HSS Hire Group plc
FY15 results

April 2016

Agenda

- John Gill, CEO: Introduction
- Steve Trowbridge, CFO: FY15 Results
- John Gill, CEO: Strategy
- Q&A

Introduction

- Delivered results in line with reset market expectations
- More stable market conditions in Q4, after variability of Q2/Q3
- Gaining market share: 10% revenue growth against ERA estimate of 1.5% market growth[1]
- Reviewed strategy resulting in three strategic growth objectives:

  1. **Optimise distribution and branch network**
  2. **Win new, and deepen existing, customer relationships**
  3. **Continued development and growth of our specialist businesses**

- Focus on improving operating margins and increasing operational and capital efficiency
- Market remains competitive amongst all customer groups; monitoring macroeconomic conditions
- Board propose final dividend of 0.57p per share. Gives full year dividend of 1.14p

[1] *European Rental Association, Equipment rental Industry Report 2015*

Income statement (1)

52 weeks ended 26 December / 27 December

£m	2015	2014	Growth (%)	Organic (%)
Revenue	**312.3**	**284.6**	***9.7%***	***8.4%***
Adj. EBITDA[1]	71.0	71.1	*(0.1%)*	*(3.0%)*
Adj. EBITDA margin	*22.7%*	*25.0%*		
Depreciation	(50.7)	(39.9)		
Adj. EBITA[2]	**20.3**	**31.2**		
Adj. EBITA margin	*6.5%*	*11.0%*		

- Revenue growth of 9.7%, ahead of market growth rates
- Adjusted EBITDA flat year on year, lower margin reflects investment in strategic initiatives
- Higher depreciation due to demand led investment across 2014 and 2015, leading to lower Adjusted EBITA

[1] Adjusted earnings stated before exceptional costs relating to restructuring, IPO and acquisition costs. See appendix C
[2] Adjusted EBITDA less depreciation

Segmental analysis

52 weeks ended 26 December / 27 December			
£m	**2015**	**2014**	**Growth (%)**
Core businesses			
Revenue	261.7	245.6	*6.6%*
Adj. EBITDA	45.6	51.2	*(10.9%)*
Adj. EBITDA margin	*17.4%*	*20.8%*	
Specialist businesses			
Revenue	50.6	39.0	*29.7%*
of which: UKP			*15.2%*
of which: ABird / Apex[1]			*21.6%*
Adj. EBITDA	25.4	19.9	*27.6%*
Adj. EBITDA margin	*50.2%*	*51.0%*	

[1] *Organic growth excluding acquisition effects and any intercompany trading*

- Volume-led revenue growth in Core business
- EBITDA decline due to revenue mix, first time inclusion of plc costs, and start-up losses in local branches
- Specialist businesses growth driven by significant fleet investment, geographic expansion, and acquisitions (Apex, All Seasons Hire)
- EBITDA growth driven by revenue performance, margins tempered by network expansion

Income statement (2)

52 weeks ended 26 December / 27 December

£m	2015	2014
Adj. EBITA	**20.3**	**31.2**
Amortisation	(5.0)	(3.9)
Net finance cost (pre exceptionals)[1]	(14.5)	(24.3)
Exceptionals (all)	(14.7)	(11.5)
Reported LBT	**(13.8)**	**(8.5)**
Tax	(0.4)	3.0
Reported LAT	**(14.2)**	**(5.5)**
Basic and diluted eps (p)	(9.9)	(8.6)
Adjusted PAT[2]	**4.6**	**5.4**
Adjusted basic and diluted eps (p)	3.2	8.4

- Amortisation increase driven by acquisitions and e-commerce investment
- Lower and cheaper net debt resulting in reduced finance costs
- Growth in exceptionals:
  - Finance (incl. £4.3m early redemption and £1.8m accelerated debt issue costs)
  - Non-finance (incl. £2.9m IPO costs, £2.0m onerous leases, £1.9m expensed NDEC set-up costs and £1.5m restructuring)
- £0.4m tax charge impacted by deferred tax

[1] Pre exceptional finance costs which principally relate to costs related to the restructure of the group's debt during the period
[2] Profit before tax excluding amortisation and exceptionals less tax at the average prevailing rate across 2015 (20.25%)

Cash flow

52 weeks ended 26 December / 27 December		
£m	**2015**	**2014**
Operating cashflow ("OCF")[1]	**49.3**	**55.6**
Less: Capex[2]	(88.6)	(60.6)
OCF less Capex	**(39.4)**	**(5.0)**
Less: Tax	1.1	(0.2)
Net cash flow before financing	**(38.2)**	**(5.3)**
Less: SSN redemption premium / Debt issue costs	(4.3)	(7.3)
Less: Net interest payable	(14.1)	(10.8)
Add: Net proceeds from borrowing / IPO	51.0	26.3
Net decrease in cash	**(5.6)**	**3.0**

