



Ashtead Technology Holdings plc

Investment Memorandum

September 2025

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Ashtead Technology Holdings plc

GBP 000s	2022A	2023A	2024A	2025E	2026E	2027E	Last 6-Yr CAGR	Next 6-Yr CAGR
Revenue	73,120	110,466	168,044	206,694	248,033	310,041		
% Growth	31.0%	51.1%	52.1%	23.0%	20.0%	25.0%	28.3%	22.1%
Adj. EBITDA	28,555	48,253	69,451	80,549	96,659	127,249		
% Margin	39.1%	43.7%	41.3%	39.0%	39.0%	41.0%	26.6%	21.3%
Diluted EPS	\$ 0.16	\$ 0.27	\$ 0.35	\$ 0.40	\$ 0.49	\$ 0.68		
% Growth	340.7%	69.8%	32.9%	12.8%	23.7%	37.7%	45.7%	21.3%
OEPS	\$ 0.34	\$ 0.41	\$ 0.32	\$ 0.73	\$ 0.68	\$ 0.94		
% Growth	136.6%	20.2%	-20.8%	126.3%	-6.8%	37.8%	12.2%	30.6%

Ashtead Tech – Thesis Summary

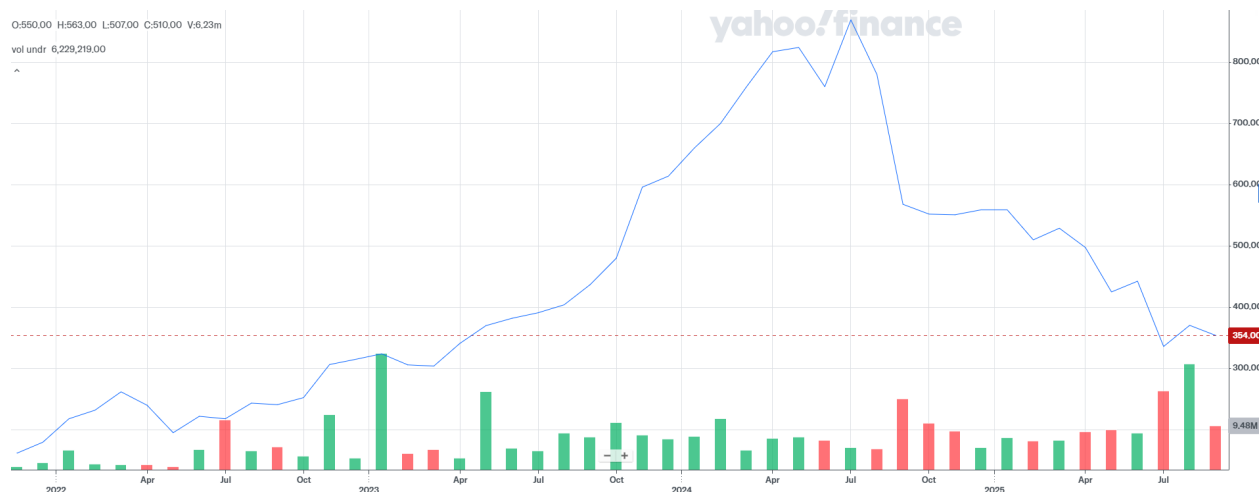
Ashtead Tech has scale advantages as the largest player in the subsea equipment rental market. We estimate they procure COGS (mission-critical equipment) at lower cost than competitors and achieve higher utilization of equipment, yielding better customer experience and margins. They also have a Process Power advantage and are the best at execution in the market. ROTC is above 40%. There is a long-term industry tailwind as customers shift from owning to renting. We expect continued organic growth in the low double-digits and overall revenue growth ~20%-25% including M&A (the market is very fragmented, yielding a long M&A runway). The CEO (52) has an incredible track record running Ashtead Tech over the last 13 years, building it from a small, mediocre player to the best. The vast majority of management's wealth is in Ashtead Tech stock.

Valuation

- Market cap: £281mm = \$380mm
- For 2025, Ashtead Tech trades at 5.1x EV/EBITDA, 8.7x P/E, 6.9x EV/OE, 4.8x P/OE and a **PEG of 0.2**. **NTM EV/EBITDA is at its lowest since IPO:**



- Ashtead Tech stock price history:



Business Description

Ashtead Tech rents >30,000 pieces of equipment (with a fleet cost of >£200mm) and services (including certified personnel to operate their most technical equipment) for subsea projects. Their customers are subsea contractors who own sea vessels and employ crews working on the subsea infrastructure for windfarms and connecting wells to oil and gas platforms, for maintenance, new construction and decommissioning (removing end-of-life structures).

A typical subsea contractor (customer) is contracted by the oil and gas operator (ex: Shell) and owns the vessel and employs the crew. The vessel contains at least one ROV (remote operated vessel for subsea diving) owned by the contractor. The rental equipment Ashtead Tech provides includes sensors and robotics (specialized electronics) and mechanical equipment (such as cranes, specialized underwater saws, etc.). Ashtead also generates ~5% of its revenue from a group (called Asset Integrity) of internal consultants who solve complex customer problems, such as how to most efficiently detect unexploded ordnance under the seabed.

The company's current revenue is broken down as follows:

- 40% maintenance work (primarily oil and gas)
- 25% new construction (wind)
- 20% new construction (oil and gas)
- 15% decommissioning (split between end of life asset removal, general repair, and brownfield regeneration)

Note: Ashtead Tech was acquired by a private equity firm in 2008 from Ashtead Group, another excellent rental business (focused exclusively on rental equipment used in land-based construction projects) that we will discuss later. Ashtead Tech has had no ties, nor any market overlap, with Ashtead Group since 2008.

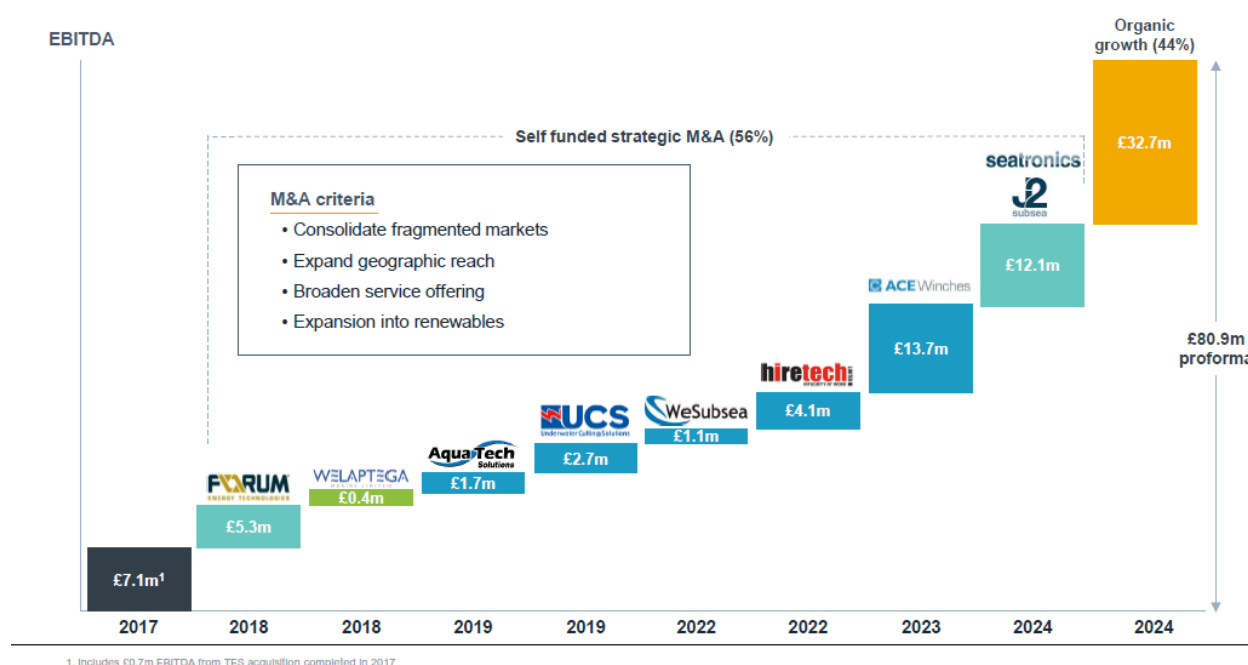
Management

Allan Pirie became the CEO 13 years ago when he was 39 (he was CFO for the two prior years as well). He was installed by the PE firm (Phoenix Equity Partners) that supported a management buyout of

Ashtead Tech from Ashtead Group in 2008. When he joined Ashtead Tech, it was a small player in survey and robotics with mediocre operations and culture. There were many years of work required to fix all of the company's issues and build a strong foundation. Allan has since built it into the industry outlier in terms of scale, execution and customer experience through both strong organic and inorganic growth. Progress was slow over the first eight years, as Phoenix had thought they were buying a logistics firm, were not prepared for what they actually bought, and had too much debt (7x-8x) to service to invest in the equipment capex required to grow revenue. Buckthorn Partners (PE) acquired Ashtead Tech from Phoenix in 2016 and provided the capital required to start growing organically and inorganically. Since then, the track record of growth has been exceptional:

Compounding growth model

Split of 2017-2024 pro forma EBITDA growth: 44% organic EBITDA growth and 56% from acquisitions



Allan sets high goals for his team and accepts only excellence. His reputation is that he is always one step ahead of everyone, and that he is very direct, honest and plays no politics. He knows this business and market inside and out. He did the job of both CEO and CFO until he hired Ingrid Stewart as CFO four years ago. Allan strikes us as an exceptional operator.

Ingrid is not your typical CFO. Before she joined Ashtead Tech she worked solely in corporate development (M&A) within the offshore oil and gas market. She is a Chartered Accountant, like Allan. She is one of the most strategic and personable CFOs we have come across, excelling at M&A (she and Allan do all of the M&A work, including DD, legal, etc.). On our visits with her to three of Ashtead Tech's locations, it was very clear that all the employees, from the front line to management, genuinely adore her.

Capital Allocation

Allan has an excellent capital allocation track record. Organic growth requires buying more equipment (PP&E). Their dollar utilization ranges from 60%-70%, which is higher than the ~50% achieved by the US land-based equipment rental companies. Payback for survey and robotics equipment takes 16-20 months, whereas we believe it takes as little as 30-80 days for custom mechanical equipment that they design, engineer and assemble themselves. **Ashtead Tech's ROTC is typically above 40% (ranging from 25%-54% across the cycle)**, demonstrating management's purchasing savvy.

Allan has also proven an adept acquirer. **He pays ~4x-5x EBITDA, even for large companies**, which is very rare for large companies with high ROTCs outside of the industry. He tends to avoid formal processes, as he knows many of the players personally and can often deal directly with them. The companies he acquires fill in gaps in Ashtead Tech's equipment portfolio, allowing the company to be more of a one-stop-shop for customers. He also can increase the utilization of the equipment of the acquired companies, due to the larger number of customer projects that Ashtead Tech has, creating value for the acquired assets overnight. **Incremental ROICs (which include goodwill from acquisitions and are calculated on a rolling 5-year basis) for Ashtead Tech have ranged from 56%-83% over the last seven years**, indicating high returns from their acquisitions. The way Allan and Ingrid describe it, they had to deal with many bad acquisitions earlier in their careers (they both worked at PE sponsored firms), to which they attribute much of their M&A success at Ashtead.

