

# Hero Acquisitions Limited

(subsidiary of HSS Hire Group plc)

9M FY15 Results  
November 2015



# Agenda

- John Gill, CEO: Introduction
- Steve Trowbridge, CFO: 9M Results
- John Gill, CEO: Summary
- Q&A

# Introduction

- 10.7% revenue growth in 9M FY15, Adj. EBITDA<sup>1</sup> 0.6% lower than in 9M FY14
- Stable market conditions through September, after variability of July and August
- Market environment remains competitive; more tender activity amongst large corporate
- Strategic progress continues:
  - 50<sup>th</sup> new local branch opened today. New local branches performing in line with expectations
  - Continued strong revenue and earnings growth in Specialist businesses
- Detailed planning for implementation of our new National Distribution Centre through H1 2016 continues
- Progressing well with rebasing of costs. On track to deliver within guidance previously provided

<sup>1</sup> EBITDA stated before exceptional costs relating to restructuring and acquisition costs

<sup>2</sup> Fixed asset additions to materials and equipment held for hire

# Income statement (1)

39 week period ended 26 September / 27 September

£m	2015	2014	Growth (%)	Organic (%)
Revenue	230.8	208.5	10.7%	9.3%
EBITDA	47.3	50.5	(6.3%)	(9.1%)
Exceptionals (non-finance)	4.1	1.2		
<b>Adj. EBITDA<sup>1</sup></b>	<b>51.4</b>	<b>51.7</b>	<b>(0.6%)</b>	<b>(3.7%)</b>
<i>Adj. EBITDA margin</i>	22.3%	24.8%		
<b>Adj. EBITA<sup>2</sup></b>	<b>14.1</b>	<b>23.7</b>		
<i>Adj. EBITA margin</i>	6.1%	11.4%		

- Revenue growth delivered across the Group through 9M 15
- EBITDA margin reflects cost investment and changes in revenue mix
- Fuller positive impact of cost saving initiatives will be realised through Q4 FY15 and FY16

<sup>1</sup> Adjusted earnings stated before exceptional costs relating to restructuring, IPO and acquisition costs. See appendix C

<sup>2</sup> Adjusted EBITDA less depreciation

# Segmental analysis

**39 week period ended 26 September / 27 September**

£m	2015	2014	Growth (%)
<b>Core businesses</b>			
Revenue	196.6	181.7	8.2%
Adj. EBITDA	33.5	38.1	(12.1%)
Adj. EBITDA margin	17.0%	21.0%	
<b>Specialist businesses</b>			
Revenue	34.2	26.8	27.6%
<i>of which: UKP</i>			10.6%
<i>of which: ABird / Apex<sup>1</sup></i>			24.5%
Adj. EBITDA	17.9	13.5	32.6%
Adj. EBITDA margin	52.3%	50.4%	

<sup>1</sup> Organic growth excluding any intercompany trading

- Revenue growth in Core business across all geographies, together with cost investment in our local branch rollout
- Continued strong growth in HSS Training and HSS OneCall
- Specialist growth underpinned by fleet investment and continued high utilisation

# Income statement (2)

**39 week period ended 26 September / 27 September**

£m	2015	2014	Growth (%)
<b>Adj. EBITDA</b>	<b>51.4</b>	<b>51.7</b>	<b>(0.6%)</b>
Depreciation	(37.3)	(28.0)	33.2%
Amortisation	(1.8)	(1.0)	
<b>Adj. Operating profit</b>	<b>12.3</b>	<b>22.6</b>	<b>(45.6%)</b>
Net finance cost (pre exceptionals) <sup>1</sup>	(21.3)	(16.6)	
<b>Adj. PBT</b>	<b>(8.9)</b>	<b>6.0</b>	
Exceptionals (all)	(8.4)	(8.9)	
<b>Reported PBT</b>	<b>(17.3)</b>	<b>(2.9)</b>	
Tax	-	(1.3)	
<b>Reported PAT</b>	<b>(17.3)</b>	<b>(4.2)</b>	

- Growth in depreciation from prior period principally due to ongoing investment in hire fleet
- Increase in net finance cost (pre exceptionals) due to changes in capital structure post IPO funds flow and resulting increase in intercompany interest alongside increased RCF drawings to fund capex settlement

<sup>1</sup> Pre exceptional finance costs which principally relate to costs related to the restructure of the group's debt during the period

# Cash flow

**39 week period ended 26 September / 27 September**

£m	2015	2014
<b>Operating cashflow (“OCF”)<sup>1</sup></b>	<b>30.5</b>	<b>45.0</b>
Less: Capex <sup>2</sup>	(75.4)	(50.0)
<b>OCF less Capex</b>	<b>(44.9)</b>	<b>(5.0)</b>
Less: Tax	1.1	(0.7)
<b>Net cash flow before financing</b>	<b>(43.8)</b>	<b>(5.7)</b>
Less: SSN redemption premium / Debt issue costs	(4.3)	(7.6)
Less: Net interest payable	(13.3)	(9.7)
Add: Net proceeds from borrowing	49.5	22.6
<b>Net decrease in cash</b>	<b>(11.9)</b>	<b>(0.5)</b>

