Hero Acquisitions Limited
(subsidiary of HSS Hire Group plc)
H1 FY16 Results

Agenda

Highlights	John Gill, CEO
H1 results	Steve Bailey, Interim CFO
Strategic progress	John Gill, CEO

First half highlights

Profitable market share growth

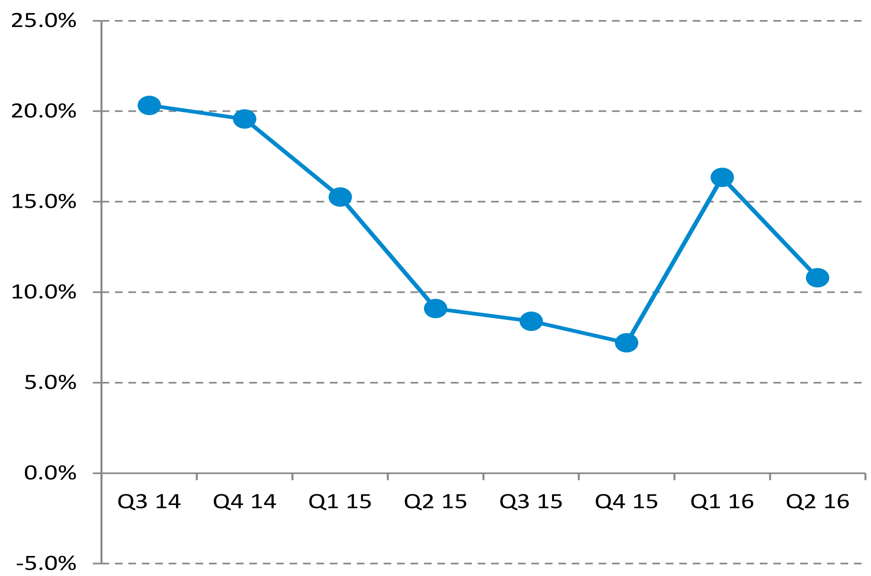
- Revenue up 13.5%
- Adjusted EBITA up 73.3%
- Adjusted EBITA margin up 160 bps

Significant progress in strategy execution

- NDEC supporting 50% of network; capacity for growth
- 41% growth in key accounts
- Continued growth of specialist businesses and further utilisation improvements

Strong track record of revenue growth

Revenue growth per quarter



Delivering strong revenue and underlying profit growth

Financial summary

27 weeks ended 2 July / 26 weeks ended 27 June

£m	2016	2015	Growth (%)	Organic (%)
Revenue	**166.2**	**146.4**	***13.5%***	***12.8%***
Adj. EBITDA[1]	32.5	29.0	*12.1%*	*10.6%*
Adj. EBITDA margin	*19.5%*	*19.8%*		
Adj. EBITA[2]	**7.8**	**4.5**	*73.3%*	
Adj. EBITA margin	*4.7%*	*3.1%*		

- Revenue growth across the business, particularly HSS OneCall and key accounts
- EBITDA margin movement reflecting change in revenue mix
- Improved EBITA margin reflecting positive impact of service activity

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

Segmental analysis

27 weeks ended 2 July / 26 weeks ended 27 June

£m	2016	2015	Growth (%)
Core business			
Revenue	141.8	124.0	*14.4%*
Adj. EBITDA	18.1	18.0	*0.6%*
Adj. EBITDA margin	*12.8%*	*14.5%*	
Specialist businesses			
Revenue	24.4	22.4	*8.9%*
Adj. EBITDA	14.3	10.9	*31.2%*
Adj. EBITDA margin	*58.6%*	*48.7%*	

Core

- Growth in key accounts, OneCall and Training
- Margin diluted by service revenues

Specialist

- Continued utilisation improvement and exploitation of fleet investment delivering revenue and margin growth

Segmental analysis (new format)

27 weeks ended 2 July / 26 weeks ended 27 June

£m	2016	2015	Growth
Rental (and related revenue)[1]			
Revenue	133.7	126.2	*5.9%*
Contribution[2]	86.5	83.5	*3.6%*
Contribution margin	*64.7%*	*66.2%*	
Services[3]			
Revenue	32.5	20.2	*60.9%*
Contribution[2]	5.2	4.1	*26.8%*
Contribution margin	*16.0%*	*20.3%*	
Branch and selling costs	(49.8)	(46.2)	
Central costs	(9.5)	(12.5)	
Adj. EBITDA	**32.5**	**29.0**	***12.1%***

Rental

- Volume growth and shift towards key account business at lower average rates

Services

- Strong growth in lower margin supply chain management contracts through OneCall

Costs

- Investment in sales network offset by delivery of planned cost actions

[1] Rental income earned from owned tools and equipment and directly related revenue e.g. resale, transport and other ancillary revenues

[2] Revenue less cost of sales (excluding depreciation and exceptional items), distribution costs and directly attributable costs

[3] Comprises the group's third party supplied rehire business (HSS OneCall), HSS Training and TecServ

Movement in net debt

27 weeks ended 2 July / 26 weeks ended 27 June

£m	2016	2015
Adj. EBITA	**7.8**	**4.5**
Depreciation	24.7	24.4
Exceptionals	(7.0)	(5.2)
Working capital	(10.6)	(6.1)
Capex[1]	(29.3)	(59.2)
Acquisition of All Seasons Hire	-	(11.0)
Tax	(0.7)	(1.1)
Net interest payable	(6.4)	(8.0)
Movement in group undertakings / IPO funds flow	(3.3)	49.8
Net (increase) / decrease in net debt	**(24.8)**	**(11.7)**
Closing net debt	**455.0**	