Figure 4: Acquisition history

Date	Target	Consideration (£m)	EV/EBITDA (x)
Oct 24	Seatronics and J2	63	5.2
Nov 23	ACE Winches	54	3.9
Dec 22	Hiretech	20	4.9
Sep 22	WeSubsea	6	5.1
Sep 19	Underwater Cutting Solutions (UCS)	16	5.8
Apr 19	Aqua-Tech Solutions / Alpha Subsea	9	5.4
Nov 18	Welaptega Marine	3	5.0
Jan 18	Forum Subsea Rentals	17	3.3
Mar 17	Technical Equipment Services (TES)	3	4.6

Source : Company Data & Deutsche Bank estimates

Ashtead Tech fully integrates its acquisitions. The reason is that the acquisition is completed primarily to acquire the equipment and then include that equipment in the large fleet for all of Ashtead Tech's customers around the world. This requires the acquired equipment to be on the same ERP system to make scheduling the most efficient. This is the same way that the US land-based rental companies complete acquisitions. Ashtead Tech has proven adept at integrating its acquisitions, with all of them succeeding, and most completing ahead of schedule. We believe the reasons why their integrations succeed are 1) the capable management team, 2) how it isn't difficult to fit new acquired assets into the overall fleet, 3) they make key personnel changes on Day 1, not drawing anything out, 4) the companies

they're acquiring are often poorly managed and the employees are happy to come into a better-run company with a good culture like Ashtead Tech, and 5) Ashtead Tech's management often knows the other companies well before the integration begins, as they've been tracking them and competing against them for years.

Typically, Allan uses leverage rather than share issuance to fund his acquisitions, and the strong cash flow of the company allows for quick delevering so he can soon relever for the next acquisition. He averages 1-2 acquisitions per year; any more than that, he believes, would be too difficult to integrate successfully.

Allan has yet to repurchase stock. We gave him (and Ingrid) The Outsiders and our write up on *Cyclical Compounders*. At dinner, we discussed share repurchases; they said it would be a good use of capital now because their stock is cheap, however they expect many great organic and inorganic uses of their capital and lots of great momentum in those two areas which took them a decade to build, and they plan to use capital for organic and inorganic investment rather than share repurchases as long as those opportunities materialize. Allan says, "The power of share buybacks is not lost on us!" We do not yet know whether this is merely a platitude or he will take decisive action with buybacks.

Leverage

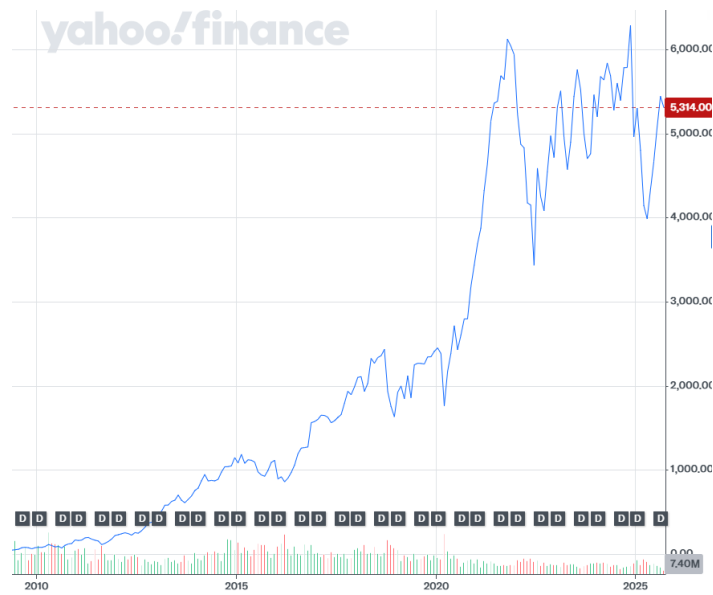
The business tends to delever quite quickly due to excellent cash flow, quickly rebuilding dry powder for future acquisitions. The maximum leverage Allan prefers to use is 2x net debt / EBITDA. Ashtead Tech's current leverage is 1.9x. By the end of this year, it should be 1.4x. At that point, by leveraging up to 2x, Ashtead Tech *could* increase its EBITDA by 30% (assuming acquisitions completed at 5x EBITDA multiples).

For comparison, here are the average net debt / EBITDA figures for the US land-based equipment rental companies:

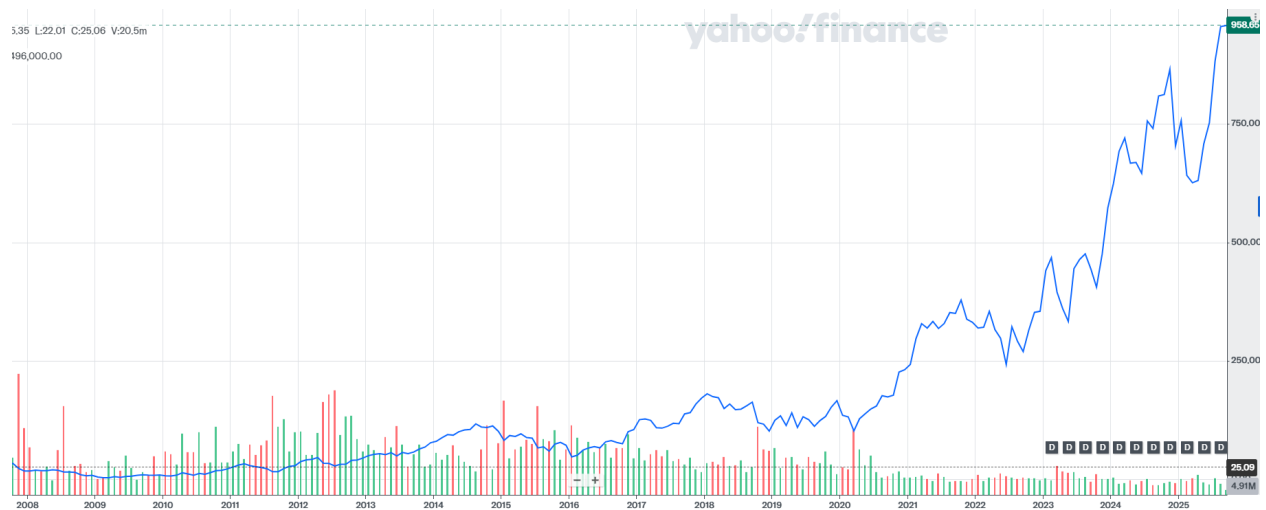
- United Rentals: 2x
- Ashtead Group: 1.7x-2x
- Herc Holdings: 3.4x.

Analogy – Ashtead Group, United Rentals and Herc Holdings

Ashtead Group stock (80x MOIC):



United Rentals stock (38x MOIC):



Herc stock (4.7x MOIC):



Ashtead Group, United Rentals and Herc Holdings are land-based equipment rental companies that generate most of their revenue in the US. They are all excellent businesses with exceptional stock returns (as seen above). Our audience knows these businesses well, and the next section enumerates their key characteristics, so we will keep this section short. Suffice it to say that their business model shares many common characteristics with that of Ashtead Tech.

Comparing Land-Based Rental Co's (Ashtead Group, Herc, United) with Ashtead Tech

Attributes that are similar:

- EBITDA margins
- We estimate they get OEM discounts that smaller competitors don't, allowing for better pricing
- Ongoing shift from owning to rental for customers.
- **The equipment they rent tends to be a small portion of the customer's overall project cost, but it's mission critical.**
- Fully integrate acquisitions so customers don't have 15 sales people knocking on their door.
- Both have cyclical end markets
- Fragmented market, largest players have low share.
- If a piece of rental equipment fails, the rental company does not pay for the associated cost overruns, the contractor does.
- Ashtead Group and Ashtead Tech stocks trade for similar multiples (~8x on average, highs around 11-12x, lows around 4-5x). United a bit lower (average of ~6x, high of ~10x, low of ~4x). Herc trades lower (~5.5x average, ~8x high).

Attributes that are different:

Land-Based Rental Co's: Ashtead Group, United Rentals, Herc Holdings	Ashtead Technology (Subsea)	Ashtead Tech is Superior?
Mainly rental. No custom equipment or solutions.	Not just rental. More services, including providing technical personnel who can operate the equipment, and advice on what equipment is needed (the jobs are more complex than for the land-based players, and they require meaningful back and forth with questions to ensure the customer is renting the right piece at the right size. Tidal differences, visibility in the water, etc., all matter, and expertise is required to get it right). For mechanical, the work often includes custom equipment or solutions. Ashtead Tech has some proprietary equipment as well. Example: Ashtead Tech rents cranes that must sit securely on the deck of a ship or on the side of an oil platform. A support structure must be built that the crane and winch can sit in. Ashtead Tech's engineers will, working with the customer, design, engineer and assemble the support structure. This is a very specialized, complex and difficult process, as you can imagine, with a massive crane hanging on the side of an oil rig and lifting tons of weight without dropping it or falling into the ocean.¹ The support structure is custom built and bought by the customer, while the crane is rented. We believe competitors rent simpler winches or subcontract the design and building of the supports, or leave the customer to figure out the supports on their own. Ashtead Tech also often builds custom equipment to rent to a specific customer. In these cases, Ashtead Tech requires a complete payback from that customer, regardless of whether Ashtead Tech can re-rent it to another customer in the future (they almost always can re-rent it or re-rent components of it).	Yes
Dollar utilization is lower: 45-58%	Dollar utilization is higher: 60-70%	Yes
Customers can rent for very short periods of time	Customers forced to rent equipment for long periods (say, 45 days – as long as the sea voyage is) even if don't use it more than a few days of that trip.	Yes
Rental penetration is higher (~56%)	Rental penetration is lower (~35% for survey and robotics and ~25% for mechanical), indicating a longer organic growth runway.	Yes
Life of assets is shorter (7 years). Business is more	Life of assets is longer: 10-25 years for most of it, and up to 40 years for some equipment. Repair the equipment	Yes

maintenance capex heavy. Capex/revenue is 32-38% on average. Maintenance capex/total capex is 63-81%.	throughout its life which goes through the P&L. Thus business is less maintenance capex heavy. Capex/revenue is 18% on average. Maintenance capex/total capex is ~35%. Management claims total capex can drop to £3-4mm per year in a downturn.	
ROTC is lower. Mid-teens when using EBITA after tax as numerator, and 20-28% when using OE. Despite having much lower NWC/sales of ~3%.	ROTC is much higher. Above 40% when using EBITA after tax, and higher when using OE. NWC averages 14% of sales.	Yes
If piece of equipment fails, Sunbelt can replace it in two hours. Means if there are competitors in the same market, their equipment is more fungible. Quality is less of a factor relative to price.	No room for failure because boat is very far away if something fails, and the all-in cost is massive (vessel, etc.) – in the realm of \$200K-300K per day (Ashtead rents ~\$4K-10K per day per boat, so Ashtead is only 1%-5% of the overall project cost, but it's mission critical equipment). ⁱⁱ Provides a greater differentiation factor than Herc/Sunbelt. Quality really matters. More of a “you never got fired hiring IBM” factor at play.	Yes
More fragmented customer base (excluding national accounts). Ex: Sunbelt had 710K customers with an average rental revenue per customer of \$8,500 in 2022.	Concentrated customer base. Largest customer is 13% of revenue (if the proposed merger of two of their customers is approved – if merger is not approved, top customer is 7% of revenue). Top 10 customers account for 50% of revenue. However, each of those large customers has dozens of project managers that rent (it's not a centralized decision); for some, there are 100 touch points with Ashtead Tech. Overall there are >1,000 customers, and average project values are <£20k.	No
Pricing is more stable because the large, concentrated players have learned not to lower prices during downturns, and they are normally able to keep prices higher even when small players drop prices.	Pricing will decline during downturns, maybe by 20% in severe oil and gas cyclical downturns.	No
Need more maintenance personnel because whenever equipment is rented, it's being used.	Need fewer maintenance personnel because equipment isn't used as much (say, 4 days out of 45).	Neutral
Harder to find maintenance staff, because need more of them. Also, less specialized skills needed.	Maintenance staff is earning profits after 3 months of training but isn't fully capable for 3 years. Much more specialized skills.	Neutral
Counter cyclical cash flow because cease growth capex and sell equipment.	Cash flow is more cyclical because don't sell equipment during downturns, but not that much more due to the cessation of capex. Total capex during downturns is only	No