- Lower operating cashflow principally due to continued unwind of 2015 capex creditors
- Continued investment in hire and non hire fleet to support customer demand and growth

<sup>1</sup> Operating profit before depreciation and amortisation but after exceptionals and the net movement in working capital. See appendix D

<sup>2</sup> Capex includes purchase of hire equipment, non hire property, plant and equipment and software and acquisitions of subsidiaries

# Balance sheet

**As at 26 September / 27 September**

£m	2015	2014
Intangible assets	152.8	141.8
Tangible assets	183.4	143.2
Deferred tax asset	2.5	-
Net Current Assets <sup>1</sup>	29.9	5.3
Other net liabilities	(11.6)	(9.8)
Net debt <sup>2</sup>	(416.6)	(301.1)
<b>Net liabilities</b>	<b>(59.5)</b>	<b>(20.6)</b>

- Growth in NBV of tangible assets reflects continued investment in hire fleet and All Seasons Hire acquisition in May 2015
- Increased working capital balance reflects increase in trade and other receivables and inventories
- Increase in net debt reflects post IPO funds flow and increased amounts owed to group undertakings alongside cash settlement of H2 FY14 and H1 FY15 capex. Net third party debt reduced to £210.4m (2014: £230.2m)<sup>2</sup>

<sup>1</sup> Current assets less current liabilities. Current assets / liabilities captured within net debt e.g. the current portion of finance leases are not reflected in working capital

<sup>2</sup> Comprises cash and all debt principal and accrued interest balances, including those which would ordinarily be shown within current assets, current liabilities or non current liabilities. See appendix E

# Summary

- 9M revenue growth in line with guidance. Continued focus on 'measured' growth with particular focus on margin improvement
- We have made significant progress on the implementation of our cost rebasing plans. Fuller positive impact of cost saving initiatives will be realised through Q4 FY15 and FY16 and expected to be in line with guidance
- Planning and mobilisation progressing well for managed implementation of our new National Distribution Centre through H1 2016
- We will provide more detail on both the cost rebase and new National Distribution Centre in our FY15 results announcement in April 2016

# Q&A

# Important notice

## By reading or reviewing this presentation, you agree to be bound by the following limitations:

This presentation has been prepared by the HSS Hire Group (the "Group") solely for information purposes. For the purposes of this disclaimer, this presentation shall mean and include the slides in this deck, the oral presentation of the slides by the Group or any person on its behalf, any question-and-answer session that follows the oral presentation, hard copies of this document and any materials distributed in connection with the presentation. By attending the meeting at which the presentation is made, dialling into the teleconference during which the presentation is made or reading the presentation, you will be deemed to have agreed to all of the restrictions that apply with regard to the presentation and acknowledged that you understand the legal regulatory sanctions attached to the misuse, disclosure or improper circulation of the presentation.

The information contained in this presentation should be considered in the context of the circumstances prevailing at the time and will not be updated to reflect material developments that may occur after the date of the presentation. The information and opinions in this presentation are provided as at the date of this presentation and are subject to change without notice. It is not the intention to provide, and you may not rely on this presentation as providing, a complete, fair, accurate or comprehensive analysis of the financial or trading position or prospects of the Group. No reliance may be placed on the information contained in this presentation for any purpose, and neither the Group nor any of its respective affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this presentation or their contents or otherwise arising in connection with the presentation, or any action taken by you or any of your officers, employees, agents or associates on the basis of the information.

The information contained herein does not constitute investment, legal, accounting, regulatory, taxation or other advice and does not take into account your investment objectives or legal, accounting, regulatory, taxation or financial situation or particular needs. You are solely responsible for forming your own opinions and conclusions on such matters and the market and for making your own independent assessment of the information. You are solely responsible for seeking independent professional advice in relation to the information.

This presentation contains financial information regarding the businesses and assets of the Group. Such financial information may not have been audited, reviewed or verified by any independent accounting firm. The inclusion of such financial information in this document or any related presentation should not be regarded as a representation or warranty by the Group or any of its affiliates, advisors or representatives or any other person as to the accuracy or completeness of such information's portrayal of the financial condition or results of operations by the Group and should not be relied upon when making an investment decision.

This presentation contains certain non IFRS and non-UK GAAP financial measures. These measures may not be comparable to those of other companies within our industry or otherwise. Reference to these non IFRS or non-UK GAAP financial measures should be considered in addition to IFRS or UK GAAP financial measures, but should not be considered a substitute for results that are presented in accordance with IFRS or UK GAAP.

The market data contained in this presentation, including all trend information, is based on estimates or expectations of the Group, and there can be no assurance that these estimates or expectations are or will prove to be accurate. Our internal estimates have not been verified by an external expert, and we cannot guarantee that a third party using different methods to assemble, analyse or compute market information and data would obtain or generate the same results. We have not verified the accuracy of such information, data or predictions contained in this report that were taken or derived from industry publications, public documents of our competitors or other external sources. Further, our competitors may define our and their markets differently than we do. In addition, past performance of the Group is not indicative of future performance. The future performance of the Group will depend on numerous factors which are subject to uncertainty.

