Company Name: Ashtead
Company Ticker: AHT LN
Date: 2017-09-12
Event Description: Q1 2018 Earnings Call

Market Cap: 8781.38027408
Current PX: 1759
YTD Change($): 162
YTD Change(%): 0.0

Bloomberg Estimates - EPS
Current Quarter: 0.328
Current Year: 1.187
Bloomberg Estimates - Sales
Current Quarter: 957
Current Year: 3569.786

Q1 2018 Earnings Call

Company Participants

- Geoffrey Drabble, CEO & Director
- Suzanne Wood, Group Finance Director & Director

Other Participants

- Andrew Murphy, Analyst
- Andrew Richard Farnell, VP and Equity Analyst
- David I. Phillips, Research Analyst
- George Nicholas Gregory, Research Analyst
- Josh Puddle, Analyst
- Justin Jordan, Equity Analyst
- Karl Green, Research Analyst
- Mark Douglas Howson, Analyst
- Rory Edward McKenzie, European Support Services Analyst
- Unidentified Participant, Analyst

Presentation

Operator

Hello. Welcome to the Ashtead Group plc results for the First Quarter. (Operator Instructions) Please note that this call is being recorded.

Today, I'm pleased to present Geoff Drabble, Chief Executive. Please begin your meeting.

Geoffrey Drabble, CEO & Director

Thank you, Johanna. Good morning. Welcome to the usual shorter Ashtead Q1 results call. Suzanne and I will do a brief run through of the financial and operational performance. And then we'll go into Q&A. So let's get started pulling out some key highlights of a very encouraging quarter.

Operationally, we've seen strong delivery in markets that continue to remain supportive, evidenced by a wide range of key metrics all heading in a positive direction. A major highlight is now the cash generation, which Suzanne will cover in more detail in a moment. As well as the good operating performance, we've also seen continued progress with our 2021 strategic plan with a number of significant greenfields and bolt-ons.

Our strategic plans were also underpinned during the quarter by a successful refinancing. This has provided us with a very strong balance sheet as we continue to grow responsibly and enhance shareholder value. So a great financial start to the year. Hurricanes Harvey and Irma have obviously been devastating major events post these results. And we will comment on them further later in the presentation.

So with that, I'll now hand over to Suzanne.

Suzanne Wood, Group Finance Director & Director

Thanks, Geoff. Good morning. The group's First Quarter results are shown on Slide 5. And as Geoff said, we were pleased to report another strong performance. The group's rental revenue show good momentum, increasing by 17% on a constant-currency basis. Margins continued to improve despite having opened 24 greenfields and completed 5 acquisitions. EBITDA margin was 49% and operating profit margin was 30% in the quarter. And as a result, our underlying pretax profit was GBP 238 million, an increase of 21%.

Slide six shows Sunbelt's First Quarter results. Rental and rental-related revenue grew by 16% as Sunbelt continued to benefit from generally strong end markets. The operational efficiencies of mature stores more than offset the drag effect of new stores. And thus, EBITDA margin improved to 51%. As a result, operating profit improved by 19% in the quarter and operating profit margin increased to 33%. In a bit, later on, Geoff will discuss the U.S. operating performance and metrics in more detail.

Turning over now to Slide 7, A-Plant continued to outperform the market, with rental revenue growth of 22%. Operating costs grew at a slightly higher rate than revenue as a result of the ongoing integration of acquisitions. EBITDA margin remained at 38% for the quarter. And operating profit margin improved to 19%.

On Slide 8, the details of the group's cash flow for the last 12 months to July are shown. The strong margins we discussed earlier produced cash flow from operations in the last 12 months of GBP 1.5 billion, giving us substantial flexibility as we continue to implement our Project 2021 plan and follow our capital allocation policy.

The standout number on this page, however, is the free cash flow. As you compare the two years, what a difference 12 months makes. The group generated GBP 417 million of free cash flow in the trailing 12 months after just turning positive in the previous period. The combination of our free cash flow with low leverage and a strong balance sheet, which I'll cover on the next 2 slides, clearly underpins our operational strategy.

Slide nine updates our debt and leverage position at July 31st. Net debt increased in the First Quarter as we continued to invest in fleet and bolt-on acquisitions. Our leverage was 1.7x EBITDA, well within our target range of 1.5x to 2x. And as shown on the bottom right of the slide, the gap between the value of our net debt and the second-hand value of our fleet is now GBP 1.6 billion. Both our leverage and our well-invested fleet will continue to provide a high degree of flexibility and security.

We've said previously that a strong balance sheet gives us a competitive advantage and positions us well in the medium term. Therefore, as shown on Slide 10, we recently took advantage of good debt markets in order to further strengthen our balance sheet position, extending our debt maturities and reducing our cost.

Specifically, we accomplished 2 things: First, we extended the maturity of our $3.1 billion ABL facility to July 2022 on the same terms and conditions; and second, we refinanced our existing $900 million of 6.5% bonds due in 2022 at a lower cost. Simply put, we now have access to more capital for a longer period at a lower cost. Our debt facilities are now committed for an average of seven years at a weighted average cost of just below 4%, an improvement of approximately 40 basis points.

And with that, I'll hand it back over to Geoff.

Geoffrey Drabble, CEO & Director

Thanks, Suzanne. So let's start with Sunbelt on Page 12, looking firstly at how we are doing with the rental revenue. Against our plan for 9% to 13% growth that we outlined at the year-end, you can see that we've delivered a 15% improvement. It's encouraging to see that both same-store and greenfield growth are at the upper end of our expectations. So organic remains a very healthy 2/3 of our improvement at 10%.

