

Ashtead Group PLC

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

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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 changed 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 2,380.00 – 2,400.00 and then we intend on selling more of the shares.

30% of the shares were sold earlier in the year but however we have been able to recoup more than the 30% sold, this shows good prospects for growth and safe investment for the future.

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

For our Investment Rationale we have decided to hold it due to the fact that the stock price continues to appreciate. In the long term I will recommend to keep watching because the graph is showing consecutive quarterly increase in price, which indicates in the long term they will retain sustainable growth and profit. Also because the

RECOMMENDATION

HOLD

Current Price

2,359.00 GBP

Our Valuation Range

2,380.00 – 2,355.00



MARKET DATA

	Update	Previous
Revenue in £ (TTM)	4.73bn	4.28bn
Net income in GBP	815.20	748.80m
Incorporated in	1984	1984
Employees	18.38K	16304
52-week range	1572.50-2444.00	1,670.50-2,461.00
Average volume	1.48m	1.48m
Shares outstanding	457.01m	471.80m
Free float	448.90m	463.99m
P/E (TTM)	13.78	12.53
Market cap	10.78bn	9.10bn
EPS (TTM)	1.71p	1.54p
Cash Flow per share	3.74	3.27
Price/Cash flow per share	6.06	5.72
Book value per share	6.60	5.88
Tangible book value per share	3.16	3.02
Net profit margin (TTM)	17.23%	17.48
Operating margin	26.76%	27.19
Return on Capital Employed	23.23%	18.99
Annual div (ADY)	19.04%	34.00
Annual div yield (ADY)	1.88%	1.76%
Return on assets	9.16%	10.29
Return on equity	28.15%	28.36
Return on investment	10.15%	11.11

risk outweighs the positive, we sold 30% and we have been able to recoup the amount sold and there is more chance for the increased return.

We have also decided to hold because we want to watch the market closely because we anticipate the price would rise in the next few months based on current trend. This is also due to the fact that if we follow the decisions of others investors it could be quite speculative as most of them are recommending to buy now.

In addition, looking closely at the financial statements such as balance sheet and income statement it shows a massive increase in growth because both the net asset and net profit have increased comparing their figures to previous years. Taking a look at the cash flow it also shows there is an increase in investment activities. Altogether, this shows that each year they are expanding. This will be a great investment looking forward but an influence on the decision to watch is based on the fact that the volatility rate has increased to about 21% and the PE ratio is 12.78 and this signal for attention to be paid closely to the stock.

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 1.2672. Meaning if the market goes down by 1 the company goes down by 1.2627. 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 UK operations. Looking at comparison between the FTSE 100 and S&P 500 it shows that Ashtead tend to follow the trend of the United States market more as opposed to the London Stock Exchange market. This implies that there are less risks for them in the UK as opposed to the US but the uncertainty of Brexit still needs to be taken into account.

Furthermore, another risk that needs to be considered is that fact the competitive market could even become more competitive and Ashtead could face threats from large national competitors or small companies operating at a local level resulting in lower market share and reduced revenue.

Appendix - Balance Sheet

Balance Sheet	30-Apr-15 (£ m)	30-Apr-16 (£ m)	30-Apr-17 (£ m)	30-Apr-18 (£ m)	30-Apr-19 (£ m)
Assets					
Non-Current Assets					
Property, Plant & Equipment	2811.10	3588.80	4504.60	4882.00	5987.00
Intangible Assets	608.90	640.50	972.10	1088.90	1405.30
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	3.10	2.20	0.00	4.50	0.00
	3423.10	4231.50	5476.70	5975.40	7392.30
Current Assets					
Inventories	23.90	41.30	44.20	55.20	83.50
Trade & Other Receivables	377.50	455.70	591.90	669.40	843.60
Cash at Bank & in Hand	10.50	13.00	6.30	19.10	12.80
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
	438.10	517.50	649.30	767.60	965.20
Total Assets	3861.20	4749.00	6126.00	6743.00	8357.50
Liabilities					
Current Liabilities					
Borrowings	2.00	2.50	2.60	2.70	2.30
Other Current Liabilities	251.90	281.00	349.30	412.70	474.30
	518.30	515.50	574.70	659.10	693.60
Net Current Assets	-80.20	2.00	74.60	108.50	271.60
Non-Current Liabilities					
Borrowings	1695.60	2012.20	2531.40	2728.40	3755.40
Provisions	n/a	n/a	n/a	n/a	n/a
Other Non-Current Liabilities	31.30	17.60	19.10	34.60	46.00
	2231.40	2753.10	3581.20	3557.00	4863.40
Other Liabilities	n/a	n/a	n/a	n/a	n/a
Total Liabilities	2749.70	3268.60	4155.90	4216.10	5557.00
Net Assets	1111.50	1480.40	1970.10	2526.90	2800.50
Capital & Reserves					
Share Capital	55.30	55.30	49.90	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
Shareholders Funds	1111.50	1480.40	1970.10	2526.90	2800.50
Minority Interests/Other Equity	n/a	n/a	n/a	n/a	n/a
Total Equity *	1111.50	1480.40	1970.10	2526.90	2800.50