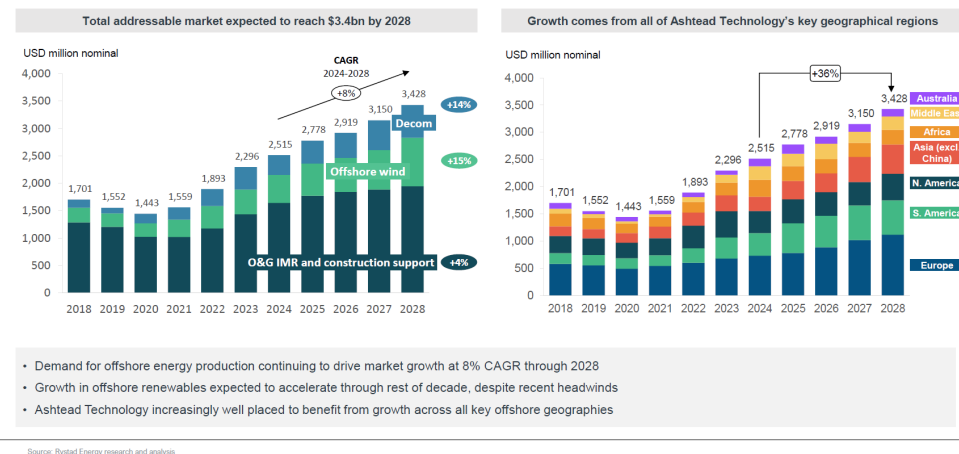
	3-4mm per year (can really ramp it down). Ex: 2020 downturn: FCF margin improved to its best ever (27%) versus 5.5%-8.5% the prior two years (which were good years for the industry). Even though sales declined 11%, FCF was up 180%.	
More acquisitions per year (to increase density with clusters). Ex: Herc doing 12 small deals per year.	1-2 acquisitions per year because can't integrate more than that at one time (to increase products and services offered to be more of a one-stop shop. New acquired products can increase topline immediately by being plugged into Ashtead Tech's customer base)	No
Customers are less sophisticated and don't do excel exercise to see if makes more sense to buy or rent equipment.	Customers don't really use excel to see if makes more sense to buy or rent, either, but sometimes they do. The decision of whether to buy or rent has become more centralized since 2015 (it used to be made by the disparate project managers – now the PMs decide from whom to rent, rather than whether to rent).	No
Clusters. Must have equipment locally so can drop off and pick up equipment quickly.	No clusters. Customer vessel fully equips in UK, Louisiana/Alabama, Singapore, etc. (14 locations) and then sails to where the project is (ex: West Africa, Brazil).	Neutral

Growth

TAM

Rystad Energy (the best-in-class O&G research center) created a custom TAM for Ashtead Tech. It contains only the types of equipment that Ashtead Tech currently has in its fleet (so this TAM will grow as Ashtead Tech acquires mechanical equipment firms that have types of equipment that Ashtead Tech does not currently have – for example, when they acquired their first winches business, that expanded their TAM by 30%); it already includes all of their customers' owned equipment (meaning, as customers rent more and own less, the below TAM will *not* grow). **Ashtead Tech has 7% share of this TAM.** The **TAM is projected to grow at an 8% CAGR thru 2028:**

Market backdrop supportive of continued medium term growth



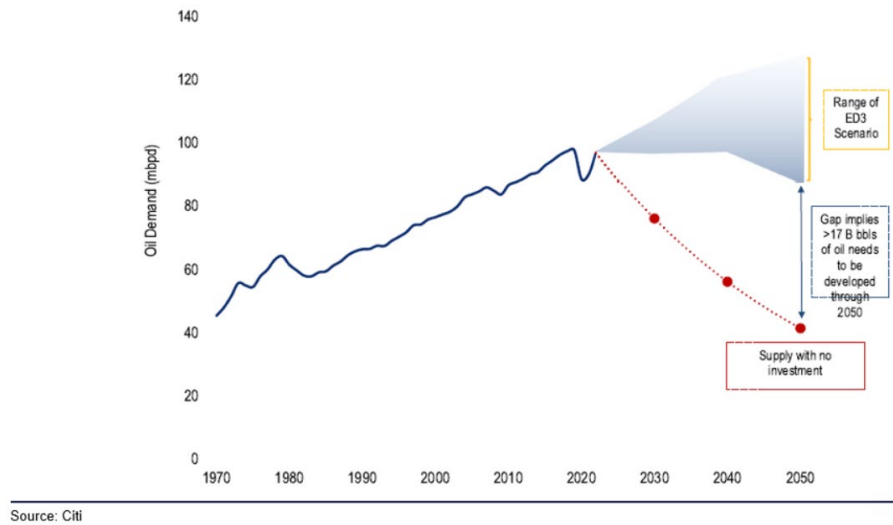
Macro Demand

Most forecasts are for humanity's overall energy needs to continue increasing, due to:

1. An increase in per capita energy consumption as lower income geographies such as India, Africa and China experience an increase in GDP per capita.
2. Continued global population growth through at least 2050 (the UN predicts population growth through 2084, but *The Economist's* estimate of 2050 is more likely, in our view).
3. AI requiring vast quantities of energy. Each 1 GW AI data center would require 3% of the UK grid's annual power production. OpenAI plans to build 5 GW data centers. This means all of the UK's power production would be used to power just 6.5 of these AI data centers.
4. Energy security becoming more important. Germany's fiasco with Russian natural gas woke the world up to the need for each country to source more of its own energy. This will make the energy market less efficient (countries will source more of their own energy rather than the cheapest energy available from other countries, like Russian natural gas or Middle Eastern oil).
5. In addition, 17% of oil production is for non-energy applications such as ammonia for increasing crop yields and manufacturing steel, cement, and plastics. The demand for these is expected to increase as the global lower classes move up the income ladder.

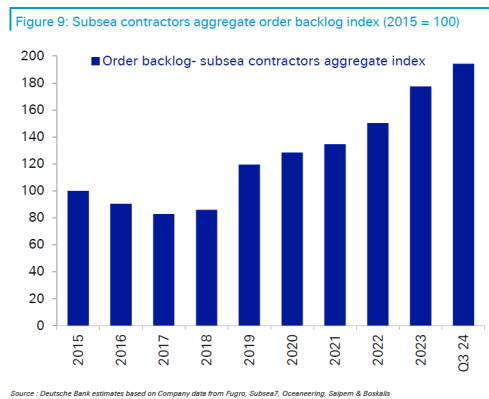
Many governments have been trying to reduce oil and gas drilling, but wind and solar are still more expensive than oil and gas (excluding subsidies, which are unsustainable in most nations). The countries that have moved most aggressively towards cutting emissions (such as Germany) have made progress only on the electricity front. Electricity, however, accounts for only ~18% of total final global energy consumption. The decarbonization of the other 82% (consumed by industries, households, commerce and transportation) will be even more challenging than electricity. Germany has increased renewables to half of its electricity output, but its overall primary energy supply from fossil fuels has only decreased from 84% to 78%. If the country replicates its past record, in 2040 its dependence on fossil fuels will be 70%.ⁱⁱⁱ The same analysis applies to passenger autos: even if the rest of the world begins shifting to EVs as quickly as China has recently, passenger autos only account for 8-15% of global energy consumption, and charging EVs still requires energy from the grid at night (when solar cells can't produce).

Due in part to efforts by some governments to curtail oil and gas usage and drilling, humanity is projected to have a shortfall in the oil needed to meet demand:



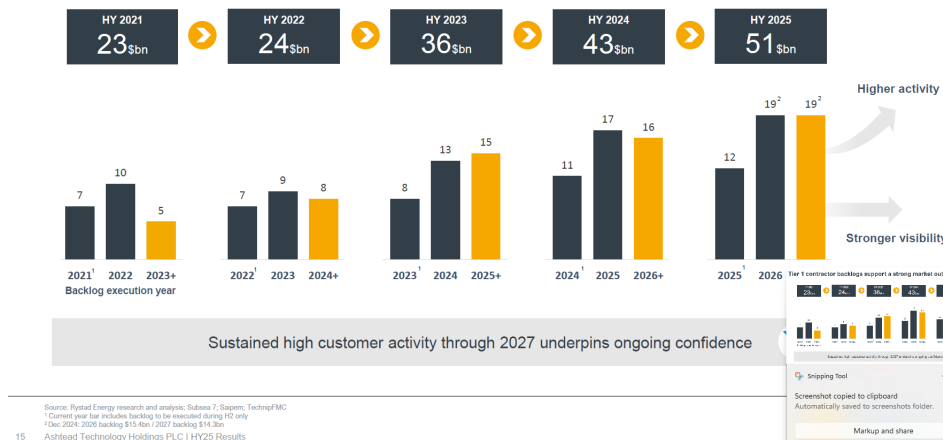
Because so many existing oil and gas fields are seeing declining production (global oil production would fall 8% per year if all capital investment were to cease), 90% of annual upstream oil and gas investment since 2019 has been dedicated to offsetting production declines rather than meeting demand growth. Going forward, to **even just maintain the world's current production would require an additional 47 mb/d of oil and 2,000 bcm of natural gas from new, unapproved projects**, according to the International Energy Agency (IEA). **For oil, this is more than twice what the US produced in 2024, and for gas, it's just less than half of global production in 2024.**^{iv} Wood MacKenzie estimates a lower, but still massive, figure: that we'll need new projects equating to 23-33 mb/d of oil (roughly equal to total annual US production) by 2035. Thus, just to keep production at current levels, let alone to grow it, many new projects would be required, providing significant demand for Ashtead Tech's equipment.

Even though many governments have yet to realize the above and have been pushing for lower oil and gas production, **offshore liquified natural gas capacity is set to triple by 2030 and 4x by 2035**, according to Rystad. And Ashtead Tech's **customers have seen increased backlogs every year since 2019, to record levels:**



The **backlog for projects 2+ years out increased 4.5x in 4 years** (from the end of 2020 to the end of 2024), even though oil and gas has been in a soft market since the beginning of 2024:

Tier 1 contractor backlogs support a strong market outlook



Putting it all together, it is our view that the demand for oil and gas will only increase, and that while the number of oil and gas projects is already increasing to all-time highs, once humanity realizes that we have underinvested in O&G, there may well be even more projects brought on line in the medium and long terms. The high backlog of projects provides us with a margin of safety in the short term if we are wrong about long-term demand.