Bolt-ons have generated 5% growth reflecting not only our recent activity levels. But also strong trading of our recent acquisitions. And we will cover this in more detail in a moment.

Going forward, comps will get tougher as we lag acquisitions. But we now also need to get our thoughts together regarding the business impact of hurricane season. I'm delighted to report that post-Harvey, all of our staff is safe, although many have seen significant damage to their homes and neighborhoods. We continue to track the impact of Irma for our colleagues and their families. But initial reports are that everyone is safe.

I'd also like to take this opportunity to thank our emergency response team and colleagues on the ground who've worked tirelessly to support our customers and neighbors. Their exceptional efforts are much-appreciated.

There will now be a significant clear-up program, where our scale, breadth of the fleet and experiences in similar events will be a major asset. We stand ready to continue to support all who require our assistance.

Practically, a major rebuild program is now required over multiple years. The whole supply and demand dynamic in Texas and Louisiana, in particular, has now changed and will require careful planning once the initial response phase is over.

Moving to Page 13 we look in more detail at the trends that are driving both the strong revenue and profit improvement. I know 1 or 2 slides have changed but the same data is shown in the historical format in the appendices.

So in the quarter, we saw some good rates momentum, as you can see from the chart top left. And I'm pleased to report that this continued into August. Clearly, it's early days and some of this this seasonal. But when I look at the makeup, especially for longer contracts, it's very encouraging and a markedly different environment to a year ago.

Mix continues to be a year-on-year headwind, which, of course, impacts yields. But again, encouragingly, the mix remained constant between Q4 and Q1. And it's been a while since we've been able to say that.

The longer contracts are affected in the strong physical utilization, where we continue to operate at high levels. It's also reflected in the lower yields. But also the improvement in both EBITDA and EBITA margins, as we benefit from lower transactional cost.

LCM ROI was sequentially flat quarter-on-quarter. But negative year-on-year. However, encouragingly, we now have had 3 consecutive months of improvement. And again, it's early days and improvement is never linear. But this supports our view that we have now bottomed and will trend upwards as we discussed in detail at the year-end.

Turning to Page 14, we reflect these trends by store side and saw strong volume growth of 10% in same stores, mitigated by lower yields. But a very good 60% drop-through as the key driver of our margin improvement. So another very consistent performance.

I mentioned in the opening slide how well our recent bolt-ons are performing. And the 60% drop-through with these new locations is a bit of a standout from this chart for me and particularly encouraging given our recent activity levels.

As you can see from Page 15, we've been very active over the last six months in terms of bolt-ons and greenfields. Indeed, consolidation has become something of a field in the broader industry, which is a trend that we've seen as inevitable for some time and one that will likely continue. But this is a fragmented industry where, as I have said many times, there are benefits from scale.

However, getting big isn't difficult. The key is to do so whilst generating strong returns consistently above the cost of capital and creating shareholder value. Of course, this is what our 2021 plan was all about. But in light of recent heightened activity levels, it's worth reinforcing the key messages from this plan. And confirming why they remain relevant.

Page 16 highlights our growth strategy and the historical scale of our 3 key drivers, same-store growth, greenfields and bolt-ons. An impressive 60% of our growth over the last six years has come from existing stores. But greenfields and bolt-ons have also been key contributors for many years. We'd be fortunate to have one of these opportunities. But to have all 3 puts us in a very strong position as we will highlight in more detail in a moment.

There'll be different times each driver will have a greater or lesser influence on our total growth. But clearly, this year, greenfields and bolt-ons are contributing more. Therefore, I thought it'd be worth just reminding everyone over the next couple of slides how strong our track record is in growing and improving the returns on these new locations and their businesses.

So on Page 17, we look at both return on investment and EBITA margins from 2012 to 2017. And the data is analyzed by mature stores and greenfields and acquisitions. And they're grouped by the year in which they were opened or acquired. So the yellow bars reflect the performance at the end of the year of opening or acquisition for greenfields and bolt-ons. Or the performance, as at the 30th of April 2012, for mature stores. And the green bars reflect the performance as of the 13th of April 2017.

So firstly, what the chart highlights is the scale and consistency of the improvement across all cohorts. It's also encouraging that mature stores have, as well as delivering 60% of our growth, seen very good improvement in their ROI and EBITA margins. They continue to improve and we do not see any savings being reached at this stage, which supports our view that margins can continue to improve.

Another point which sticks out to me is the strength of the 2016 cohort. Clearly, as we ramp up our activity levels, there remains a high level of quality greenfield geographies and bolt-on opportunities. So whilst, of course, new locations are a drag on our metrics initially, this is a really short-term phenomenon and the pathway to full maturity is an obvious one. And our balanced strategy of organic growth and M&A continues to drive value.

Our strategy becomes clear when you look at it by market. And on Page 18, we look at different districts and the impact of greenfields and M&A activity. So for example, the A grouping of districts have seen no greenfield or M&A. And the D group has seen both. From this, I hope you can see how the mix of same-store investment, greenfields and bolt-ons all hands together and the benefit of the clusters we've all talked about before.

Clearly, the pace of growth in districts where we've done a combination of greenfields and bolt-ons is enhanced, i.e. group D. As we expand our geographic presence and add a broader range of products, including specialty, we gain share, improved margins and establish ourselves in the market. Again, it's all about what we've said before, availability, reliability and ease, all of which is enhanced by a cluster. It's telling how well existing stores have done where we have added greenfields and bolt-ons in the same district. So it's not all about the growth of either the more mature or the newer stories. But the contribution of the whole cluster that makes a difference to our performance.