- Higher cash outflow reflects settlement of 2014 capex purchased on extended terms and much of the 2015 capex
- Tax receipt due in part to refund of previous payments on account
- Cash-flow funded through IPO proceeds together with RCF drawdown and new finance leases

[1] Operating profit before depreciation and amortisation but after exceptionals and the net movement in working capital. See appendix D
[2] Capex includes purchase of hire equipment, non hire property, plant and equipment and software and acquisitions of subsidiaries

Balance sheet

As at 26 December / 27 December

£m	2015	2014
Intangible assets	179.9	170.4
Tangible assets	183.2	147.2
Deferred tax asset	1.9	2.5
Net current assets / (liabilities)[1]	28.2	(0.5)
Other net liabilities	(16.9)	(14.0)
Net debt (ex. accrued interest)[2]	(214.4)	(307.4)
Accrued interest	(3.8)	(9.6)
Net liabilities	**158.3**	**(11.5)**

- Acquisition of All Seasons Hire increases intangible assets
- Growth in tangible assets reflects continued investment in hire fleet, property and other equipment
- Deferred tax asset (brought forward losses) partially utilised
- Movement in net current assets principally reflects continued growth in debtors and pay down of creditors
- Net debt of £214.4m (3.1x Adjusted EBITDA when accrued interest is included)

[1] 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
[2] Comprises cash and all debt principal balances, including those which would ordinarily be shown within current assets, current liabilities (excluding accrued interest) or non current liabilities. See appendix E

Taking our strategy forward

Taking our strategy forward

- Three strategic growth objectives:

  1. **Optimise our distribution and branch network**
  2. **Win new, and deepen existing, customer relationships**
  3. **Continued development and growth of our specialist businesses**

- Supported by three priority initiatives:

  A. **Rebasing our cost base to improve operating margins**

  B. **Improving operational efficiency and driving productivity**

  C. **Enhancing our capital efficiency**

Optimising our distribution and branch network (1)

- 50 new local branches opened across UK and Ireland
- Serving national, regional and local customers with a local, convenient presence
- Openings in a mixture of new and existing sub-divided larger markets
- FY13/14 cohorts performing ahead of maturity curve
- Despite weaker market conditions in 2015, new openings are performing close to expected levels

Optimising our distribution and branch network (2)

- Continue to refine local branch model
- Focus on opening fewer branches (up to 20), in most attractive locations and driving even more local business from portfolio
- Customer proposition (availability) supported by evolution in distribution network (NDEC)
- Opened first of new breed delivery and collection focused distribution centres in Reading

Improving operational efficiency and driving productivity

- New NDEC opened ahead of schedule at end of Q1 16 with phased national roll-out through year
- Spares centralisation, centre fit out, and systems build and testing completed in Q415 / Q116
- NDEC will deliver:
  - stronger customer proposition (same day / next day availability);
  - improved fleet utilisation; and
  - increased engineering productivity
- Managed by our experienced engineering and logistics partner, Unipart
- Scalable operating capacity to support future network expansion and volume growth

Win new, and deepen existing, customer relationships

52 week period ended 26 December / 27 December				***FY 15***	***H1 15***
£m revenue	**2015**	**2014**	**Growth (£m)**	**Growth (%)**	**Growth (%)**
Existing key accounts	91.9	85.1	6.8	*7.9%*	*2.4%*
New key accounts[1]	2.0	-	2.0	-	-
Total key accounts	**93.9**	**85.1**	**8.8**	***10.3%***	***4.7%***

- Reinvigorated key account team implemented in H2 15 delivered 10.3% growth in Key Accounts, comprising:
  - Increased growth in existing key accounts (compared to H1 15)
  - A further £1.0m of revenue from new key account wins

  and supported by a stronger pipeline of new account opportunities as we enter 2016
- Average spend per account customer (all) increased to £8.1k (FY14: £7.7k)

[1] *Customers who were not Key Account customers in the prior period*

Building key account revenues

- Successfully tendered for long term supply contract with Amey
- Extensive 6 month formal tender process
- Built upon our successful contract with Enterprise
- Won with proposition comprising:
  - Consolidation of supply chain requirements / Multi asset offering
  - Enhanced central administration services and MI
  - Commitment to deliver innovation via multi faceted supply chain

Continued development and growth of our specialist businesses

- Revenue and Adjusted EBITDA up 30% and 28% respectively
- Growth supported by substantial fleet investment through 2014 and 2015
  - **UK Platforms:** Fleet increased to over 3,200 specialist units, average age of 4.6 years
  - **Power companies:** Growth in national accounts, particularly utilities and housebuilders
  - **All Seasons Hire:** > £1m fleet investment, expansion into Scotland, other UK cities planned
- Supported by increased capacity of new refurbishment centre (c. 50% in value)
- Specialist businesses support Key Account customer proposition: complex multi fleet requirements