For further macro analysis, please consult *Appendix I*.

Inorganic

As previously stated, Ashtead Tech has only 7% share of their TAM and will continue to grow via acquisition. Management states they have a vibrant pipeline that they have been cultivating for many years. While they have 23% market share in survey and robotics (of the current rental market, which is roughly 35% of the total survey and robotics market – this market will grow as customers rent more in the future), their share of the extremely fragmented mechanical space is very small and this is where they will be completing more acquisitions. Growth will be lumpy, as some acquisitions will be large and some small.

Organic

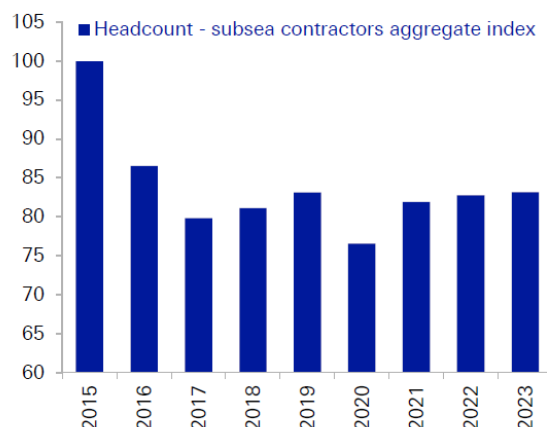
Management expects to grow above the market (8%) by taking share, yielding low double digit organic growth on average each year when not in a downcycle. Over the last three years, organic growth has been higher, ranging from 14% to 35%, greater than 2x industry growth. **Since 2018, organic growth has averaged in the mid-teens, including one down year of -22% (COVID).** Excluding the COVID year, the average was 22%.

Ashtead Tech's customers are experiencing the same gradual market shift from owning to renting equipment as the US land-based renters, for the same reasons: customers want to spend less on capex,

they want to flex their equipment with demand, and they're thinking more about the return they get on their capex (for contractors, ROI calculations have never been the norm). The key thing that subsea contractor CFOs want is to buy more vessels; without more vessels, they can't increase revenue. Vessels and crews cost an order of magnitude more than the type of equipment that Ashtead provides, and represent 95-99% of the daily cost for contractors.

Experts have verified that after the oil downturn in 2015, subsea contractors cut personnel and then didn't have the staff to maintain all of their equipment, so they rented more.

Figure 12: Subsea contractors aggregate headcount index (2015 = 100)



Source : Company data & Deutsche Bank estimates

No one in the industry expects these contractors to rehire that staff and spend limited capex just to bring inhouse the \$4K-10K per-day rental cost out of a total 200K-300K per-day cost.

Importantly, **much of the equipment that subsea contractors own was purchased before 2015. Ashtead Tech management strongly believes much of that equipment will not be replaced once it reaches end of life, and will instead start to be rented.** The contractor culture before the 2015 downturn was very different: they didn't worry about capex and it was managed in a decentralized manner. The project manager was in charge of his budget, he had a 200-day project and decided he wanted to own the equipment because it improved his cash flow for that 200 days and he didn't care about what happened to the equipment after those 200 days, leading to overlapping equipment that was underutilized after its first project.^v After 2015, those decisions became more centralized where they began thinking about the entire life of the equipment and trying to make costs variable.

We discovered there's another reason why some of Ashtead Tech's largest customers continue to shift more towards rental: they are subpar at asset management and utilization. The contractors are so large that they have internal siloes with multiple ERP systems such that they do not efficiently share equipment. For example, Fugro has 50 different operating companies that work with Ashtead Tech, and none of them talk to each other. Ashtead Tech has been working with Fugro for decades, and last year found a Fugro team in the south of *England* that they never even knew existed!

For the last several years, **Ashtead Tech has been raising prices above cost inflation**, and above UK wage increases. They can do this because **the cost of renting from Ashtead Tech is a small portion of the overall project costs for their customer, but they provide mission critical equipment**. The customer cares most about responsiveness, product availability and quality (will it break? Will it be on the ship when the ship's ready to leave port?), in that order, so they are **relatively price insensitive**. If a customer project manager at the last minute does realize he'd rather buy than own based on the pricing he receives from Ashtead Tech, he realizes the lead time from the OEM is several weeks for a lot of the equipment, which means he has to rent from Ashtead Tech anyway. As the PM is gathering and coordinating many different types of equipment and personnel for a complex and expensive undertaking, he/she is often doing things last minute. We heard from Ashtead Tech employees that the busiest time is always Friday afternoon, because customers realize last minute that they don't have everything they need for a boat to leave Saturday. Many of the customers are remarkably disorganized. This is part of the value that Ashtead Tech provides: they run a tight ship and are very responsive, making up for their customers' disorganization.

Ashtead Tech is also well positioned to increase revenue at the companies it acquires. We heard in our expert conversations that many competitors are not investing in expanding their fleet. Thus, when Ashtead acquires a company to bring a new type of equipment into their portfolio (ex: underwater diamond saws), there is low hanging fruit for adding fleet to what they have acquired. Here's an example of what they did to grow their 2019 acquisition of niche Underwater Cutting Solutions (their first decommissioning acquisition):



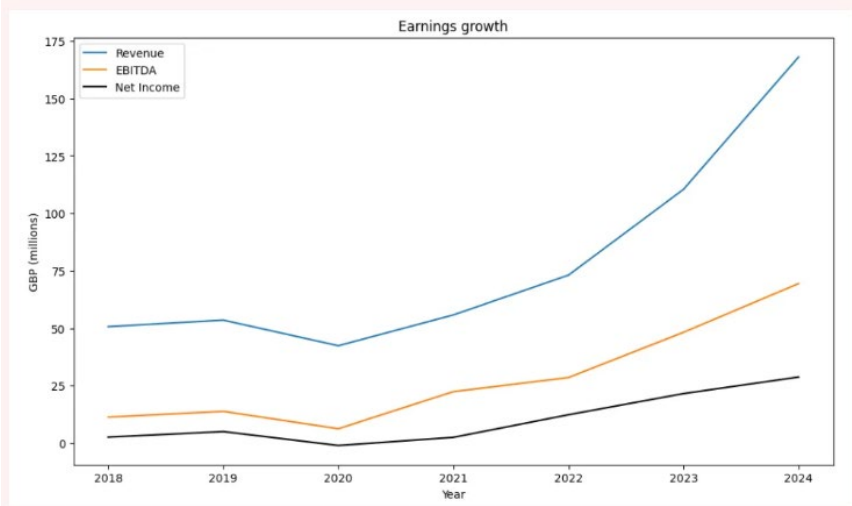
It was a U.K. / North Sea oil and gas-focused niche decommissioning player. Through fleet investment and R&D, Ashtead Tech created a business that is significantly different to that which they bought. They are now doing decommissioning jobs in the U.K., Norway, the Ivory Coast, India and Australia. They did wind farm site clearance work in the Netherlands and undertook maintenance work in Saudi Arabia.

They achieved this by **using their distribution network that was orders of magnitude larger than that which UCS had before.**

Another example was the Seatronics acquisition. Seatronics was cross hiring much of their equipment (renting it from peers to re-rent to their customers) because they didn't have a full fleet, and they weren't trying to grow the size of their fleet. This obviously hurt margins. Ashtead Tech is infilling Seatronics' fleet with growth capex to reduce the cross hiring, which has the side benefit of hurting their competitors from whom Seatronics had been cross hiring.

Cyclical

Except for 2020, the company has grown revenues and earnings each year.



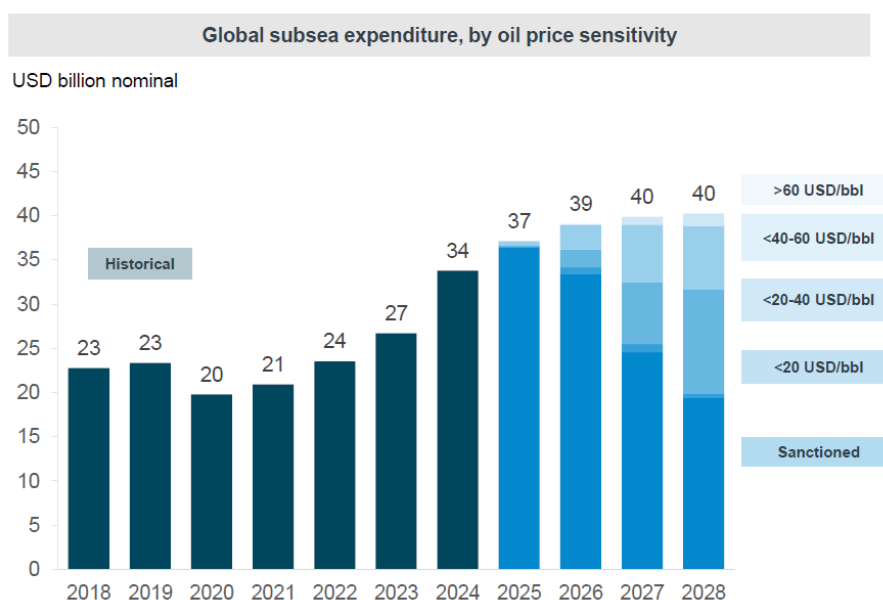
2020 was a tough year for Ashtead Tech, as it was very difficult for their customers to work on offshore projects during COVID lockdown. **Revenue dropped 11%, and EBITDA margin dropped from 46% to a still respectable 40%. ROTC (using post-tax EBITA) was still 25%** (it was higher using owner earnings), and **owner earnings (cash flow) was strong: up 40%, due to lower capex.** Ashtead Tech shows similar performance during downturns as the US land-based equipment rental companies in that capex drops dramatically and thus cash flow improves, leading to **zero risk of insolvency.** Thus, **Ashtead Tech is well positioned to ride out the many downturns it will face over time.** We have already begun working hard to convince them to repurchase shares during those downturns, as we have seen from NVR and CACC that enormous value can be created by doing so.

We delineate between full oil and gas cyclical downturns and soft markets. During a soft market, projects are delayed, but pricing remains fairly firm. During full cyclical downturns, we expect prices could decline ~20%. Allan has experience managing successfully through several cycles. In a good market, he focuses on pricing, and in bad markets, he focuses on utilization, getting more equipment out on projects and not investing in new equipment. Increased utilization and lower opex ameliorates the short-term pressure on margins.