So in short, from both a returns and a growth perspective, our strategy of greenfields and small bolt-ons, supporting strong sales store growth is clearly working. Therefore, not surprisingly, we intend to continue to follow this well-established path. And you should expect more of the same.

As the 2021 strategy is clearly working, the big question is are the markets going to remain supportive? Well again, we think it's an encouraging medium-term picture, which you can see there on Page 19. Across a wide range of market data that we follow, the outlook for work we've done remains very similar and in line with our own assessment. That is at most multiple years of moderate growth, i.e. the 3% to 4% we assume for 2021.

But yes, there will be secular geographic ups and downs and nothing is linear. But then our long backlogs and starts are strong. So the medium term seems secure. This view is based on current conditions and is not reliant on significant policies -- policy changes in, for example, tax or infrastructure. It also does not take into account the rebuilding post-hurricane season, which we discussed earlier and note that we'll cover in more detail in Q&A.

Page 20 is something of a what's-this-space page. But obviously, Canada remains small for us in overall terms. But our presence is transformed by the acquisition of CRS. But we've included some base data to size it all. Going forward, given currency and other dynamics, we just think it will clearer to report Canada separately. So there will be a more meaningful set of numbers at the half year when we include the CRS performance.

Moving on to A-Plant on Page 21, you can see -- start to see the benefit of the actions we took in the second half of last year. Clearly, there is a very strong volume growth of plus 24%, mitigated by a negative yield of 4%, the net of very good rental revenue performance plus 22% year-on-year. Look, we bought a lot of assets from Hewden's for a low price. But with lower rates last year. So if you adjust for this, then volume growth would be plus 17% and the yield would be flat.

The most important question is whether this is profitable growth, which you can see it is from the margin improvement. As I've said before, we took on a lot in the second half of last year, which is already paying off but there's clearly much more to come as we fully integrate these businesses and improve the rates.

So to summarize, it's been a really encouraging First Quarter. Volume is good, rates are improving and, most importantly. So are margins and ROI. So current operational delivery is strong and supported by good markets. We have also made continued progress on our strategic objectives with a number of bolt-ons and greenfields. And we remain ahead of our 2021 objectives and reaffirm our commitment to this plan.

In addition, our refinancing has provided us with a low-cost, long-term platform for further responsible growth. These dynamics, together with strong cash generation, continue to provide a wide range of options to enhance shareholder value.

In terms of outlook, we are clearly trading well in already supportive markets. And these dynamics will continue. Harvey and Irma are major events which will change in a number of market dynamics. However, it is evidence that there will be incremental demand for our services.

I'm afraid it's just too early to assess the current year impact with any accuracy. At the moment, we are focusing on the needs of our staff and customers. And as I said earlier, we will, therefore, update the market in December.

In any event, the real impact isn't this year, it's the potential over the next 2 to five years that is important. Natural disasters of this scale and the consequent rebuilding program do, as a minimum, support the market assumptions we have made in our 2021 plans. And therefore, the board continues to look to the medium term with confidence.

So with that, Johanna, if we could just start the Q&A session, that'd be fantastic.

Questions And Answers

Operator

(Operator Instructions) And our first question comes from the line of Rory McKenzie from UBS.

Rory Edward McKenzie, European Support Services Analyst

Just 2 from me, please. The first one is on that rate increase over the summer. Just any more detail on regional product or customers where that rate kind of stood out. I think you mentioned that the monthly rental rates were particularly encouraging. Can you maybe update us or remind us on where those are versus prior peaks at the moment?

Geoffrey Drabble, CEO & Director

Yes. Look, you're right, the monthly rates were probably the most encouraging element of that rate improvement over the summer. We -- if you look at it from the 1st of May through the end of August, we've got 3% rate improvement. But of course, some of that is seasonal. But by any season, that's a good performance. As we discussed at the year end, a big proportion of the rate improvement previously, being daily and weekly. And what we were looking for was a turn in monthly. And we've certainly seen that over the last 3 to four months. And the reason why that is important is this: We're starting to see a turn in monthly rates. So the deals we are negotiating now and probably over the succeeding six months are better than the ones we did before. As those new projects ramp up next year, they have a bigger impact on our rate performance. So an obvious example was Brendan and I were talking about some performance in Atlanta recently. And you could see fleets coming off and physical utilization going down. But you could see rates really improving very, very well. And the answer was, we've talked about it before, we have 2 big stadiums being built with rates that we had negotiated about the time we were getting a bit worried about oil and gas. And everything -- so we had a lot of fleets come back, which was affecting physical utilization, everything that's going back out is going out at significantly better rates. Now it will take a while for those new larger projects to ramp up to full scale. But as they ramp up over the course of the year. And more importantly into next summer and spring season, that's why you got that rate performance. So where are we versus historical peaks? It kind of doesn't help you an awful lot because it's so much driven by what proportions are in which projects and when those rates were negotiated. But yes, that's why we're particularly encouraged by the monthly swing because we know pretty much everything going out on sort of newer contracts is at much better rates. And the contracts that were established perhaps in more difficult times 1 or two years ago, they're at a stage in their evolution where they're ramping down.

Rory Edward McKenzie, European Support Services Analyst

Okay. So those rates just took longer to roll onto the kind of new paradigm, I guess? Then...

