of construction and industrial equipment across a range of applications to a diverse customer base. The Company's segments include Sunbelt and A-Plant. The Company operates in the United States, the United Kingdom and Canada. The Company operates approximately 550 stores in over 40 states in the United States and over 10 stores in Canada. The Company's equipment can be used to lift, power, generate, light, move, dig, compact, drill, support, access, scrub, pump, direct, heat and ventilate. The Company rents on a short-term basis. It sells old equipment in the second-hand market. The Company's rental fleet ranges from small hand-held tools to a range of construction equipment. It provides rental solutions for non-residential construction markets, facilities management, disaster relief, event management, climate control, scaffolding and traffic management.

### Investment Rationale

Our HOLD recommendation is derived from the technical analysis of financial statements and financial indicators. Cash-flow analysis, looking at Ashtead groups plc cash flow we can see drastic investments into numerous projects, however, most noticeable are acquisitions of subsidiaries in the same lines of business across America and Canada expanding their influence into other markets. This should obviously increase the expected profit due to the addition of skills, expertise and additional equipment for operational purposes and as such we can expect a bullish trend proceeding forwards. Furthermore, conducting ratio analysis, we

### RECOMMENDATION

**HOLD**

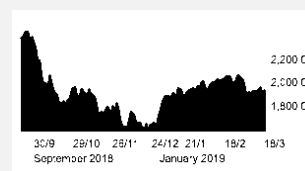
Current Price

**1,860.00 GBP**

Our Valuation Range

**1,950.00 – 2,800.00**

NMC boasts a strong earnings growth rate of 30% combined with effective use of capital employed allowing for minimal growth in expenses.



### MARKET DATA

	Update	Previous
Revenue in £ (TTM)	4.28bn	3.70bn
Net income in GBP	748.80m	968.80m
Incorporated in	1984	1984
Employees	16304	16304
52-week range	1,670.50-2,461.00	2,718 -2,772
Average volume	1.48m	2,489.03
Shares outstanding	471.80m	55.30m
Free float	463.99m	471.00m
P/E (TTM)	12.53	13.44
Market cap	9.10bn	8.43bn
EPS (TTM)	1.54p	1.31p
Cash Flow per share	3.27	2.84
Price/Cash flow per share	5.72	6.11
Book value per share	5.88	5.61
Tangible book value per share	3.02	3.16
Net profit margin (TTM)	17.48	16.71
Operating margin	27.19	26.35
Return on Capital Employed	18.99	14.17
Annual div (ADY)	34.00	33.00
Annual div yield (ADY)	1.76%	1.84%
Return on assets	10.29	9.05
Return on equity	28.36	28.21
Return on investment	11.11	10.04

see a significantly lower price earnings ratio when compared to the market, nearly at a half of its industry average. Additionally, Ashtead group also has a lower price to book, cash flow and sales making it relatively undervalued in its industry. It has average coverage over its long-term liabilities with both its quick and current ratios being greater than one.

A comparison of profitability between it and its industry shows Ashtead having nearly double the industry's gross profit margins and the same continues with operating, pre-tax and net profit margins.

### **Investment Risks**

As Ashtead is operating in multiple markets this spreads out the risk of its main income stream being affected by a market downturn especially when considering its beta of 0.85. However, due to this fact, it will be affected by the conditions of multiple markets and as such our attention must obviously be extended to the markets it finds itself in worldwide instead of just its English operations.

Its previously monthly trend has been generally sideways with the three-month showing more of a bearish nature. Although we consider this to be a turning point for security. If the stock does successfully turn extra care must be taken in observing its volatility during its transition of trends.