We must also remember that during an oil and gas downturn, which is driven by the price of oil dropping meaningfully, that is when it is the best time for certain maintenance work to be completed by the oil majors. For example, when the oil price is high, the majors want to keep drilling as much as possible, and they often delay maintenance work; during downturns, they sometimes increase the amount of maintenance they do, and they might shutter certain rigs that were close to their end of life sooner than if the oil price were high (leading to new decommissioning work for Ashtead Tech). 40% of Ashtead Tech's revenue comes from oil and gas maintenance and 15% from decommissioning (55% combined), while **only 20% comes from new oil and gas construction. This also ameliorates the effects of a downturn.**

Ashtead Tech will continue to take market share during downturns, and acquire competitors, so it is difficult to forecast what revenue and EBITDA growth will be during downturns. **We know the downturns will be temporary, and that Ashtead Tech will generate more cash in those times, and be building their future earnings power.**

The below graphic shows global subsea projects that would occur at varying oil prices. As you can see, 48% of forecast spend in 2028 is driven by projects that have been "sanctioned" (also known as FID - this is the stage at which the projects have been fully approved; projects are almost never cancelled once they reach this stage, because the operators are contractually obligated to the subsea contractors they've hired – but, these are very long term projects so the short term oil price doesn't often change the work – delays more typically occur if they find something at issue physically with the project – what more typically happens in a downturn is the backlog is worked down and not refilled, rather than the existing projects being delayed or cancelled). And **79% of forecast subsea spend in 2028 is sustained by sanctioned projects plus activity with a breakeven oil price below \$40/bbl. This is a significant amount of future backlog projects that would occur even with a very low oil price:**



The reason that so much of the backlog is for projects that are viable below \$40/bbl is because most new greenfields are in areas where the incremental unit cost is very low, like the Middle East, West Africa, and Guyana, or in an area where the government pushes for production regardless, like Brazil.

It is our view, based on historical market behavior, that even though many projects are viable below \$40/bbl, there will still be a change in behavior if the price of oil drops below \$50, and then again below \$40. This is because projects are so long in nature that the oil majors want to have a margin of safety in case the oil price drops even further in the midst of a project (so if the breakeven cost is \$20, they may only sanction the project if the oil price is \$30). This is not a hard and fast rule, as the oil majors have very long-time horizons for projects (some of 20 years, so no one is making those decisions based on spot prices), and they assume the oil price will rebound at some point based on the basic imbalance between supply and demand we discussed earlier. Nevertheless, most market participants expect that below an oil price of \$50, there would be a tightening up of spend or dividends, and below \$40, more projects would be delayed.

However, there is also a lag effect in this scenario. For instance, if the price of oil dropped to \$39 tomorrow, the projects that we see in the 2027 backlog that can only be done at \$40 and above would still occur in 2027, because it takes time to turn projects off and the termination costs for vessels are significant. They generally must be sanctioned two years in advance. This also means that if the price of oil tanked catastrophically tomorrow, big projects that are already sanctioned would stay buoyant for 2-3 years, with a tail off after that.

Ashtead Tech operates in a cyclical market and its income statement will be cyclical. However, its cash flow will be counter-cyclical, making it safe. In addition, that its customers' backlogs have been consistently growing to record highs during a relatively low-demand period provides comfort and a margin of safety.

Competitive Moat

Size of Fleet

Ashtead Tech's largest scale allows them to earn discounts on OEM equipment pricing.

Another advantage with customers, especially the largest subsea contractors, is having the largest fleet. Product availability (do you have this piece of equipment ready for my project?) is critical for customers, and Ashtead meets this need more often, in any geography, than its competitors..

Ashtead's vast fleet also helps in a situation when a customer has a need for, say, 20 pieces of equipment for a project, and a competitor might have the primary piece of equipment available, and just five others, but Ashtead Tech has all 20 available, so the customer often chooses Ashtead Tech due to the ease of having a one-stop-shop, one contract, one service team, etc.

The competitive landscape is fragmented, with many smaller players, and different players being stronger in different smaller markets. In our research, we came across certain players who a customer would say was the primary competitor to Ashtead Tech, only to find out that Ashtead Tech viewed that peer more as a customer than a competitor, as the company only competed with Ashtead Tech in a certain local market, while they rented far more from Ashtead Tech in other markets. Ashtead Tech's larger fleet provides a useful power dynamic: if they wanted, they could squeeze competitors by choking off part of their supply of equipment. Even their larger competitors will rent from them from time to time. Ashtead Tech is double the size of their largest competitors, STR (UK) and Unique Maritime (Middle East), in survey and robotics (STR and Unique don't really compete in mechanical equipment, so overall, Ashtead Tech is much larger than double their size). We actually did not come across either STR or Unique as a competitor in our customer conversations, demonstrating how fragmented the space is. There is no competitor that is close to Ashtead Tech in mechanical equipment (it's much more fragmented than survey and robotics), nor one that is a major player in both survey and mechanical.

To demonstrate why having equipment all over the globe matters, from a sample of 55 customer vessels across seven customers during 2024, 62% of the vessels moved between countries and 40% moved between regions. A local Norwegian rental competitor, for instance, is not as well placed to service these vessels. Ashtead Tech is everywhere with the most fleet.

The oil and gas industry is beset with project changes and delays. Equipment needs are often changing at the last minute. With a large volume of equipment, project variations are less impactful on Ashtead Tech than smaller competitors. If you look at your total fleet of equipment, say you have 1,000 pieces out and 50 come back early due to a 10 day storm stopping one customer vessel from operating, it won't significantly impact your performance, whereas if your business is renting 10 items and 5 come back, that lowers your revenue by 50%.

Process Power

Besides the size of their fleet, Ashtead Tech's competitive advantage comes from what Hamilton Hellmer calls "Process Power," where a complex system is "fashioned from the bottom up, over decades of trial and error. The fundamental tenets are never formally codified, and much of the organizational knowledge remains tacit, rather than explicit." The classic example is the Toyota Business System, which

remained uncopiable for decades despite Toyota allowing its competitors to tour its facilities. From our touring of Ashtead Tech, we believe the company has Process Power. What follows are examples and anecdotes of how Process Power manifests at Ashtead Tech.

We discussed earlier how Ashtead Tech is often building custom equipment for their customers. This is no easy task. It requires specific engineering and product expertise, as the products they build cannot fail (due to the high associated cost to the customer). When Ashtead Tech receives a customer inquiry for which there is no off-the-shelf piece of equipment, the team sits in a war room and brainstorms how to solve the problem. The team in the room has vast knowledge of all the equipment and components (which fit together like Legos and can be mixed and matched) they have in their fleet from prior custom jobs. This tacit knowledge, expertise and largest array of equipment and components allow them to design a custom equipment set for the customer's need that they can either rent or build and rent. This is also where Ashtead Tech's product innovation comes from; it's primarily customer-led and paid for by the customer, reducing Ashtead Tech's risk and yielding minimal R&D expense.

Thus, Ashtead Tech's primary business model is similar to the rental model of the US land-based equipment rental companies, but it also has elements of the niche manufacturing businesses we know from studying Swedish serial acquirers.

Ashtead Tech's expertise also provides them with excellent market intelligence. For example, they know that for certain customers they are the second call: the customer will first call Competitor A and if that company does not have availability, they'll call Ashtead Tech. Ashtead Tech knows Competitor A has roughly 300 of a certain piece of equipment, while Ashtead Tech has 1,500, and when the customer calls, it indicates that Competitor A is out of stock of that piece of equipment. That allows Ashtead Tech to price that piece of equipment more dynamically.

Their market intelligence is boosted by their scale. Every time a sales person has a conversation with a customer, they are required to type a report into the ERP system, which management in all the worldwide offices reads the next morning. Due to their global scale, this database of customer intelligence is larger than that of their peers (if their peers even collect it - we were unable to ascertain this). This way, Ashtead Tech often knows more about what is happening at a siloed customer than the customer does, because Ashtead Tech is talking to all of the customer's siloes. This allows Ashtead Tech, again, to provide more value to their customers.

The overriding feature of Ashtead Tech's culture of execution is that they are laser focused on the customer and execute better on serving their needs. Customers care most about:

1. Do they respond quickly?
2. Do they have the equipment available to rent?
3. Do I trust their reliability and quality?
4. Price (only if prior three are a "yes")

Ashtead Tech claims to have the fastest response time relative to peers. All of the employees with whom we spoke when we visited Ashtead Tech's facilities had been in the industry for 15+ years, many formerly at Ashtead Tech's competitors. It was evident that employees were very engaged and focused on being responsive to customers. We have seen enough companies from the inside to know one that genuinely has a customer focus and executes on it, and Ashtead Tech does. One example of how this

manifests is in their nighttime and weekend customer service center. Customers can call Ashtead 24/7 and reach a person who is dedicated to their project. If the Ashtead Tech employee needs help, he/she can call and wake up the management team of his/her unit (it was clear this happens from time to time, and management is proud of this). Ashtead Tech claims that competitors will call back in the morning (if you're lucky) – we were unable to verify if this is the case for all competitors, but we believe it is for at least a segment of them.

Another example was an Asset Integrity project over last Christmas. The customer Scottish Power needed a last-minute job done that required new training for Ashtead Tech's offshore technicians. Over Christmas, Ashtead Tech trained the employees and got the job completed in only two weeks. They claim that no one else could have pulled it off or would have even tried to. They have the mindset of "if the customer needs it, we can do it." For Asset Integrity specifically, they claim that only they can do 80-90% of their projects. This is reasonable because they can afford the specialized equipment for the Asset Integrity projects that don't make sense for smaller competitors or contractors who couldn't achieve high enough utilization. One example is a set of photogrammetry equipment which can save customers 25% of vessel days (and remember, each day costs 200K-300K) on certain projects: it costs \$1mm, requires that you have certain other equipment to rent with it, and requires 10 technical personnel to operate it, and only Ashtead Tech can make that work. Most survey and robotics equipment costs \$10K per piece, so it's much easier for competitors to just focus on that.

Another way in which Ashtead Tech's customer focus is tangible is with how their equipment is presented to the customer. Even though the equipment may be 10 years old, Ashtead Tech takes a clever approach and makes everything around the equipment look brand new: the foam that the equipment is packed in is brand new, the equipment cases look brand new, the components are freshly packed in brand-new plastic, and the stickers on the case are brand new. The equipment itself is always painted and polished after it comes back from a job. Here you can see a 10-year-old piece of ROV tooling equipment (that, as a side note, has another 10-15 years of life in it); it's impossible for a customer to tell that this equipment is 10 years old; it looked really good in person:



The difference with most competitors' equipment is stark. For example, when Ashtead Tech acquired its #2 competitor Seatronics in 2024, the equipment looked terrible. It was functional, but the presentation was what you would expect from a 10-year-old piece of equipment packed in a case that had been battered for years. Ashtead Tech immediately took all of Seatronics' equipment and put it through their quality process, and they quickly got it up to Ashtead Tech's particular standards. The integration with Seatronics was completed ahead of schedule.

From speaking with one employee who used to work at a competitor (Claxton, owned by Acteon), it was his view that Ashtead Tech is much more agile, customer focused, nimble, and willing to invest in capex. For example, he sold out the prior week of a tool, and got approval from management in two hours to buy more, whereas that never would have happened at Acteon. Ashtead Tech wants to grow, whereas at Claxton, he "couldn't buy a pencil without approval." He also described how competitors fail by putting low level talent on jobs.

All of the employees we met at Ashtead Tech across three of their sites were capable, energetic, loved what they did, coherent, excited to work across siloes, all rowing in the same direction, and all laser-focused on "customer first." They spoke with delight and pride about how much better their service is than the competitors they worked at in the past. It felt like a high performing team that knows it's on the road to winning the championship.