Geoffrey Drabble, CEO & Director

That's -- I think that's the problem. I think everybody thinks we set the rates. And that's the rate for those products now, no. As those -- a lot of it is project based. The daily and weekly have always been fine because that's just your spot rates and we can change those immediately. But what has been the drag has been monthly. So our issue last summer actually wasn't the rates we were setting last summer, it was the rates we had set 12 months earlier and those particular projects were ramping up in volume. It's why we as -- when we were at the yearend were sort of confident to where some of these metrics were going because we could see those underlying trend lines. It just takes a while for them to flow through the financials.

Rory Edward McKenzie, European Support Services Analyst

Okay, that makes sense. And just one more on that rate dynamic, if I can, another one. What's the competitive outlook for that kind of monthly rates on those larger projects, particularly with the accelerated consolidation that the market is seeing at the moment?

Geoffrey Drabble, CEO & Director

Look, we're into like tens of a percentage point. And I think some of our peers get bogged down into talking about the benefit. We have had -- you can see the chart. All the way through August and September, up to the hurricane season too, we are seeing a continued, very consistent improvement in rates. Now September and October numbers are going to be all over the place now because of the incremental sort of specialty demand around -- but we're feeling very good about the rate environment at the moment.

Rory Edward McKenzie, European Support Services Analyst

Okay, that's great. Then just next one, if I can. On the free cash flow, it was well up year-on-year as growth CapEx decreased. But obviously, the net cash outflow was the same year-on-year as you increased M&A. Now Slide 17 and 18, I think, kind of showed you how both those greenfields and bolt-ons mature. But with the growing mix towards bolt-ons (frauds) and greenfields, is there anything you'd flag to be aware of in the returns or the near-term drag or how that maturity evolves? Or are they just analogous to you?

Geoffrey Drabble, CEO & Director

No -- well, clearly, there's been -- the chart you've got there is a summary of the ton of work we have been doing over recent months. Look, we have had a strategy which we believe has delivered very strong performance and shareholder value. There's no getting away from the fact that the market has changed and there are those who are doing larger deals. And it is only right that we sit down and analyze our performance to make sure we remain comfortable with our strategy and that it is delivering the value. So we've gone back and looked at every acquisition, every greenfield that we've done and how they've performed and how they've evolved, with the absence of the oil and gas where we -- where, frankly, we had a couple of (inaudible) in terms of the -- in terms of some of the bolt-on activity, fortunately, they were relatively small. Their performance has been very, very consistent and we remain very relaxed about whether we do greenfields or we do bolt-ons. And it won't change any of the metrics meaningfully.

Operator

Our next question comes from the line of Andrew Farnell, Morgan Stanley.

Andrew Richard Farnell, VP and Equity Analyst

I think when we had the last year results, you talked about an expectation that the negative yield trends would basically moderate throughout the year because you didn't think the mix shift would continue to move higher. Is that still the case?

Geoffrey Drabble, CEO & Director

Yes, I mean, it's hard to know. And again -- and my problem is, as -- when we look at the Q1 numbers, I thought this is the cleanest quarter I may have ever, ever seen in terms everything heading in the right direction. August was exactly the same and now all better off in terms of how metrics are going to be formed given what -- the level of activity with Harvey and Irma and the type of activity. We felt we were reaching a point where the monthly proportion was reaching a peak or the pace of increase was going to be significantly lower than it was. And so sequentially, between Q1 and Q4, the mix was the same. It was a headwind year-on-year. But it wasn't a headwind sequentially. And that would be broadly our expectation. Look, it might tweak a little bit. But we felt as if it was about right. So you're right in saying, subject to that and if we can get rate improvement, keep mix relatively flat, that will ultimately lead to an improving yield position. Now remember, however, this negative yield comes with it significantly lower transactional cost. And so for what we were (painting) at the year end, we actually -- I remember deliberately putting in a couple of extra slides to say, look, here are the reasons why we think we've had tailwinds -- sorry, headwinds, sorry. And that is why we think our underlying performance you will see positive improvement in rates, ROI and EBITA margins. And that's exactly what we've seen in the First Quarter. Because as we -- the question I've answered in terms of Rory, we're looking at the lag effect of some of these things. And some of these are LTM measures. So we think the trend lines are positive.

Andrew Richard Farnell, VP and Equity Analyst

Okay. But would you expect the yields to remain negative for this year -- I mean, throughout the whole year?

Geoffrey Drabble, CEO & Director

If you can tell me what my mix is going to be in Quarter Two and quarter 3, I'll tell you. I can tell you that I think rates will be improved year-on-year. And I think if the yield is negative, we will continue to deliver lower transactional costs. So I'd expect -- so I think most importantly, I think yield is a -- it's a metric people get bogged down in, you will see EBITA improvement, ROI improvement and significant improvement in our top line growth. They, to me, are more important metrics.

Andrew Richard Farnell, VP and Equity Analyst

Okay, fine. Okay. Just thinking about the acquisitions there. When you look at some of these deals, what do you -- how do you think about the appropriate multiple? And is there anything right now that would cause you to pay higher multiples versus the historical average?

Geoffrey Drabble, CEO & Director

No. I don't think so. We look at the business, as I said before. I think we look at a range of metrics. I think people get way too bogged down with EBITDA multiples in a business where fee is so important. So we look at revenue multiples. We do EBITDA multiples and we look at EBITA multiples. But more importantly, we look at what they can contribute to our cluster and the pace of growth which we can achieve. If you look at the Pride acquisition, which we spent a lot of time talking about at the back end of last year, if I look at -- in other words, we have peers who thought this as cost reduction, we look at value enhancement and sales growth. On the pro forma basis, the Pride business is 20% up year-on-year. That's why the drop-through in our acquisition lines look so good. And so we look in terms of, yes, multiples. But also that paid a slightly higher multiple for Pride because it was so obvious what it would bring to the cluster. And so -- but in the main, the businesses we're looking at now are in line with the multiples we've previously set. And I've given those before. But we're kind of like around about 2, 2-and-a-bit-x revenue, we're sort of like somewhere around 5, 5.5x EBITDA. And we're sort of like somewhere around 10x EBITDA. But they are very, very, very broad metrics depending on the age of the fleet, the location and what it brings to the cluster.