Temporary increase in third party net debt reflecting:

- Exceptional spend on NDEC
- Extra rental payment
- Settlement of capex purchases

[1] *Gross of finance lease funding*

Current trading and FY16 outlook

- Q3 16 trading has started ahead of Q3 15
- Continued strong growth in key accounts and services revenue
- Capital efficiency: increased utilisation and refurbishment lowering capex to £40 - £45m
- Continued focus on EBITA margin to improve returns

Our strategy

Customer needs

- Availability
- Safety
- Support
- Value

Our strategy

Optimise the distribution and branch network

Win new, and deepen existing, customer relationships

Continued development and growth of our specialist businesses

Scalable benefits

- Enhanced customer service proposition
- Operational and capital efficiencies
- Shareholder value

Optimise the distribution and branch network

- Evolving network to drive efficiency gains and support future scalable growth
  - Centralised maintenance and logistics
  - Next day fulfilment
  - Re-focus local branch staff on sales
- NDEC implementation will complete in FY16
- Optimisation of Customer Distribution Centre network
- Selective branch upgrade programme

National Distribution and Engineering Centre

- Currently serving 50% of network (c.160 branches)
- c.1,000 product lines stocked, serviced and supplied to network
- Currently testing c. 9,000 items and maintaining c. 800 items/wk

Step-changes availability and capacity for growth

Win new, and deepen existing, customer relationships

- Enhanced customer proposition supported by NDEC
- Investment in key account teams
  - Customer sector specialisms
  - New business capabilities
- Multi channel offering
  - Branch optimisation
  - E-commerce
- Cross selling Specialist categories

- 41% growth in key accounts

£m revenue	2016	Growth (£m)	Growth (%)
Existing key accounts	51.4	6.5	*14.4%*
New key accounts	12.0	12.0	
Total key accounts	**63.4**	**18.5**	***41.0%***

- 3% increase in average number of account customers
- Net promoter score of 42 (top third of TNS NPS Benchmark)

Brands and channels positioned for our diverse customer base

Developing our specialist businesses

- Increased cross selling of brands via HSS OneCall
- Benefiting from FY15/16 fleet investment
- Increasing geographic reach and operational efficiency through co-location
- Simplification of operating structure will deliver sales efficiencies
- Additional capacity in new Refurbishment Centre enhancing buy/refurbish decision flexibility

- Revenue up 8.9% to £24.4m
- EBITDA up 31.2% to £14.3m
- Utilisation improved to 76% (H1 15: 73%)

Specialist capabilities enhancing customer proposition

Summary

- Strong revenue and underlying profit growth; Q3 trading ahead of prior year
- Significant strategy execution progress; NDEC on plan for 2016 completion
- Simplification of operating structures to deliver sales efficiencies and support cost reduction
- Focus on continued margin improvement and capital efficiency to improve returns
- Creating an infrastructure for scale and volume growth

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) in 2015;
  - Hampshire Topco Limited, the previous top company in the group; and
  - Hero Acquisitions Limited, the consolidated level at which we report H1 FY16 numbers 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
Result after tax

27 weeks ended 2 July / 26 weeks ended 27 June

£m	2016	2015
Adj. EBITA	**7.8**	**4.5**
Amortisation	(1.7)	(0.9)
Adjusted finance expense	(18.0)	(14.2)
Exceptionals	(7.0)	(5.2)
Reported LBT	**(18.9)**	**(15.7)**
Tax	(0.7)	-
Reported LAT	**(19.6)**	**(15.7)**

Appendix D
Balance sheet

As at 2 July / 26 December

£m	2016	2015
Intangible assets	154.9	153.9
Tangible assets	185.7	183.2
Deferred tax asset	1.3	1.9
Net current assets / (liabilities)[1]	38.8	34.3
Other net liabilities	(9.9)	(9.2)
Net debt (ex. accrued interest)[2]	(451.1)	(462.4)
Accrued interest	(3.9)	(3.8)
Net liabilities	**(84.3)**	**(66.0)**

[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 F

Appendix E
Net third party debt calculations

As at 2 July / 26 December

£m	2016	2015
Cash	(1.4)	(1.8)
Bank overdraft	1.1	1.5
RCF	67.0	46.0
Finance lease obligations	33.0	32.6
Senior Secured Notes[1]	136.0	136.0
Net third party debt (ex accrued interest)	**235.7**	**214.4**
Accrued interest	3.9	3.8
Net third party debt	**239.6**	**218.1**

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

[1] *Shown gross of issue costs*

Appendix E (cont…)
Net debt calculations

As at 2 July / 26 December

£m	2016	2015
Cash	(1.4)	(1.8)
Bank overdraft	1.1	1.5
RCF	67.0	46.0
Finance lease obligations	33.0	32.6
Net amounts due to group undertakings	215.4	212.1
Senior Secured Notes[1]	136.0	136.0
Net third party debt (ex accrued interest)	**451.1**	**426.4**
Accrued interest	3.9	3.8
Net third party debt	**455.0**	**430.2**

[1] *Shown gross of issue costs*