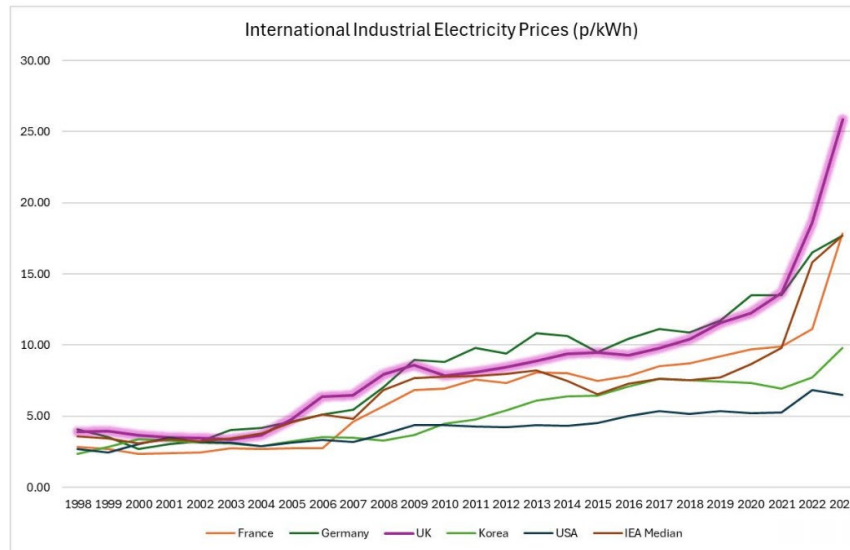
How did we create the current momentum in the business? Not sure. Not sure we could recreate it. But we have it.

-CEO Allan Pirie

Allan said this, being overly humble, in our opinion. But his point was it took 15 years of painstaking work to get to this point, and there is no one “silver bullet” that makes the “magic.” He was describing Process Power, in a nutshell.

Why Does This Opportunity Exist?

- Oil majors start to delay projects when the price of oil drops below \$50, and then again in a more significant way if it drops below \$40. There are market participants who believe oil and gas will enter a cyclical downturn. This may occur, it’s difficult to predict. Owning Ashtead Tech means we will live through multiple downturns, and we don’t believe we can time our entry perfectly, but over the long term, buying at the current multiple will yield an attractive return.
- The Trump tariffs have led to a soft market in oil and gas, with projects delayed as oil majors wait to see what the impact of the tariffs on the global economy will be.
- Trump cancelled all wind development projects in the US, even ones that were under construction. This has a larger impact on Ashtead Tech’s stock than its revenue (US wind equates to only 2% of Ashtead Tech’s revenue).
- Many market participants, especially those in Europe (where Ashtead Tech stock trades), believe that oil and gas production will decline over time rather than increase, due to what they expect will be humanity’s response to climate change and an increase in the number of EVs replacing gasoline-powered vehicles. For example, the UK government has committed to net zero carbon emissions and cut its oil and gas drilling significantly. We believe there is an element of mob mentality to this, and that few people have done the math to realize that practically speaking, humanity will need more oil and gas, but more importantly, even keeping existing O&G production constant will require massive investment in new O&G fields. We also believe that humanity will accept a fix for climate change only if it doesn’t require us to live differently. For example, if turning down the heat or AC, driving our cars less, flying on planes less, and paying higher electricity prices is required to reduce emissions, we believe people will not accept that trade off. The UK already has the highest electricity prices per capita in the world, and their population is very upset about it, not just because it hurts their pocket books, but because it has led a portion of their manufacturing base to move abroad. Higher electricity prices are one of the reasons Europe is struggling to generate economic growth:



Where we are conservative in our modeling assumptions:

- We forecast much lower growth from acquisitions (~8% annually) than the company has achieved since 2017 (31% annually).
- We, and management, forecast much lower organic growth (low DD) than the company has achieved over the last six years (22% annually if we exclude the COVID year).
- We forecast no meaningful increase in EBITDA margins, despite incremental ROICs being well above overall ROICs. We forecast that personnel (one of the largest SG&A line items) does not scale with revenue, even though we believe there is a good chance it will.
- We believe it's quite possible there will be an offshore oil supply shock at some point in the next ten years, leading to meaningfully more work and pricing power for Ashtead Tech, but we have not built that into our base case.

Risks

Risks	Mitigants
Customer concentration	• Each large customer does not make centralized rental decisions; the decision to go with Ashtead Tech or a competitor is made by the many project managers of the hundreds of projects spread among their siloes. The large customers, due to their siloes, often effectively operate as multiple separate organizations. • We are convinced that their large customers will rent more from them over time, not less, for all the reasons we enumerated earlier in the memo. • The largest customer is 13% of revenue (if the merger is approved), which is manageable. That customer would not

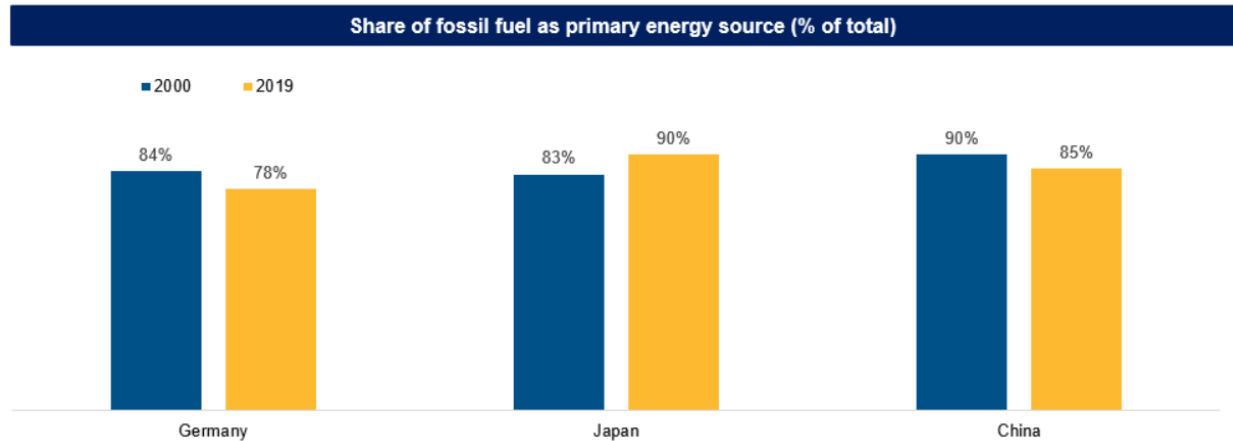
	have an alternative that could replace Ashtead Tech, as no other rental player has a large enough fleet.
Oil and gas market doesn't grow over the medium and long terms	• Most importantly, even keeping global production flat would require an additional 33-47 mb/d of oil and 2,000 bcm of natural gas <i>from new, unapproved projects</i>. For oil, this is more than what the US produced in 2024, and for gas, it's just less than half of global production in 2024. This would create meaningful work for Ashtead Tech. • Even if oil and gas production stagnates, we believe Ashtead Tech's customers will not be replacing much of their equipment that is soon reaching its end of life, increasing rental penetration for Ashtead Tech. • O&G stagnation would require the global population to decline, the global lower classes to stop moving up the income ladder, humanity to purposefully live more inconveniently, battery technology to improve far more and faster than it ever has, and/or governments to change their stance on nuclear (even if they did, it takes 5-15 years to build a nuclear power plant). We think all are unlikely. • The countries that have moved most aggressively towards cutting emissions (such as Germany) have made progress only on the electricity front. Electricity, however, accounts for only ~18% of total final global energy consumption. The decarbonization of the other 82% (consumed by industries, households, commerce and transportation) will be even more challenging than electricity. Germany has increased renewables to half of its electricity output, but its overall primary energy supply from fossil fuels has only decreased from 84% to 78%. If the country replicates its past record, in 2040 its dependence on fossil fuels will still be 70%.^{vi} • Even if oil and gas production stagnates, 85% of Ashtead Tech's fleet can be used for offshore wind projects.
UK ceases building new wind farms – this would decrease Ashtead Tech's wind revenue (which is 25% of the total) drastically because there is almost no wind maintenance revenue yet, due to how new the windfarms are.	• If the UK stops building new wind farms, they'll have to replace that energy with natural gas (there is plenty of natural gas in UK waters), which is just as good for Ashtead Tech. Although there could be a short-term disruption if the timing is off between shuttering new wind projects and launching new gas ones. • Long term, the maintenance revenue from the existing windfarms will appear. Windfarms have lives of 20-25 years. At the end of life, Ashtead Tech will benefit from the decommissioning work.
Short term risk: oil and gas prices tank soon, driving down Ashtead Tech's stock soon after we buy it.	• It is very difficult, if not impossible, to forecast the price of oil. The recent softness in the market has been driven by uncertainty due to the Trump tariffs: oil and gas execs are pausing projects to see how this all shakes out. Our view is that humanity's energy needs are ever increasing and that

	there is no practical way to fulfill them without more new oil and gas projects. • If it happened, it would not pose a threat to the long-term thesis, as Ashtead Tech's EBITDA would likely decline 15-20% temporarily and cash flow would likely <i>increase</i>. We know that Ashtead will go through periodic drawdowns, as it operates in a cyclical industry; we know we are signing up for the stock to be volatile over our long-term hold period. • Only 20% of revenue is exposed to new O&G construction. • This would prove only temporary, until the cycle reversed.
Investment returns risk: 1-2 years of missed compounding	• Management expects ~20% growth during normal years, including low DD organic. However, during severe downturns, organic growth should be much lower, potentially even negative. Even in slow years, organic growth will be lower (though probably not negative). The risk is that we have a few years of 20% growth and a few in which revenue doesn't grow, leading to an overall compounding rate below our 20% hurdle. • Mitigant: historical growth has been well above 20% during the normal years. Debt capacity would allow them to fund well above 8% annual inorganic growth (our forecast). It is our best estimate that if there were 1-2 years of low growth in a down market, they would be followed by years of growth well above 20%, in line with historical performance, due to larger acquisitions. We think that M&A growth is more likely than not to be above our projections, whereas organic is more difficult to forecast.