Andrew Richard Farnell, VP and Equity Analyst

Okay, fine, very clear. Then just one final one on the competitive dynamics in the market following, obviously, URI and what they did with NES.

Geoffrey Drabble, CEO & Director

Yes, I don't -- I'm not sure that it changes an awful lot. I mean, I think it's just good that they're growing without putting incremental fleet into the marketplace. So has it changed the dynamic? I don't really think so. There isn't much more competitive intensity. We've done what we did with RSC, which is we've mapped where the United locations are versus NES and they're all really, really close. So have we got any significantly different competition there? We have -- I think, 39 of them are within a 5-mile radius of one another. Does that change our competitive landscape? I don't think so because I'm guessing not many of those 39 will be around for long. So no, I don't think it changes anything very much really.

Operator

Our next question comes from the line of Josh Puddle from Berenberg.

Josh Puddle, Analyst

My first question, you see that slight slowdown in your same-store growth number. Just wondered if you can outline which end market is driving that slowdown? Then the second question, I just wonder, from the M&A that you've already completed, what would you expect that to add revenue growth on a full year basis?

Geoffrey Drabble, CEO & Director

I would debate that we've seen a slowdown in our same-store growth from -- what I can see here, we grew 9% in the First Quarter in same-store growth. We grew 7% in Q4 last year, 7% in Q3 last year, 8% in Q2 last year and 6%. That looks like we've improved same-store growth to me. So I'm interested in why you think same-store growth is slowing. The market is generally perceived to be growing at about 4%, our same-store growth continues to be double the pace of the market.

Josh Puddle, Analyst

I thought your slow growth towards Q4 '17 was in the region of about 8%. So 8%...

Geoffrey Drabble, CEO & Director

I'm not going to argue with you whether it was 7% or 8% quite frankly. But both are lower than 9%. So...

Josh Puddle, Analyst

And the same-store growth in Q1 was 6%?

Geoffrey Drabble, CEO & Director

From that collection, yes. I'll say it from that collection, from the piece of paper Suzanne just handed me, they're not -- then yes, that would be the case. And it's a bit like this new customer (inaudible) we trust in Ashtead and in Suzanne we trust.

Josh Puddle, Analyst

And say, in -- I mean, in any of your major end markets, looking at the trend, have you seen a slowdown in the same-store growth number?

Geoffrey Drabble, CEO & Director

No. Look -- again, look same-store growth has been very, very consistent across the digital -- markets are -- markets are pretty good. We -- look, you're always going to get some geographic short-term effect, that we talked -- I talked earlier about this Atlanta market. You've got a couple of big jobs come off, it slows down for a month or 2. That fleet comes back and it ramps back up again. So it's -- you get effects like that. We now do larger jobs and therefore, when the fleet comes back from those larger jobs, it may take a little time for it to ramp back up again. But no, we're not seeing anything significant in terms of different performance. But there remains in terms of getting -- there remains as it was -- you know my view, which was the level of all of the supply because of oil and gas was massively overplayed both in terms of the range of fleet and the geographies. But to the extent where there remains some, clearly, that was Texas. Well post-Hurricane Harvey, the last thing there's going to be is an overhang of excess fleet in Texas. We for ourselves, we haven't visited all of our sites. We have lost about $30 million of fleet. And we've got about 10% market share in Houston. There's a reasonable presumption about $300 million of fleet that has come out of the Texas market as a consequence. And that's just the rental companies. If you assume 60% rental penetration, contractors will have probably lost another $200 million worth of fleet. Everybody focuses on the demand change in an event like Harvey. And they underestimate the impact from the supply perspective. So no, look, we are very comfortable in terms of where we are across the board. We're seeing no significant variation by geography other than that which is explained by short-term variations on the older contractor term.

Josh Puddle, Analyst

Okay. And on the M&A?

Geoffrey Drabble, CEO & Director

And on M&A, look our M&A activity, we know we carry on doing what we are doing. We -- I mean, again, I said at the fourth -- end of the Fourth Quarter, we had a particularly busy pipeline, which was stimulated post our Capital Markets Day. There has been a lot of activity in the space. I think something like that, together with -- pretty much if you're a local player in, say, Texas or Florida right now. We are shipping hundreds of truckloads of equipment into that market right now. The benefits of our scale. And indeed in fairness, yes, United scale will become very apparent. That's together with the amount of consolidation activity. I think, there is a growing awareness not only by our customers but also our competitors that the bigger are going to get bigger. I think that enhances the pipeline of opportunities that we have.

Operator

Our next question comes from the line of David Phillips, Redburn.

David I. Phillips, Research Analyst

Could I just come back to the acquisitions point? I think Geoff, you talked about an acceleration in trade applied to 20%. I just wondered if you had a feeling for how much of the cross-selling potential you've realized already? And how much is still to come? And could the same apply to CRS as well?