Certain statements in this presentation and the materials distributed in connection with it are forward-looking or represent beliefs and opinions. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions which could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These include, among other factors, changing economic, business or other market conditions, changing political conditions and the prospects for growth anticipated by the Group management. These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this presentation regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future and forward-looking statements regarding future events or circumstances should not be taken as a representation that such events or circumstances will come to pass. The Group does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. No statement in this presentation is intended to be a profit forecast. You should not place undue reliance on forward-looking statements, which speak only as of the date of this presentation.

This presentation does not constitute or form part of, and should not be construed as, an offer to sell or issue, or the solicitation of an offer to purchase, subscribe to or acquire the Group or the Group's or any of its companies' securities, or an inducement to enter into investment activity in any jurisdiction in which such offer, solicitation, inducement or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of such jurisdiction. No part of this presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever, nor does it constitute a recommendation regarding the securities of the Group or any of its companies. This presentation is not for publication, release or distribution in any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction nor should it be taken or transmitted into such jurisdiction.

# Appendices

November 2015

[hss.com](http://hss.com) / 08457 28 28 28

Safety / Value / Availability / Support



# Appendix A

## Group structure

- This appendix provides the reader with an overview of the group structure between:
  - HSS Hire Group plc, the new holding company admitted to the London Stock Exchange (LSE) on 9 February 2015;
  - Hampshire Topco Limited, the previous top company in the group; and
  - Hero Acquisitions Limited, the consolidated level at which we present Q1 numbers in this document



## Appendix B

# Hero Acquisitions Ltd vs HSS Hire Group plc

- Under the reporting obligations of our Senior Secured Notes issued in February 2014 we report Hero Acquisitions Limited group consolidated accounts on a quarterly basis
- The main differences between the two reporting levels are:
  - IPO and other advisory fees charged above the Hero Acquisitions group;
  - Higher intangibles and higher amortisation costs in the HSS Hire Group plc group, principally related to intangibles relating to the acquisition of the Hero Acquisitions group in 2012;
  - Lower net debt in HSS Hire Group plc group due to the netting down of intercompany debts; and
  - Differences in tax and interest resulting from the above differences

# Appendix C

## Adjusted earnings calculations

39 weeks ended 26 September / 27 September

£m	2015	2014
-----		
<b>Operating profit / (loss)</b>	<b>8.2</b>	<b>21.5</b>
<i>Add: Depreciation &amp; amortisation</i>	39.1	29.0
<i>Add: Non finance exceptionals</i>	4.1	1.2
<b>Adjusted EBITDA</b>	<b>51.4</b>	<b>51.7</b>
<i>Less: Depreciation</i>	(37.3)	(28.0)
<b>Adjusted EBITA</b>	<b>14.1</b>	<b>23.7</b>
<i>Less: Amortisation</i>	(1.8)	(1.0)
<i>Less: Net finance cost<sup>1</sup></i>	(21.3)	(16.6)
<b>Adjusted PBT / (LBT)</b>	<b>(8.9)</b>	<b>6.0</b>

<sup>1</sup> Pre exceptional finance costs which principally relate to the partial redemption of the SSNs in 2015 and the restructure of the group's debt during FY14

# Appendix D

## Operating cash flow

*39 weeks ended 26 September / 27 September*

£m

	2015	2014
<b>Operating profit</b>	<b>8.2</b>	<b>21.5</b>
Depreciation & amortisation	39.1	29.0
Increase in Inventories	(1.3)	(0.2)
Increase in Trade and other receivables	(13.2)	(15.3)
Increase / (decrease) in Trade and other payables	(1.1)	9.4
Increase / (decrease) in Provisions	(1.3)	0.5
<b>Operating cash flow</b>	<b>30.5</b>	<b>45.0</b>

# Appendix E

## Net debt calculations

*As at 26 September / 27 September*

£m	2015	2014
Cash	2.3	5.2
Bank overdraft	(8.4)	(2.8)
Senior Secured Notes <sup>1</sup>	(136.0)	(200.0)
RCF	(47.0)	(18.0)
Net amounts due to group undertakings	(206.2)	(70.9)
Finance leases	(19.9)	(12.3)
Accrued Interest	(1.4)	(2.3)
<b>(Net debt) / Cash</b>	<b>(416.6)</b>	<b>(301.1)</b>

- Reflects borrowings from all third parties and includes the net amounts due to group undertakings

<sup>1</sup> Shown gross of issue costs

## Appendix E (cont...)

### Net third party debt calculations

*As at 26 September / 27 September*

£m	2015	2014
Cash	2.3	5.2
Bank overdraft	(8.4)	(2.8)
Senior Secured Notes <sup>1</sup>	(136.0)	(200.0)
RCF	(47.0)	(18.0)
Finance leases	(19.9)	(12.3)
Accrued Interest	(1.4)	(2.3)
<b>(Net third party debt) / Cash</b>	<b>(210.4)</b>	<b>(230.2)</b>

- Reflects net debt owed to un-related third parties
- Net third party debt therefore excludes the net amounts due to group undertakings

<sup>1</sup> Shown gross of issue costs