Appendix I – More on the Macro Situation

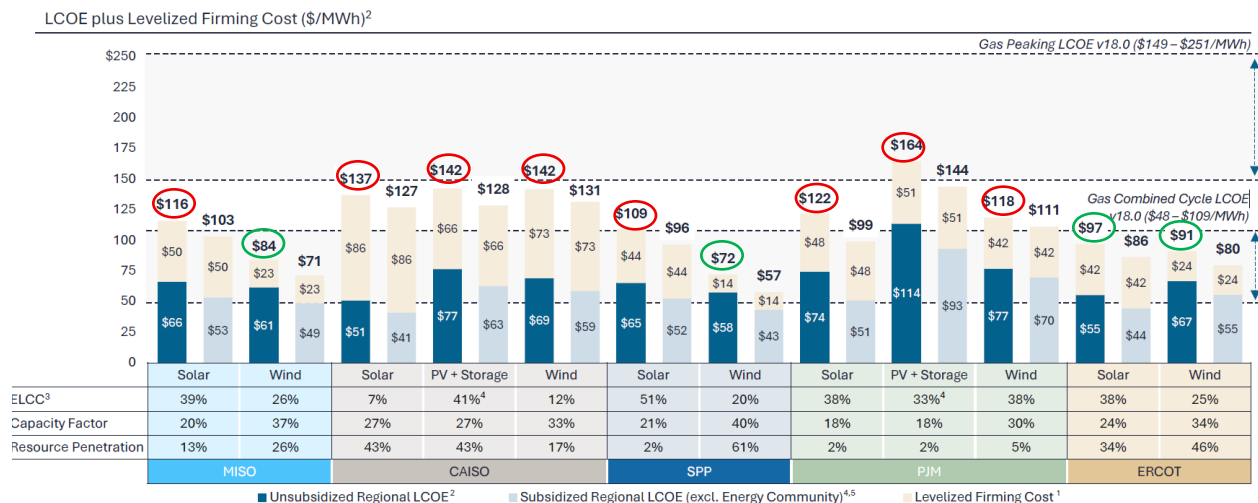
The need to address climate change has many, especially in Europe, believing that oil and gas consumption will decline due to actions humanity will take to increase renewables. However, despite fossil fuels comprising a slightly lower share of energy, they've increased in absolute terms:

While renewable energy has come online, energy demand has grown so that the share from fossil fuel has barely moved; In China, the share of energy from fossil reduced by 500bps 2000 – 2019, but demand for fossil tripled; The annual global demand for fossil fuels is equal in mass to the amount of water drunk annually globally



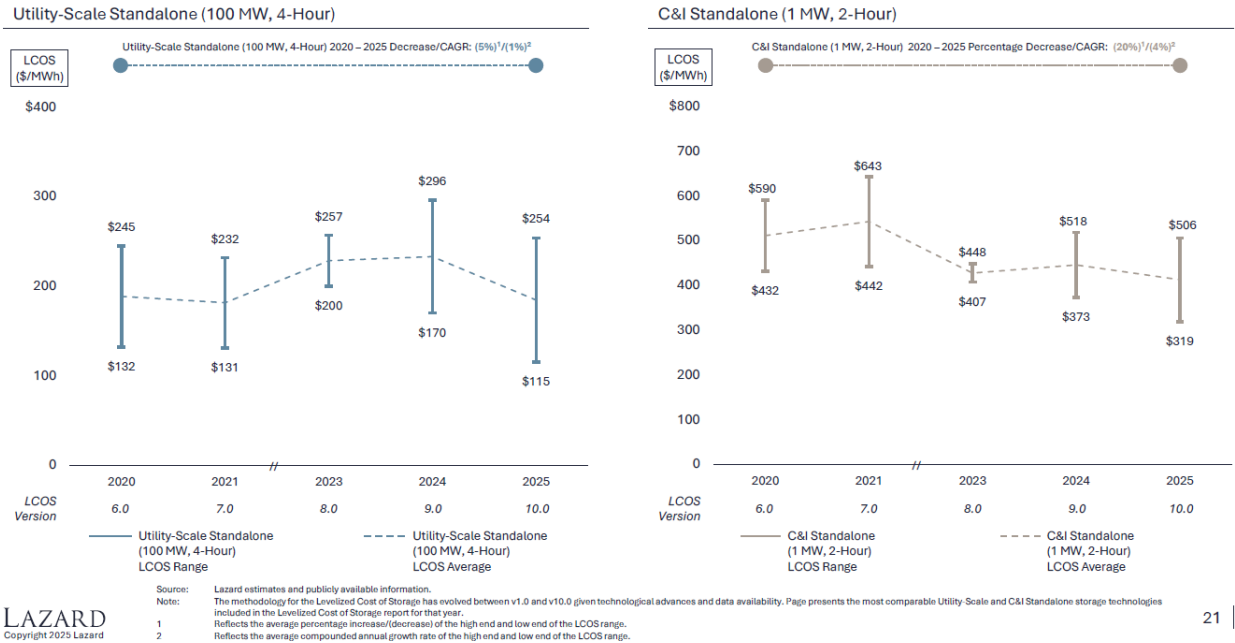
Fossil fuel use has increased in absolute terms even though humanity was much more aligned around tackling climate change five years ago than now. We believe it is unrealistic to think that oil and gas will disappear quickly. We expect a higher *percentage* of energy to come from renewable sources over time, but we believe oil and gas production will increase nonetheless.

It is our view that there are no alternatives that can replace oil and gas. Wind and solar are by definition intermittent (not even the renewables expert with whom we spoke believes renewables can replace baseload resources), as well as too expensive without government subsidies (which are unsustainable). In the chart below, 8 out of 12 of the unsubsidized renewables are more expensive than the highest end of the cost range of natural gas (“gas combined cycle LCOE of \$48-\$109”), and none of the four that fall within the natural gas cost range are close to below the lowest end of the gas cost range:



Renewables only work as an O&G alternative if:

1. Batteries improve, but battery energy density has tripled in the last 40 years and another tripling would still not get them to be sufficiently efficient. Indeed, the levelized cost of storage (LCOS) has barely moved in the last five years:



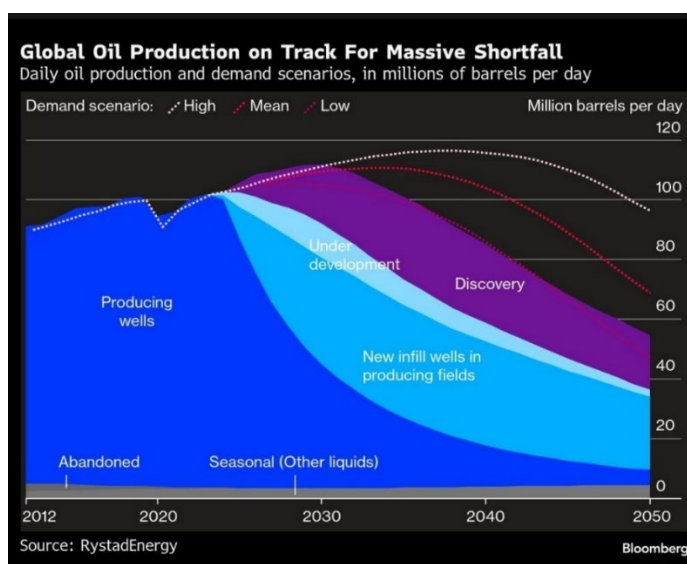
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The most optimistic forecasts for achieving the technology required for cost-effective long storage (multi-week, which is required to replace oil and gas) are for 2035-2040.

2. Electricity grids are upgraded to handle much higher voltages and to effectively transport energy across great distances. With O&G, energy can be produced and put onto the grid near where it is used. With wind, the energy must be transmitted from wherever it's windy to cities, which can be very long distances. With solar, from where it's sunny to cities (it's a very long distance from the American Southwest to the large East Coast cities). Upgrading electricity grids is expensive. We have not completed an exhaustive analysis, but we found instances in which it cost \$4-5mm per mile to install high voltage transmission lines above ground, and much more below, plus costly substations and converter stations.^{vii} However, experts in the US point to other issues being even larger constraints than cost: permitting, NIMBYism and cross-state regulations. There is often local opposition and right-of-way fights that routinely delay or shrink projects. No one wants a transmission line in their backyard, and to get a line across thousands of miles requires going through many localities, thousands of private plots of land, etc. Regions don't easily agree on who pays for, and benefits from, long lines serving distant load centers. The best example in the US was a regional line built from New Mexico to California, *through mostly uninhabited land*, and it took 15 years to get operational. Similar constraints exist in many other countries as well. All-in, upgrading electricity grids for long distance transmission is a Herculean task.

Nuclear is the best energy source to compete with oil in a carbon neutral way, but most governments are investing *less* in nuclear, not more, due to high upfront costs, construction delays and many political parties having a long-standing, staunch anti-nuclear stance.^{viii} Witness how Germany shuttered all of its nuclear plants in the middle of its desperate situation to make up for the loss of Russian natural gas a few winters ago.

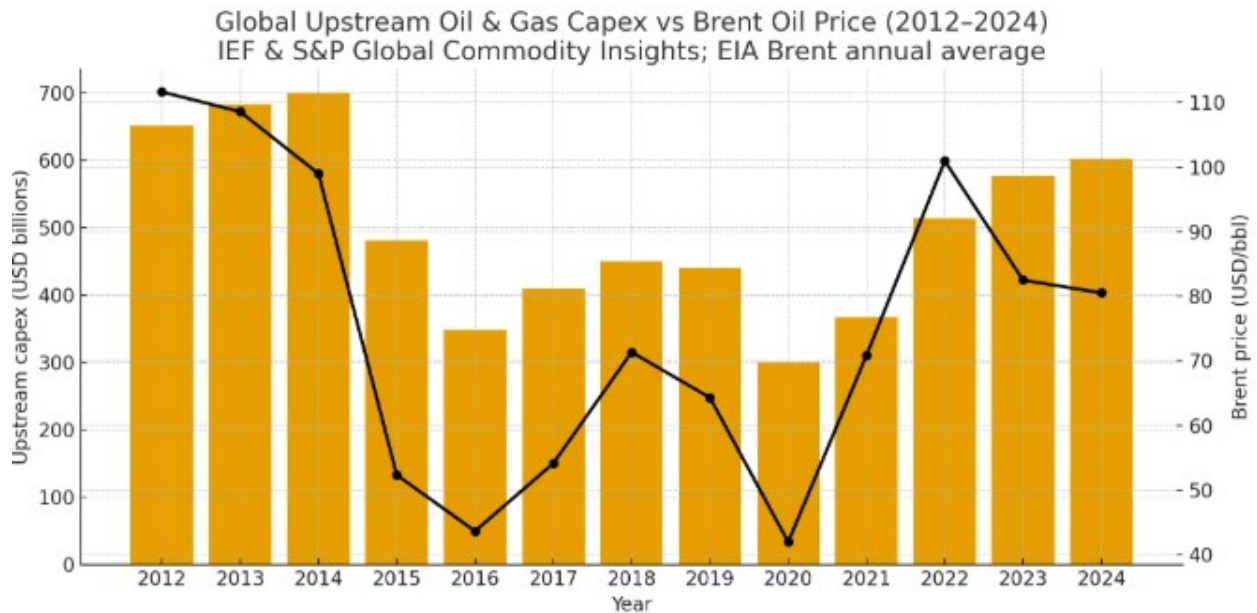
The 2015 downturn in oil and gas was driven by the belief that we'd reach peak oil in the 2020s (which no one believes anymore – to wit, the IEA, which in 2021 called for a full cessation of new oil and gas fields, just a few days ago announced that the world needs an additional 47 mb/d of oil and 2,000 bcm of natural gas from new, unapproved projects to just keep production stable – it is difficult to overstate this about-face) and due to the shale gas revolution in the US. Recently, however, shale production growth has slowed with plateauing well efficiency, well counts being down significantly, and there is less development, as offshore O&G has lower breakevens (offshore oil has the lowest breakevens and largest reserves outside of Middle East onshore). It has been true that with lower oil prices (and thus lower cash inflow), oil majors have often preferred investing in shale instead of offshore because shale requires a much lower upfront capital outlay (\$5-10mm per well) and starts producing in six months, versus offshore which requires billions of capital outlay and produces in 7-10 years; it's much easier to modulate investment up and down with shale as the price of oil moves. However, the best "core" shale zones are depleting, and the marginal cost of shale is forecasted to rise ~35% by the mid 2030s. Indeed, in 2024 the vast majority of new discoveries, project approvals and startups were offshore (and all twelve projects reaching Final Investment Decision (FID) in 2024 were offshore).^{ix} By 2030, offshore oil and gas, and more specifically deepwater, will be "the key, if not the only, source of non-OPEC oil growth," according to Rystad Energy. There is the potential we are in the early innings of an offshore supply shock, which would benefit Ashtead Tech meaningfully (we have not included such a supply shock in our base case).