Geoffrey Drabble, CEO & Director

Yes, look, absolutely, no question about it. I mean, the Pride location was -- I remember, Brad and I going and visiting it for the first time, right? Very rarely do you sort of walk in a place, you get a feel for it and you're just saying, wow, this is going to transform us. But not only that, we can transform them because of the potential of accessing each other's customers. The ability to provide their equipment and to be that full range supplier, it's pretty compelling. I guess -- so if you take a big aerial business like Pride and you put it in a big market like New York, where we have, relative to them, a low access. We've got all the other products and we come back to this. Your availability, your reliability and your ease are enhanced enormously. CRS will be the same. Look at the staff on CRS. We've acquired 30 locations but we've only acquired about the same amount of fleet as we acquired by Pride in 1 location. You imagine how we are salivating at the prospect of broadening their fleet offering and enhancing that quantum of fleet to provide a much greater option to their customers across what is a very, very comprehensive footprint around Ontario. Now the one area where they're relatively underpenetrated is the major Toronto Metro market because it's typically more of a small tool market. Well that's our absolute wheelhouse. So if you look at what they're bringing and what we bring, again, well, I'll have a bet with you, David. I will tell you what their Second Quarter year-on-year revenue performance is on a pro forma basis and I bet it's better than double digit.

David I. Phillips, Research Analyst

Okay. Great. Just on the CapEx budget process, have you started that already? And presumably, it gives you a lot more work to do evaluating the damage from the storm. And it might be to you wanting to get in touch with the OEMs a bit quicker to make sure you're higher up the priority list. Is that fair?

Geoffrey Drabble, CEO & Director

David, we are pretty comfortable. Remember, we have -- just because -- and say the small midsize guys is -- look we have orders on the OEMs at all times, whereas the small guys would probably place an order once a year or twice a year for a few bits of income. So we have a pipeline of equipment coming. So it's easier for us to pull forward that pipeline and say, hey, this stuff that we want within October, any chance of having it in September? The November and December stock, can you pull it forward to October? That's always easier than starting from a standing start. In terms of the detail of the plan, genuinely no. I had my last call with Russ about 10:30 last night, when I was coming back for a dinner and the only thing we talked about was that our 2 guys in Key West who, by Facebook, we are assuming they are okay. But we haven't physically spoken to them yet. So we have sent someone down to search every bar in Key West and we're hoping to find them today.

Operator

Our next question comes from the line of Justin Jordan from Jefferies.

Justin Jordan, Equity Analyst

I just want to return to Slide 13, if I could, which is basically the rates and yields slide. And I guess, just want to clarify firstly the top left element of that page. You talk about improving rate trend. (inaudible) so you said was it 3% rate increase from May to the end of August? Is that correct?

Geoffrey Drabble, CEO & Director

Yes.

Justin Jordan, Equity Analyst

Okay. And that's obviously -- I appreciate there will be some sequential uptick just seasonal. But I suppose are we now in a positive year-over-year rate territory?

Geoffrey Drabble, CEO & Director

Yes. We are.

Justin Jordan, Equity Analyst

Fantastic. Okay. And so in terms of how we think about that going forward and the impact that has on, let's say, dollar utilization ROI, you talked about 3 sequential months now of improving ROI, thinking about the bottom right of that page. I'm presumably -- okay, put Harvey and Irma to one side. But we should be getting near a point where maybe dollar utilization should start inflecting positively year-over-year. Is that sort of (inaudible)

Geoffrey Drabble, CEO & Director

Yes, obviously. And that's why, again, as you recall, we deliberately spent a bit of time talking about those metrics at the year-end. If you go back over the year-end presentation, which was a more detailed presentation, we explained what we thought the headwinds were on those metrics. We believe they were changing and we just thought it was going to take some time for them all to flow through. Well this is the First Quarter where you are seeing the initial signs of that and you will see that continuing through the year. So does it absolutely turn positive in Q2? Or is it Q3? We're going to the stage now where our -- we report ROI on a trailing -- to the single number. Now, if I was to go to a decimal place. So I would say 22-point-something I would show year-on-year improvement now. But that's not what we do. So it's -- so yes, we clearly -- if these trends continue which we fully expect them to do, then the impact will be seen on ROI and volume utilization as we highlighted at the year-end. So none of this is unexpected. But it's the very -- the reason why we spent some time to try and explain it was coming at the year end. And this is the First Quarter where more tangibly you can see our progress.

Justin Jordan, Equity Analyst

Good. And just 1 follow-up, sorry, again, speaking on the returns metrics or incremental returns. Obviously, in the quarter, 56% of the Sunbelt Rental revenue, marginal Sunbelt Rental revenue both were at EBITDA line. Absent of what may happen in Q2 from Harvey and Irma, should we be thinking about sort of that sort of circa 60% fall through for the remaining 3 quarters of fiscal '18 and potentially beyond?

Geoffrey Drabble, CEO & Director

I think what you -- I would be very careful on the precision of certain metrics this year because I think Irma and Harvey throw everything into confusion, particularly Q2. When I look at how clean Q1 was and how clean our August performance was, it's -- in some respects, it's frustrating. But there is a lot of incremental cost, there's going to be a lot of incremental revenue. And there's going to be a massive shift in the mix of equipment. So right now, I'm looking at a set of numbers, where, for the first time in a long, long time, the physical utilization of the general tool equipment is down year-on-year, because a lot of stuff stopped as this terrible weather sweeps through the country. Normal activity -- no one's on normal construction sites right now in Miami. The notable work we were doing has stopped and will probably not start again until the beginning of next week. What we do -- now we will still, by the end of the year, have as much work as we were going to have because they will catch up. But we will lose 2 or 3 weeks of work in some important markets in the short term. We will incrementally gain a ton of extra -- I think, it's about $70 million of extra power on rent than there was before. Now that's good ROI product. It will improve certain metrics. I was talking to some guys in Texas last week and they had to do a 15-mile delivery. But the way the roads were closed, they had to drive 70 miles to actually get a piece of equipment 15 miles away. That adds cost. My point is this, over the course of the year, this will be incrementally better for us or I would ask you to look at it in the context of the scale. Once upon a time an event like this was a mutual moving event for us. It's certainly not that. But Q2, I have no idea how it's all going to pan out. Everything's thrown up in the air that we're all going to have more business, a lot of that business is going to be high ROI specialty product. So it will work itself out through the course of the year. But I'm afraid the metrics are going to be all over the place for a quarter or 2. Justin, I'm sorry.