Appendix – Income Statement

	30-Apr-15 (£ m)	30-Apr-16 (£ m)	30-Apr-17 (£ m)	30-Apr-18 (£ m)	30-Apr-19 (£ m)
Income Statement					
Continuing Operations					
Revenue	2038.90	2545.70	3186.80	3706.00	4499.60
Operating Profit/(Loss)	627.40	843.40	995.80	1122.20	1372.60
Net Interest	-67.50	-83.00	-104.30	-131.90	-153.50
Profit Before Tax	473.80	616.70	765.10	862.10	1059.50
Profit After Tax	303.40	407.60	501.00	968.80	796.90
Discontinued Operations					
Profit After Tax	n/a	n/a	n/a	n/a	n/a
PROFIT FOR THE PERIOD	303.40	407.60	501.00	968.80	796.90
Attributable to:					
Minority Interests	n/a	n/a	n/a	n/a	n/a
Equity Holders of Parent Company	303.40	407.60	501.00	968.80	796.90
Continuing EPS					
Earnings per Share - Basic	60.50p	81.30p	100.50p	195.30p	166.10p
Earnings per Share - Diluted	60.10p	81.00p	100.00p	194.40p	165.40p
Earnings per Share - Adjusted	n/a	n/a	n/a	n/a	n/a
Continuing and Discontinued EPS					
Earnings per Share - Basic	60.50p	81.30p	100.50p	195.30p	166.10p
Earnings per Share - Diluted	60.10p	81.00p	100.00p	194.40p	165.40p
Earnings per Share - Adjusted	n/a	n/a	n/a	n/a	n/a
Dividend per Share	15.25p	22.50p	27.50p	33.00p	40.00p

Appendix- Cash Flow Statement

Cash flow						← Back to Overview
In millions of GBP (except for per share items)						Annual ▼
Fiscal data as of Apr 30 2019	2019	2018	2017	2016	2015	
OPERATIONS						
Net income	1,264	1,038	898	728	557	
Depreciation/depletion	843	696	607	449	352	
Non-Cash items	(1347)	(969)	(898)	(997)	(787)	
Cash taxes paid, supplemental	51	98	50	5.30	32	
Cash interest paid, supplemental	143	110	102	79	63	
Changes in working capital	(233)	(245)	(181)	(148)	(138)	
Total cash from operations	527	519	425	33	(17)	
INVESTING						
Capital expenditures	(169)	(141)	(113)	(110)	(79)	
Other investing and cash flow items, total	(581)	(350)	(414)	(60)	(234)	
Total cash from investing	(750)	(491)	(527)	(170)	(313)	
FINANCING						
Financing cash flow items	--	--	--	--	--	
Total cash dividends paid	(164)	(141)	(116)	(82)	(61)	
Issuance (retirement) of stock, net	(475)	(168)	(55)	(12)	(20)	
Issuance (retirement) of debt, net	855	295	266	232	419	
Total cash from financing	217	(14)	95	139	338	
NET CHANGE IN CASH						
Foreign exchange effects	0.30	(0.3)	0.50	0.20	0.10	
Net change in cash	(6.3)	13	(6.7)	2.50	7.70	
Net cash-begin balance/reserved for future use	19	6.30	13	11	2.80	
Net cash-end balance/reserved for future use	13	19	6.30	13	11	
SUPPLEMENTAL INCOME						
Depreciation, supplemental	843	696	607	449	352	
Cash interest paid, supplemental	143	110	102	79	63	
Cash taxes paid, supplemental	51	98	50	5.30	32	

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.

Contact details

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