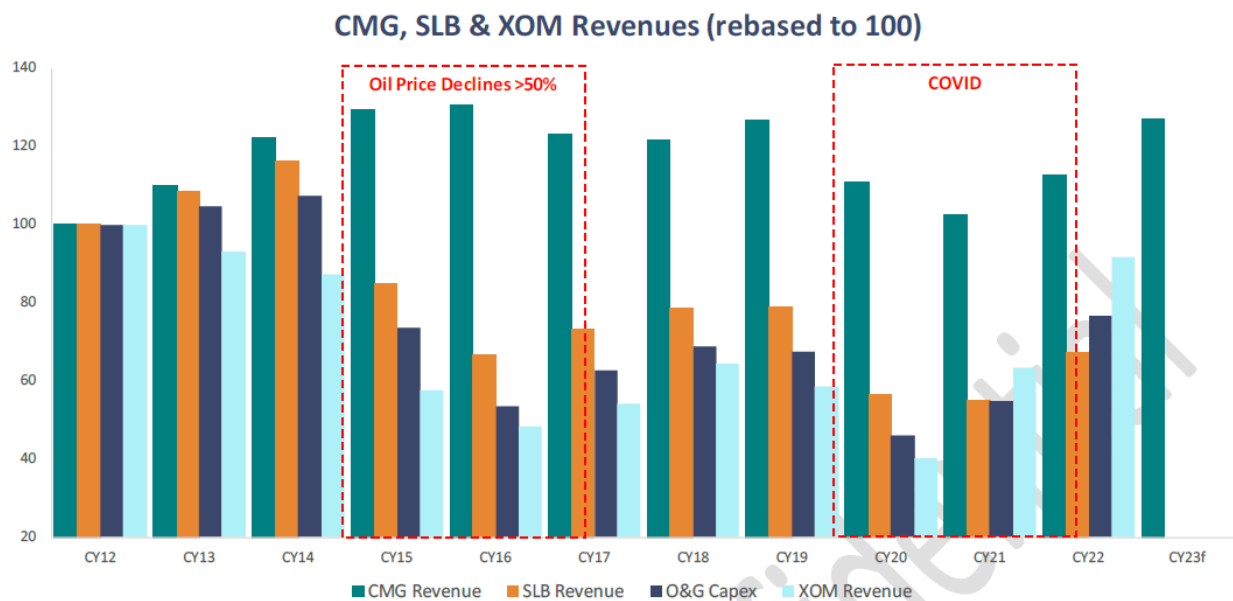
Additionally, without new investment, global oil and gas supply will become much more concentrated in a small number of countries, particularly in the Middle East and Russia, where the fields have the

slowest post-peak decline rates and lowest breakeven costs. From an energy security perspective for Western countries, meaningful new oil and gas projects are needed.

Here is how oil and gas capex has changed over time, overlaying the price of oil:



Similarly, here were the revenues of some of the major oil players over that time:



Source: IEF, S&P Global Commodity Insights, Company Documents, Edgeworth Analysis

The main risk in the short term is if the price of oil and/or gas drops such that oil majors put off new projects. The price of oil has already declined to the low 60s from increased global inventory (especially in China, where they are purposefully stockpiling oil) and OPEC drilling, leading to lower activity,

especially in the US. Trump has been pressuring OPEC to keep prices lower to pressure Russia and bring down gas prices for consumers. The EIA predicts that the oil price will fall to around \$50 next year before moving back upwards once producers cut production due to the lower price. Interestingly, contrary to history, revenue for oil services companies has actually de-correlated from the price of oil since 2022. The industry is in a position of strength (net debt, FCF, margins, ROICs) seldom seen in past cycles, oil production continues to grow (with widening divergence between US and international companies, with the US being soft), and rig activity is down 3% across the globe since the end of 2024.^x Exploration and production capex expected for 2026 entered negative territory in Q3:

EXHIBIT 61: E&P capex plans for next year entered negative territory in 3Q25 and the outlook from oil service companies contracted to -33 in 3Q25 from -13 in 2Q25.



Source: FED, Bernstein analysis

Ashtead still appears to be holding up well, but we will have to see. The price of natural gas is rising, which should help offset softness in oil. There is more offshore oil production than natural gas (we estimate a 60/40 split), but natural gas has more new projects due to its lower carbon intensity and that fewer new oil wells are being found.

Endnotes

ⁱ For a sense of how complex and difficult these offshore projects are, see this video on Shell's decommissioning of its Tapti platforms (an Ashtead Tech cutting technician makes an appearance towards the end):

<https://www.youtube.com/watch?v=3FggXjwCAog>

ⁱⁱ 4K is the average for survey and robotics. 10K-15K is the average for mechanical equipment because it can have eight Ashtead Tech technicians working two 12-hour shifts (so they're on 24/7).

ⁱⁱⁱ Vaclav Smil, [How the World Really Works](#).

^{iv} IEA study, September 2025. It is worth noting that the IEA, in May 2021, had stated that humanity would reach peak oil demand in 2030 and must cease all approvals for new oil and gas field development. The September 2025 report represented a complete about-face, stating that meaningful new investment would be required just to maintain current production.

^v It wasn't just subsea contractors who were wasteful with their capex. As an example, in the late 1990s Allan worked for Shell, who had warehouses full of equipment they weren't using. Employees from all over bought the equipment and then discarded it, multiple siloes bought the same equipment and no one ever rationalized it. The

discarded equipment wasn't even catalogued. It's somewhat better now, as 2015 forced companies to be smarter about buying equipment, but historically there has been a lot of waste in the oil and gas industry.

^{vi} Vaclav Smil, How the World Really Works.

^{vii} Public Utility Commission of Texas.

^{viii} Vaclav Smil, How the World Really Works.

^{ix} *Oil & gas extraction's move offshore: Trends and risks*, Global Energy Monitor.

^x Bernstein, October 6, 2025.

Investment Case

Disclaimer: *this is a forecast using many assumptions. We are not seeking precision, but to get it roughly right. Do not rely on this to make an investment decision. Do your own work.*

GBP 000s except per share

	Fiscal Year Ending December 31,																		Last 6-Yr	Next 6-Yr
	2018A	2019A	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	CAGR	CAGR
Income Statement																				
Total revenue	37,710	47,780	42,401	55,805	73,120	110,466	168,044	206,694	248,033	310,041	372,049	465,062	558,074	669,689	790,233	932,475	1,081,671	1,254,738		
% Growth		26.7%	-11.3%	31.6%	31.0%	51.1%	52.1%	23.0%	20.0%	25.0%	20.0%	25.0%	20.0%	20.0%	18.0%	18.0%	16.0%	16.0%	28.3%	22.1%
Organic rev. growth	21.0%	6.0%	-22.0%	31.0%	23.7%	35.0%	14.0%													
Admin expenses	24,219	28,316	29,796	33,385	36,217	55,291	87,772	106,447	127,737	159,671	190,861	237,647	284,060	339,532	399,068	469,035	541,917	628,624		
% Revenue	64.2%	59.3%	70.3%	59.8%	49.5%	50.1%	52.2%	51.5%	51.5%	51.5%	51.3%	51.1%	50.9%	50.7%	50.5%	50.3%	50.1%	50.1%		
Adj. EBITDA	16,883	21,919	17,037	22,437	28,555	48,253	69,451	80,549	96,659	127,249	153,443	183,096	220,831	280,216	332,235	374,577	436,672	532,544		
% Margin	44.8%	45.9%	40.2%	40.2%	39.1%	43.7%	41.3%	39.0%	39.0%	41.0%	41.2%	39.4%	39.6%	41.8%	42.0%	40.2%	40.4%	42.4%	26.6%	21.3%
EBIT	4,275	8,760	3,108	7,608	18,068	31,210	42,793	50,911	61,094	82,793	100,095	116,411	140,809	184,190	218,924	240,870	281,573	352,629		
% Margin	11.3%	18.3%	7.3%	13.6%	24.7%	28.3%	25.5%	24.6%	24.6%	26.7%	26.9%	25.0%	25.2%	27.5%	27.7%	25.8%	26.0%	28.1%	46.8%	22.0%
Finance costs	2,499	3,315	3,849	4,019	1,459	4,000	6,923	8,511	8,456	9,990	12,623	15,824	18,972	22,771	28,246	34,526	39,846	45,733		
EBT	1,874	5,445	(741)	3,589	16,630	27,493	36,063	42,783	53,098	73,378	88,163	101,450	122,873	162,661	192,144	208,074	243,734	309,223		
Taxes	(755)	410	257	1,060	3,965	5,914	7,285	10,201	12,660	17,495	21,020	24,188	29,296	38,782	45,812	49,610	58,112	73,726		
Tax rate	-40.3%	7.5%	-34.7%	29.5%	23.8%	21.5%	20.2%	23.8%	23.8%	23.8%	23.8%	23.8%	23.8%	23.8%	23.8%	23.8%	23.8%	23.8%		
Net income	2,629	5,035	(998)	2,529	12,665	21,579	28,778	32,583	40,438	55,883	67,143	77,262	93,577	123,879	146,332	158,464	185,622	235,497		
% Margin	7.0%	10.5%	-2.4%	4.5%	17.3%	19.5%	17.1%	15.8%	16.3%	18.0%	18.0%	16.6%	16.8%	18.5%	18.5%	17.0%	17.2%	18.8%	49.0%	21.7%
Diluted EPS	\$ 0.04	\$ 0.07	\$ (0.01)	\$ 0.04	\$ 0.16	\$ 0.27	\$ 0.35	\$ 0.40	\$ 0.49	\$ 0.68	\$ 0.81	\$ 0.93	\$ 1.13	\$ 1.49	\$ 1.75	\$ 1.89	\$ 2.21	\$ 2.79		
% Growth		91.5%	-119.8%	-353.4%	340.7%	69.8%	32.9%	12.8%	23.7%	37.7%	19.7%	14.7%	20.7%	31.9%	17.7%	7.9%	16.7%	26.4%	45.7%	21.3%
Owner Earnings Per Share	\$ 0.16	\$ 0.17	\$ 0.24	\$ 0.14	\$ 0.34	\$ 0.41	\$ 0.32	\$ 0.73	\$ 0.68	\$ 0.94	\$ 1.12	\$ 1.27	\$ 1.61	\$ 2.03	\$ 2.36	\$ 2.70	\$ 3.10	\$ 3.76		
% Growth		4.4%	40.2%	-39.3%	136.6%	20.2%	-20.8%	126.3%	-6.8%	37.8%	18.7%	13.7%	26.8%	25.9%	16.0%	14.8%	14.7%	21.0%	12.2%	30.6%
Profitability & Efficiency																				
Cost utilization	41.0%	35.0%	37.0%	43.0%	44.0%	45.0%	46.0%													
ROTC, net	40.6%	31.5%	24.8%	32.0%	46.7%	53.7%	42.5%													
ROIC, net	19.2%	14.2%	9.9%	12.0%	16.3%	20.8%	18.6%													