Rebasing our cost base to improve operating margins

- Q4 15 achieved c. £2.4m gross cost savings

- Broadly 60 / 40, via headcount reductions and non payroll:
  - Rationalisation of central and support function costs
  - Realignment of local branch management structures
  - Savings in distribution costs (headcount and vehicles)
  - Reduced property costs
  - Better third party services procurement

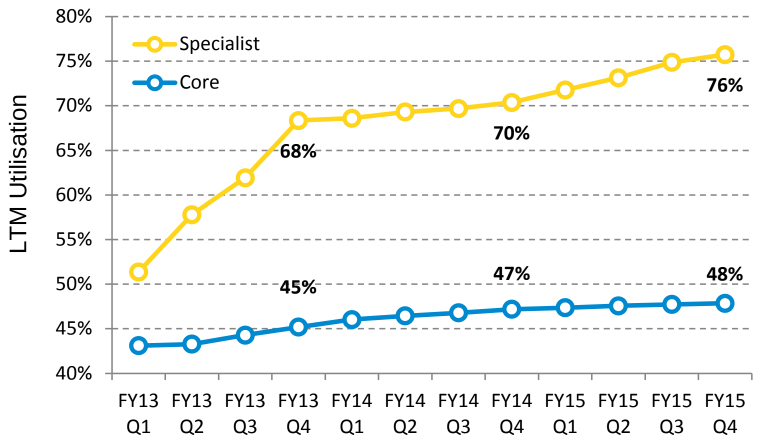
- Identified c. £10m of annualised savings for FY16

Enhancing our capital efficiency

- Phased national roll out of NDEC
  - Improved cycle time for engineering (lower offline)
  - Drives availability and utilisation improvement
  - Improved collection and delivery performance
  - Facilitates full fleet review at national and local branch level: Opportunities to refine fleet capex profiles

- Opened new purpose built refurbishment centre
  - Significant increase in annual capacity (c. 50% value)
  - More flexibility for buy / refurbish decision

- These initiatives will allow us to reduce FY16 capex to between £50m and £55m



Summary

- Delivered results in line with reset market expectations
- Refinements to strategy being implemented with focus on:
  - rebasing our cost base to improve operating margins;
  - improve operational efficiency and driving productivity; and
  - enhance our capital efficiency
- Market conditions remain competitive in all customer groups
- Continue to monitor macroeconomic conditions and reflect these in investment decisions
- Positioning the Group to continue delivering growth ahead of the market

Q&A

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Appendices

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, whose FY15 numbers we report today;
  - Hampshire Topco Limited, the previous top company in the group; and
  - Hero Acquisitions Limited, the consolidated level at which we have also reported today to meet the reporting obligations attached to our Senior Secured Notes

HSS Hire Group plc
(listed on the LSE)

↓ 100%

Hampshire Topco Limited

↓ 100%

Hampshire Midco Limited

↓ 100%

Hampshire Bidco Limited

↓ 100%

Hero Acquisitions Limited

Appendix B
HSS Hire Group plc vs Hero Acquisitions Ltd

- 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

52 weeks ended 26 December / 27 December

£m	2015	2014
Operating profit	**6.8**	**23.6**
Add: Depreciation and amortisation	*55.7*	*43.8*
Add: Exceptionals costs (non-finance)	*8.5*	*3.7*
Adjusted EBITDA	**71.0**	**71.1**
Less: Depreciation	*(50.7)*	*(39.9)*
Adjusted EBITA	**20.3**	**31.2**
Less: Net finance cost[1]	*(14.5)*	*(24.3)*
Adjusted PBT	**5.8**	**6.9**
Less: Tax (at prevailing rate)	*(1.2)*	*(1.5)*
Adjusted PAT	**4.6**	**5.4**

[1] 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

52 weeks ended 26 December / 27 December

£m	**2015**	**2014**
Operating profit	**6.8**	**23.6**
Depreciation & amortisation	55.7	43.8
Increase in Inventories	(2.2)	(0.9)
Increase in Trade and other receivables	(13.3)	(16.4)
Increase in Trade and other payables	5.8	6.3
Decrease in Provisions	(3.6)	(0.8)
Operating cash flow	**49.3**	**55.6**

Appendix E
Net debt calculations

As at 26 December / 27 December

£m	**2015**	**2014**
Cash	(1.8)	(5.9)
Bank overdraft	1.5	-
RCF	46.0	19.5
Finance lease obligations	32.6	12.4
Investor Loan Notes	-	81.4
Senior Secured Notes[1]	136.0	200.0
Net debt (ex accrued interest)	**214.4**	**307.4**
Accrued interest	3.8	9.6
Net debt	**218.1**	**317.0**

- Reflects borrowings from all third parties and includes the net amounts due to group undertakings
- Leverage reduced to 3.1x (2014: 4.5x

[1] *Shown gross of issue costs*