

Ashtead Group

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Sterling slump: Who's benefitting?

Amid the fresh Brexit-induced turmoil of the last few months, the pound has plumbed new depths against the dollar, slumping to its lowest level so far this year of US\$1.25 on Monday as Prime Minister Theresa May called off a vote on the government's Brexit deal.

However, despite the volatility in the currency, there are a number of British-listed firms that seem to be benefitting as the pound inches ever closer to dollar parity.

Heavy US exposure

One of the obvious beneficiaries are firms that have a heavy presence in the US market and are thus continually raking in dollars as a key component of their revenue streams.

Industrial equipment rental firm Ashtead Group PLC (LON:AHT) is one such example, who on Tuesday said it expected annual results to beat expectations thanks to a boost from its US Sunbelt unit in the first half.

READ: Ashtead predicts forecast-beating annual profit after US growth boosts first half

With Ashtead reporting its overall results in sterling, any weakness in the pound will simply add extra value to its US earnings.

The market also took notice, with the firm's share price jumping 4.6% to 1,680p in lunchtime trading Tuesday.

Another firm benefitting from heavy US exposure is industrial electronics distributor Electrocomponents PLC (LON:ECM), whose half-year results in November saw 26% of revenues coming from the Americas.

READ: Electrocomponents profit soars as performance improvement plan kicks in

The group saw an upswing in takings from the region during the period, up 7.8% at £240.2m compared to the year-ago period, while the like-for-like change was 10.9%.

READ: Ferguson sees first-quarter trading profit, revenue rise thanks to US growth, UK still weak

In the FTSE 100, plumbing and heating products distributor Ferguson Plc (LON:FERG) has seen its heavy US exposure actually offset a UK decline, reporting that growth in its US business, which comprised around 83% of its revenues, grew around 12% while its UK arm contracted by 9.5%.

Oils, Miners, and Pharma

Russ Mould, investment director at AJ Bell, also says that the weakening of sterling also benefits heavy dollar commodity players such as oil producers and metal miners, as these dollar-denominated commodities will "mathematically benefit" from any weakness in sterling.

Price: 2134

Market Cap: £9.79 billion

1 Year Share Price Graph



Share Information

Code: AHT

Listing: LSE

52 week High Low
2358.7 1572.5

Sector: Business & education services

Website: www.ashtead-group.com

Company Synopsis:

Ashtead Group is a leading provider of rental equipment with operations in the US and the UK. We provide equipment that lifts, powers, generates, moves, digs, supports, scrubs, pumps, directs, ventilates, whatever the job needs.

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However, he adds that the benefit to oils is currently being overshadowed by a larger problem in the form of a slump in crude prices since the start of October.

During that time, Brent crude has fallen from a yearly high of around US\$85 a barrel to about US\$60.4 on 11 December, a drop of 29%.

There is also a benefit to US-exposed blue-chip pharma firms such as AstraZeneca PLC (LON:AZN) and GlaxoSmithKline PLC (LON:GSK), the former of which reports in dollars while the latter recently received approval for its Shingrix shingles vaccine from US regulators.

Dollar driving post-Brexit equity growth

"As dollar earners and asset owners, if the pound continues to weaken, they will benefit," Mould says of the companies, adding that firms like these have been key drivers of the FTSE indexes since the Brexit vote in July 2016.

"The pound is still around 13% below where it was before the referendum...and the pound down, FTSE up trajectory has been mainly driven by these firms".

In early afternoon trading, sterling was trading around 0.45% higher against the dollar at US\$1.261.

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