**Appendix - Balance Sheet**

Balance Sheet	30-Apr-14 (£ m)	30-Apr-15 (£ m)	30-Apr-16 (£ m)	30-Apr-17 (£ m)	30-Apr-18 (£ m)
<b>Assets</b>					
<b>Non-Current Assets</b>					
Property, Plant & Equipment	1929.10	2811.10	3588.80	4504.60	4882.00
Intangible Assets	446.20	608.90	640.50	972.10	1088.90
Investment Properties	n/a	n/a	n/a	n/a	n/a
Investments	n/a	n/a	n/a	n/a	n/a
Other Financial Assets	n/a	n/a	n/a	n/a	n/a
Other Non-Current Assets	6.10	3.10	2.20	0.00	4.50
	2381.40	3423.10	4231.50	5476.70	5975.40
<b>Current Assets</b>					
Inventories	18.50	23.90	41.30	44.20	55.20
Trade & Other Receivables	259.80	377.50	455.70	591.90	669.40
Cash at Bank & in Hand	2.80	10.50	13.00	6.30	19.10
Current Asset Investments	n/a	n/a	n/a	n/a	n/a
Other Current Assets	0.00	0.00	0.00	0.00	0.00
	291.00	438.10	517.50	649.30	767.60
<b>Total Assets</b>	<b>2672.40</b>	<b>3861.20</b>	<b>4749.00</b>	<b>6126.00</b>	<b>6743.00</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Borrowings	2.20	2.00	2.50	2.60	2.70
Other Current Liabilities	205.20	251.90	281.00	349.30	412.70
	368.80	518.30	515.50	574.70	659.10
<b>Net Current Assets</b>	<b>-77.80</b>	<b>-80.20</b>	<b>2.00</b>	<b>74.60</b>	<b>108.50</b>
<b>Non-Current Liabilities</b>					
Borrowings	1149.20	1695.60	2012.20	2531.40	2728.40
Provisions	n/a	n/a	n/a	n/a	n/a
Other Non-Current Liabilities	20.30	31.30	17.60	19.10	34.60
	1479.20	2231.40	2753.10	3581.20	3557.00
Other Liabilities	n/a	n/a	n/a	n/a	n/a
<b>Total Liabilities</b>	<b>1848.00</b>	<b>2749.70</b>	<b>3268.60</b>	<b>4155.90</b>	<b>4216.10</b>
<b>Net Assets</b>	<b>824.40</b>	<b>1111.50</b>	<b>1480.40</b>	<b>1970.10</b>	<b>2526.90</b>
<b>Capital &amp; Reserves</b>					
Share Capital	55.30	55.30	55.30	49.90	49.90
Share Premium Account	3.60	3.60	3.60	3.60	3.60
Other Reserves	n/a	n/a	n/a	n/a	n/a
Retained Earnings	n/a	n/a	n/a	n/a	n/a
<b>Shareholders Funds</b>	<b>824.40</b>	<b>1111.50</b>	<b>1480.40</b>	<b>1970.10</b>	<b>2526.90</b>
Minority Interests/Other Equity	n/a	n/a	n/a	n/a	n/a
<b>Total Equity *</b>	<b>824.40</b>	<b>1111.50</b>	<b>1480.40</b>	<b>1970.10</b>	<b>2526.90</b>

