

A resilient business with an exciting future



2021 was a milestone year for Ashtead Technology as we successfully listed the business on AIM in November, providing a strong, long-term platform for future growth.

The Group performed well throughout the year and ahead of the expectations set out at IPO.

Overview

We delivered a resilient financial performance in 2021, reduced our leverage, while also continuing to invest in our high-quality equipment rental fleet. This was achieved despite the challenging operating backdrop, resulting from the COVID-19 restrictions and is testament to the resilience of our business, the tremendous efforts and commitment of our people, and our growing presence in the offshore renewables market.

A solid performance

As a market leader in subsea equipment rental and solutions for the global offshore energy sector, we benefitted from improving market conditions across both wind, and oil and gas, end markets.

Group revenue for the year to 31 December 2021 grew by 32% to £55.8m (2020: £42.4m), with Adjusted EBITA of £13.7m (2020: £6.3m) up 118% against the prior year, resulting in a margin of 25% and showing a recovery towards pre-COVID levels. Adjusted earnings per share was 13.2p.

Strategic and operational review

Through our three service lines – Survey & Robotics, Mechanical Solutions and Asset Integrity – we support the installation, IMR (inspection, maintenance & repair), and decommissioning of offshore energy infrastructure through the provision of subsea equipment rental and solutions. Our target is to achieve low double-digit organic revenue growth by executing on our proven strategy of:

- Continuing to support the energy transition and capitalise on the significant expected increase in expenditure in the global offshore wind market

- Maintaining Ashtead Technology's position as the leading independent subsea equipment rental business, growing and strengthening our business in subsea technology rental and solutions, whilst continuing to capitalise on customers' increasing propensity to rent
- Continuing to broaden the range of complementary equipment and services and leveraging the Group's global footprint through the further internationalisation of Ashtead Technology's products and services.

During the year, we continued to deliver against these objectives. Revenue from offshore renewables continued to increase, rising to 33% of Group revenue (2020: 29%). The Group is targeting revenue from the offshore renewables market of at least 50% in the medium term.

We also continued to cement our market leading position, investing £7.9m in capital expenditure which includes investment in new subsea equipment and technology to further expand our extensive equipment rental fleet, the largest independent fleet in the industry. There was further evidence of customers' increasing propensity to rent evidenced through increased outsourced asset management interest, and we expect this trend to continue.

We remained focused on operational excellence, ensuring the reliability and availability of equipment, the delivery of integrated solutions and service agility, employee training and development, digitisation of internal processes and utilising our significant domain expertise and product knowledge, increasing operational benefits through continuous improvement to better serve our customers.

The Group plans to complement its organic growth through a clear and focused M&A strategy, building on its strong track record of value-enhancing M&A. We are focused on strengthening geographic, equipment and service capability to better support the Group's customers globally, and continue to review opportunities to acquire businesses which complement our current offering. The acquisition pipeline contains a number of opportunities across each of the Group's service lines.

Sustainability

In 2021, we made good progress in our sustainability journey through focusing on five priorities that are aligned with the principals of the UN Global Compact – employee health, safety & wellbeing, labour practices & human rights, energy transition, ecological impact and business ethics.

Throughout the year, we took action to reduce our environmental impact, support the communities where we live and operate, improve and respect diversity and inclusion in the Group, reinforce our health and safety culture, and reaffirm our commitments to respecting human rights and to corporate governance. Whilst we are pleased with what we have achieved so far, we recognise that more needs to be done to support our ambitions and create value for all our stakeholders. Led by a sustainability working group, we have developed an enhanced sustainability strategy for 2022 and beyond to ensure sustainability issues are firmly integrated into our day-to-day operations and to help guide our efforts and improve our performance.

Market

In an ever-evolving energy industry, one of the most significant challenges we face is the increased demand society places on being able to deliver sources of energy in a sustainable, affordable and responsible way. The expansion of offshore wind as a means of energy production, alongside the decommissioning of existing oil and gas infrastructure, is critical to a successful energy transition process.

Throughout 2021 we saw market forecasts for offshore renewable energy spend increase, with analysts forecasting strong growth for wind energy, evidenced in our own business by a step change in our offshore renewables pipeline. The backdrop for the industry continues to strengthen with 25GW capacity awarded in the ScotWind 1 auction in the UK, and several new lease awards in the US alone. This has been further propelled by the UK Government's Energy Strategy to accelerate the offshore wind industry and increase the pace of deployment to deliver 50GW by 2030 as countries look to secure domestic energy sources in light of rising global energy prices, provoked by surging demand after the pandemic as well as Russia's invasion of Ukraine.

Oil and gas will also continue to be important constituents in meeting energy demand as the industry continues its transition to cleaner energy production and the need to focus on energy security. Significant expenditure will be required to maintain oil and gas production from existing fields, as well as investment in new oil and gas developments and associated infrastructure.

The fungibility of Ashtead Technology's equipment and solutions across the offshore wind and oil and gas markets makes for a compelling and robust proposition, enabling the Group to capture growth across both these adjacent markets.

Our people

Our people are central to the success of our business, and I would like to extend my thanks to all our employees for their contributions in the delivery of the Group's solid operational performance during another year in which we operated amid a global pandemic.

Our employee headcount increased from 172 to 204 during the year and we continued to encourage personal development through training and progression. Our senior leadership team was enhanced with the appointment of Ingrid Stewart as CFO and we expanded our business development, marketing and QHSE teams globally to meet the growing needs of our enlarged business, including the recruitment of Caroline Merson as Marketing & Communications Director.

Current trading and outlook

We remain well placed to support the changing requirements of the global offshore energy sector as the transition to more renewable sources of energy continues apace and our large fleet of rental equipment allows us to support the increased investment required to ensure energy security.

While we are mindful of uncertainty arising from the current geopolitical environment, inflationary pressures have been mitigated by tightening market conditions and increasing pricing. We remain confident of making further progress in 2022, with a clear organic growth strategy and pipeline of acquisition opportunities.

The Group has continued to perform strongly in the first four months of 2022, supported by good ongoing customer demand across both offshore wind and oil and gas end markets. Activity levels experienced are higher than the same period in the prior year, with utilisation rates remaining strong supporting increased pricing. Given the performance to date, the Board expects outturn for the year to be modestly ahead of its previous expectations.

I am proud of all we have accomplished in our short period so far as a publicly listed company and look forward to an exciting future.

Allan Pirie
Chief Executive Officer

4 June 2022