Specialty Rentals Strong as Sunbelt Rentals Revenue Drops 7 Percent in Fiscal First Quarter

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Sunbelt Rentals U.S. posted $1,284.1 billion in revenue in the fiscal first quarter of 2021 compared to $1,380.9 billion, a 7-percent year-over-year decrease. Rental-only revenue in the United States was only 8 percent lower than the prior year.

Sunbelt Canada's revenue was Canadian $90.4 million compared to CDN $94.8 million in the fiscal first quarter a year ago, a 4.6-percent decline. Sunbelt U.K. posted £123.3 million compared to £131.4 million a year ago, a 6.2-percent decline.

While trading volumes were lower than last year as a result of the pandemic, this has been mitigated, in part, by emergency response efforts throughout the company's business units especially the specialty businesses. Sunbelt Rentals is designated as an essential business in the U.S., U.K. and Canada and has supported government and private sector responses to the pandemic. This includes providing vital equipment and services to first responders, hospitals, alternative care facilities, testing sites, food services and telecommunications and utility companies, while continuing to service ongoing construction sites and increased facility maintenance and cleaning.

As a result of these market dynamics, rental-only revenue in the U.S. was only 8-percent lower than the prior year. The general tool business dropped 9 percent, while the specialty businesses (excluding oil and gas) grew rental-only business by 6 percent. The strong specialty performance contributed to group rental revenue dropping only 8 percent at constant exchange rates.

The degree of impact on volume has varied significantly across geographical markets and is correlated to the severity of infection rates and associated market level restrictions.

"In these challenging markets, the group delivered a strong quarter with rental revenue down only 8 percent at constant exchange rates," said CEO Brendan Horgan. "This resilient performance illustrates the successful execution of our long-term strategy, which we embarked upon after the last recession, to broaden and diversify our end markets and strengthen our balance sheet. This positioned us to capitalize on our ever-increasing scale, while remaining agile, particularly during these unprecedented times. The actions we took to optimize cash flow, reducing capital expenditure and operating costs, resulted in record free cash flow for the first quarter of £447m (2019: £161m) contributing to reduced leverage of 1.8 times compared to 1.9 times at year end.

"Looking forward, the strength of our business model and balance sheet positions the group well in these more uncertain markets. Assuming there is no significant COVID-19 second wave leading to major market shutdowns, like we experienced earlier this year, we expect full-year group rental revenue to be down mid-to-high single digits when compared with last year on a constant currency basis. The benefit we derive from the diversity of our products, services and end markets, coupled with ongoing structural change, enables the board to look forward to a year with free cash flow in excess of £1 billion, continued strengthening of our market position and the medium term with confidence."

Activity levels have increased consistently through the quarter such that the company has almost as much fleet on rent in the U.S. and Canada as last year and slightly more in the U.K. With some impact from Hurricane Laura, U.S. August rental revenue was 7 percent (3 percent on a billings-per-day basis) lower than last year.

Sunbelt Rentals, No. 2 on the *RER* 100, is based in Fort Mill, S.C. Parent company Ashtead plc is headquartered in London.