Operator

Our next question comes from the line of Andy Murphy, Bank of America Merrill Lynch.

Andrew Murphy, Analyst

Just a couple of questions. When Sandy ripped through the U.S. 4 or five years ago, it looked like your yield bounced quite dramatically. Would you say on that basis that the yield throws around about 5% in the quarter? And I suppose as a follow-up to those, to what extent do you think that sort of rate increase kind of stuck, became sticky over a longer period of time? And the second is the sort of Hurricane/CapEx side of things. Other than talking to the OEMs, is there anything else that you can do or need to do to sort of accumulate more equipment, more quickly to deal with that? And I suppose a follow-up to those, that you talked some time ago about having sort of basically rescue fleets, trucks loaded up with pumps and sort of rescue equipment. Whether you've still got those? Whether they've been deployed? And to what extent that's actually relevant in terms of the tangible impact that would have on numbers in a full year?

Geoffrey Drabble, CEO & Director

Yes. Okay, let me come to the second point first. There, as I said, the benefit we have is that we are a national business with significant breadth of the fleet and volume of fleet elsewhere in the country. So like literally, we have a storm center team that sets up in Charlotte and they look at every asset we have. And obviously, they don't take every asset because we've got local customers we also have to take care of. But to the extent that we have anything like spare fleet, anywhere in the country, then we ship it. Again, I was talking to (inaudible) at 1 stage in all this. And other than where there was specific equipment booked for an event, if there was a -- as you put it to me, if there was a generator sitting on a yard anywhere in America, it must be broken, because otherwise, it's on a truck to Texas. And that was true. So that is our biggest access to equipment really is that ability to use that $7 billion of fleet we have nationwide. Remember, one of our small local competitors will have been hit pretty hard with all of this. And they don't have that access to fleet. We have the benefit of -- typically, we have arrangements with our supply base, where we have, what we call, green underground, which is stuff which we don't use, which we can call on in an emergency. So of course, we call on what we call, the green underground. And because we typically release our orders in relatively small increments on a weekly basis, there's always another wave of equipment to come up. Now that equipment may have originally been planned to go to New York or Seattle and it just gets redirected to Texas or Florida. So we have the capacity to flex both the size and the location of our fleet, which I would suggest only the largest have. And so -- and in our opinion, events like this help to underpin a step change in our market share because of where the guys taking care of at the moment like this, they kind of tend to stick with you. And if your local guy can't take care of you and we can't take care of you and with the benefit of our technology to say yes, we do have it and we can get it to you by them, actually physically give you a broad range of equipment, that's very positive. In terms of some of the specific asset jobs, absolutely right. I was looking at a bunch of photographs yesterday from Houston and you could see our disaster recovery trailers sitting outside of Walmart and they're all on the ground. And you're right, we have fields with very specific equipment, which, again, general rental companies don't have. You have some specialist restoration and remediation. So it's carpet fans, it's dehumidifiers. And they are out already. And I've got some fantastic photographs of us drying a school basketball pitch or drying an old people's home or drying and then cleaning up a room. Our specialist floor cleaning equipment. Again, absolutely vital in a cleanup exercise like that. So yes, all of that increment. But again, you've got to look at it in the size of the context of the $7 billion fleet, okay? So yes we've got $70 million more power on rent than we did just before Harvey hit. But that's $70 million out of $7 billion, okay? So once upon a time, it was a much bigger deal. In terms of your range question, it's a tough one. See look, Sandy hit when it was a great rate environment in any case. And we had tiny market share in that area. So for us, it was just a win-win-win because we established ourselves in a market that we weren't in. A better reference point for us is Katrina. We kind of got the jolts. We looked at Katrina and we looked at Sandy and we saw, okay, what happened to volume? What happened to rate in the following two years? And the volume and rate was positive in those two years. But the markets were great. So how much of it was because they struck after the hurricane and how much of it was because, well, the markets were great in any case. It's a tough one to tell. Rates are driven by supply and demand. There is going to be more demand and there's going to be less supply. So there is going to be rates improvement. How much it is and how long it is, we will let you know by December. As I said, in Florida, I'm not even back in my locations yet.

Operator

Our next question comes from the line of George Gregory from Exane BNP Paribas.

George Nicholas Gregory, Research Analyst

Just a quick question, just a follow-up, really. I think you mentioned the store overlaps between NES and URI. Was it -- did I touch that right? Was it 39 of the 70 odd locations?

Geoffrey Drabble, CEO & Director

Moving 5 miles, yes -- we track every location. We have a model. It takes our guys about 5 seconds to press a button. And I say, how close -- what's the overlap going to be? When United borrowed our RSC, I think they managed it on a Friday and by Monday, we had a list of 220 locations we thought they would close. So we're -- kind of like we're doing now, we put in incremental sales force.