**Appendix – Income Statement**

Income Statement	30-Apr-14 (£ m)	30-Apr-15 (£ m)	30-Apr-16 (£ m)	30-Apr-17 (£ m)	30-Apr-18 (£ m)
<b>Continuing Operations</b>					
Revenue	1634.70	2038.90	2545.70	3186.80	3706.00
Operating Profit/(Loss)	477.00	627.40	843.40	995.80	1122.20
Net Interest	-47.10	-67.50	-83.00	-104.30	-131.90
Profit Before Tax	356.50	473.80	616.70	765.10	862.10
Profit After Tax	231.20	303.40	407.60	501.00	968.80
<b>Discontinued Operations</b>					
Profit After Tax	n/a	n/a	n/a	n/a	n/a
<b>PROFIT FOR THE PERIOD</b>	<b>231.20</b>	<b>303.40</b>	<b>407.60</b>	<b>501.00</b>	<b>968.80</b>
<b>Attributable to:</b>					
Minority Interests	n/a	n/a	n/a	n/a	n/a
Equity Holders of Parent Company	231.20	303.40	407.60	501.00	968.80
<b>Continuing EPS</b>					
Earnings per Share - Basic	46.10p	60.50p	81.30p	100.50p	195.30p
Earnings per Share - Diluted	45.80p	60.10p	81.00p	100.00p	194.40p
Earnings per Share - Adjusted	n/a	n/a	n/a	n/a	n/a
<b>Continuing and Discontinued EPS</b>					
Earnings per Share - Basic	46.10p	60.50p	81.30p	100.50p	195.30p
Earnings per Share - Diluted	45.80p	60.10p	81.00p	100.00p	194.40p
Earnings per Share - Adjusted	n/a	n/a	n/a	n/a	n/a
Dividend per Share	11.20p	15.25p	22.50p	27.50p	33.00p

**Appendix – Cash Flow Statement**

<b>Fiscal data as of Apr 30 2018</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>OPERATIONS</b>			
Net income	1,038	898	728
Depreciation/depletion	696	607	449
Non-Cash items	(969)	(898)	(997)
Cash taxes paid, supplemental	98	50	5.30
Cash interest paid, supplemental	110	102	79
Changes in working capital	(245)	(181)	(148)
<b>Total cash from operations</b>	<b>519</b>	<b>425</b>	<b>33</b>
<b>INVESTING</b>			
<b>Capital expenditures</b>	<b>(141)</b>	<b>(113)</b>	<b>(110)</b>
Other investing and cash flow items, total	(350)	(414)	(60)
<b>Total cash from investing</b>	<b>(491)</b>	<b>(527)</b>	<b>(170)</b>
<b>FINANCING</b>			
Financing cash flow items	--	--	--
<b>Total cash dividends paid</b>	<b>(141)</b>	<b>(116)</b>	<b>(82)</b>
Issuance (retirement) of stock, net	(168)	(55)	(12)
Issuance (retirement) of debt, net	295	266	232
<b>Total cash from financing</b>	<b>(14)</b>	<b>95</b>	<b>139</b>
<b>NET CHANGE IN CASH</b>			
Foreign exchange effects	(0.3)	0.50	0.20
<b>Net change in cash</b>	<b>13</b>	<b>(6.7)</b>	<b>2.50</b>
Net cash-begin balance/reserved for future use	6.30	13	11
Net cash-end balance/reserved for future use	19	6.30	13
<b>SUPPLEMENTAL INCOME</b>			
Depreciation, supplemental	696	607	449
Cash interest paid, supplemental	110	102	79
Cash taxes paid, supplemental	98	50	5.30

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## LINCOLN STUDENT MANAGED INVESTMENT FUND (LSMIF)

Founded in 2018, the Lincoln Student Managed Investment Fund (LSMIF) is exactly what it says on the tin, a fund which will analyse, determine upon, and purchase shares to create a portfolio. The only difference is we are students. No simulations, just our knowledge and ability vs the real market. The best test of our teachings and learnings.

The fund is set up with a structure similar to any other professionally run fund management company with students running every aspect of the fund, from CEO to analyst. It is designed to give any student involved the best experience of the financial world possible before getting a job.

The fund will be handed down to new students each year as those partake in this fund finish their studying. The fund aims to grow in the future, with more positions available to give the most number of students the chance to partake.

The ultimate goal of the fund is to raise the profile of each student involved to allow for them to get the best experience possible. We, however, set the following objectives to make the fund grow on sustainable basis:

- To generate long-term returns from investments using our stylized investment strategies.
- To raise funds through crowdfunding and donors to help increase the capital base.
- To increase the number of students involved in the fund with expanded capital base.
- To link the fund's activities with the related programmes and modules' assessments
- To get more outside sponsors who want to work directly with the fund as well, to further simulate the professional environment.

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