George Nicholas Gregory, Research Analyst

Okay. So it was about 204 RSC versus the 40-odd?

Geoffrey Drabble, CEO & Director

Yes.

Operator

Our next question comes from the line of Karl Green, CrÃ©dit Suisse.

Karl Green, Research Analyst

Yes, just a couple of questions from me please. And apologies if this has already been asked. But I got cut off from the call a little bit earlier on. Just firstly on the billing days impact. I think in the Fourth Quarter you'd indicated Sunbelt had seen 3 and a bit fewer trading days in the quarter. Can you just talk about perhaps the impact in the First Quarter that we've just had if there was any meaningful impact on the margin in Sunbelt? And the second question, just going back to the detailed full year presentation that you gave. Could you just remind me. And you might not have quantified this. But all other things being equal, what a 1% increase in monthly rentals, as a percentage of the overall total, what that broadly equates to in terms of the benefits to the EBITDA margin? If there's a sort of rule of thumb there. You may not have quantified that. But I just wanted to double check.

Geoffrey Drabble, CEO & Director

On the second one, I don't know. When we can sit down and work it out it would be -- and I'm sure Suzanne or Michael will be happy to ring you back and work through the calculation, if you wish. It's kind of not something I've looked at before. But there was 1 more billing day in this quarter but the way the whole thing worked out actually on a billing databases, the revenue growth was 15%, which is the same as the 15% that we reported.

Operator

(Operator Instructions) Our next question comes (Audio Gap)

Unidentified Participant, Analyst

Quick question on Canada. You kind of split it out this quarter, which is encouraging. Honestly, the acquisition suggested you're accelerating the growth there. Just help us think about how that growth might kind of come about whether you can do another kind of CRS deal? Or whether you kind of feel comfortable now and perhaps to do more of this kind of organic?

Geoffrey Drabble, CEO & Director

Yes, clearly, what we have got with CRS, you can see, is a very big footprint with on average significantly less fleet then we would typically have in that number of locations. And I think that falls into what -- they have less fleet and they typically have a somewhat narrower range of fleet to what we have had. So we've already moved in significant quantities of fleet into that model, which is -- I don't do bets unless I think I'm fairly confident I'm going to win them, which is why I bet with David that we will see in the First Quarter 10%. Because if we've just given them more fleet and it's gone out on rent really, really quickly. Because they got customers who, if they're taking a narrow range of fleet, they take everything else from somebody else and if they can just get it from one stop, why wouldn't they get it from one stop. And so that -- so I think what you will see for a period of time is us predominantly targeting filling out the density of the fleet. The specialty locations that we will have in there -- we will need to grow specialty locations and you might well see us open 1 or 2 downtown metro stores in Central Toronto. And that's a market which we've typically shied away from a little bit. So when we were driving around having a look at the location, what's evident is that, a, Ontario is a hell of a big place and that they have very different market shares in different parts of Ontario. So for example, they have really high market share in Ottawa but very low market share in Toronto. If you look at the Ontario market, one that was the primary driving force. So why would we not target more. So you will see a few more locations open, predominantly specialty. But most importantly, over the next 12 months, what you will see is a significant capital investment.

Unidentified Participant, Analyst

Okay. Great. Then just if I can, second, just on A-Plant, on physical utilization kind of takedown in the second -- in the First Quarter, is there anything in particular that (inaudible).

Geoffrey Drabble, CEO & Director

No. If you look at it on a year-on-year basis, it's because we didn't have the Hewden's assets. Until we lap with Hewden's, there's going to be 1 or 2 strange metrics. Also, some of the Hewden's business is lumpy. It's either event-driven or it's industrial shut-down driven. And therefore, it is going to change some of the normal patterns of physical utilization. The demands remain strong. We -- there's probably some asset categories where they're carrying a few too many assets which we acquired from Hewden. But we bought them for less than what we could sell them for. So if we have to defleet a little bit, that wouldn't be the end of the world. But what we wanted to do is go through a first full season, particularly in the industrial market. And make sure we fully understood it before we rightsized the fleet.

Operator

Our next question comes from the line of Mark Howson, HSBC.

Mark Douglas Howson, Analyst

Can I just ask the question -- obviously we've seen some increasing inflation in U.S. rental rates, where we are on staff costs? What pressures have you got coming through the rest of the year on sort of like-for-like wage inflation on staff cost? Secondly, fleet acquisition cost, you're seeing, I think apart from the manufacturers, where they're raising list prices. That's the second question. Most important though is staff cost.

Geoffrey Drabble, CEO & Director

Yes. Staff costs, yes, we're probably looking at 3%, 4% easily. And maybe closer to 4%, 5% in staff cost. We know we've said this before, we think we are operating in a near sort of full employment economy for key blue-collar staff and that's what we built into the boolean. It's pretty much what we experienced last year too. Again, we think if you look at our revenue per head statistics, our efficiency opportunities will mitigate the vast majority of that. So we don't see it as a big drag on our margin. But it's a reality that the economy is strong and labor is tight in the U.S. We've seen little or no inflation from the manufacturers. Will that change post hurricane season? It will be shortsighted if it did. So I suspect not.

Operator

As there are no further questions, I'll return the conference to you, Geoff, for any closing comments.

Geoffrey Drabble, CEO & Director

No. I'd just like to thank everybody for the questions and for their continued interest in Ashtead. And we will look forward to being able to give you a much further update at the half year. So again, thank you very much indeed for your time.

Operator

Thank you, all for attending. This now concludes today's call. You may now disconnect your lines.