



### Hero Acquisitions Limited

#### Half year results for the 27 week period ended 2 July 2016

Hero Acquisitions Limited ("Hero Acquisitions" or the "Group"), a wholly owned subsidiary of HSS Hire Group plc, today announces results for the 27 week period ended 2 July 2016.

Financial Highlights	H1 2016 (27 weeks)	H1 2015 (26 weeks)	Change
Revenue	<b>£166.2m</b>	£146.4m	+13.5%
Adjusted EBITDA <sup>1</sup>	<b>£32.5m</b>	£29.0m	+12.1%
Adjusted EBITA <sup>2</sup>	<b>£7.8m</b>	£4.5m	+73.3%
Adjusted EBITA margin	<b>4.7%</b>	3.1%	+1.6pp
Reported loss before tax	<b>£(18.9)m</b>	£(15.7)m	£(3.2)m

#### Trading and Operational Highlights

- **Profitable market share growth:**
  - Revenue growth of 13.5% driven by key accounts and services revenue (HSS OneCall and Training)
  - Adjusted EBITA up 73.3% reflecting delivery of planned cost savings and positive impact of accretive services revenue growth
  - Reported loss before tax mainly due to exceptional costs associated with strategy execution
- **Significant progress in strategy execution:**
  - *Optimise distribution and branch network:* New National Distribution and Engineering Centre ("NDEC") now supporting 50% of network; ramp-up for nationwide coverage on track for completion by the end of FY16. Investment provides capacity for scale growth and step-changes customer availability benefits through e-commerce and national branch channels.
  - *Win new, and deepen existing, customer relationships:* Strong growth in key account revenue, including services (+41%); average number of trading accounts up 3%; Net Promoter Score of 42 (top third of TNS NPS Benchmark<sup>3</sup>)
  - *Continued development and growth of our specialist businesses:* Strong cross-selling reflecting customers' desire for a one stop shop; businesses co-located to drive operational cost efficiencies; new refurbishment centre driving capital efficiency.
- Further improvement in utilisation: increasing from 48% to 50% in the Core business and from 73% to 76% in the Specialist businesses<sup>4</sup>

#### Current Trading and Outlook

- Q3 16 trading has started ahead of Q3 15. Continued growth in key accounts and in services revenue reflecting our strong one stop shop positioning.
- NDEC implementation remains on track for completion within FY16 enabling further optimisation of the existing network and reduction in distribution centres.
- Simplification of operating structures within core, powered access and power across England and Wales will deliver sales efficiencies and support cost reduction.
- Continued focus on capital efficiency, with improvement in utilisation and increased refurbishment activity allowing capital spend in 2016 to be lowered to between £40m and £45m.

### Explanatory Notes:

- 1) Adjusted EBITDA defined as Operating Profit with depreciation, amortisation and exceptional costs added back (exceptional costs include restructuring and acquisition costs)
- 2) Adjusted EBITA defined as Adjusted EBITDA less depreciation
- 3) The TNS NPS (Net Promoter Score) Benchmark is based on 27,000 business customer interviews in the UK across Industry Product & Services (IPS – UK) Business Customers between 2011 and 2014.
- 4) Utilisation calculated over the last twelve months to the end of H1 2015 and H1 2016 respectively

### **John Gill, Chief Executive Officer of HSS Hire Group plc, the parent company of Hero Acquisitions Limited said:**

*“I’m pleased to report strong revenue and underlying profit growth in the first half of the year reflecting the positive impacts of our revised strategy. Customers are increasingly seeing HSS as a single source provider of tools, equipment and related services and our trading growth reflects this. Our focus on capital and operational efficiency shows through in our utilisation rates and our EBITA margin, both of which have continued to improve through Q2 16.*

*“We are confident our new National Distribution and Engineering Centre will position us well for scale and volume growth and, combined with our e-commerce platform and national branch footprint, will further enhance our customer proposition by transforming availability within our sector.*

*“The Board believes we are well positioned to take advantage of, and continues to look for, opportunities to increase scale for the benefit of customers and shareholders.”*

### **Progress against strategic priorities**

The Group operates with three strategic priorities and has made good progress against each in the period, as detailed in the table below.

<b>Strategic priority</b>	<b>Progress</b>
Optimise distribution and branch network	<ul style="list-style-type: none"><li>• New NDEC opened and national ramp-up on track to complete within FY16</li><li>• Positions Group well for scale and volume growth and enhances customer availability promise</li><li>• Evolution and upgrading of branch network: 8 new openings, 9 relocations and/or refurbishments and 4 closures</li></ul>
Win new, and deepen existing, customer relationships	<ul style="list-style-type: none"><li>• 41% growth in key accounts revenue</li><li>• £6.5m growth in existing key accounts</li><li>• £12.0m of revenue from new key accounts</li><li>• Average number of account customers in period up 3%</li><li>• Net promoter score of 42, in the top third of the TNS NPS Benchmark</li></ul>
Continued development and growth of our specialist businesses	<ul style="list-style-type: none"><li>• Increased cross selling through core business</li><li>• 4 co-location opportunities delivered to enhance national depot network and drive efficiencies</li><li>• Simplification of operating structures within core, powered access and power across England and Wales will deliver cost reduction and sales efficiencies</li><li>• Additional capacity in new refurbishment centre, enhancing buy/refurbish decision flexibility and improving capital efficiency</li></ul>

In addition to these core strategic priorities, the Group actively and regularly reviews acquisition opportunities. Acquisitions within this sector can enhance the customer proposition and have the capacity to create significant shareholder value, and can bring positive attributes such as increased scale, alongside improved operating and capital efficiencies. The UK asset rental market remains highly fragmented and provides an opportunity for consolidation and clear market leadership.

## Outlook

Trading in Q3 2016 has started ahead of Q3 2015. Our revenue mix continues to reflect particularly strong growth amongst our key accounts and in services, as our customers recognise the operational benefits of single-sourcing tools and equipment, including technical training for their staff. We expect this trend to remain a feature of the second half of the year, alongside continued growth of our specialist categories.

The implementation of the NDEC will transform customer availability within our sector and position us well for scale and volume growth. Combined with our e-commerce platform and national branch footprint, the new facility will significantly enhance our customer proposition.

The simplification of operating structures within core, powered access and power within England and Wales will deliver cost reduction and sales efficiencies. We will continue to focus on utilisation improvements which, together with increased refurbishment activity, will allow capital spend in 2016 to be lowered to between £40m and £45m.

The Board of HSS Hire Group plc (the parent company of Hero Acquisitions Limited) remains confident that the investments being made provide HSS with scalable operating capacity to support future growth and that the Group strategy remains appropriate to create shareholder value over the medium to long term.

## Update call for holders of the Senior Secured Notes

A conference call discussing the results of Hero Acquisitions Limited (a wholly owned subsidiary of HSS Hire Group plc) will be held for noteholders at 2.00 p.m. BST today.

This call will be hosted by the senior management team of HSS Hire Group plc, the parent company of Hero Acquisitions. Please dial in 5-10 minutes before the scheduled start time to register your attendance. Dial-in numbers for the call are as follows:

Participant dial in: +44 (0) 20 3003 2666

Participant password: HSS Hire

The H1 report and a presentation to accompany the call and will be available at [www.hsshiregroup.com/investor-relations/senior-secured-notes/](http://www.hsshiregroup.com/investor-relations/senior-secured-notes/)

## For further information, please contact:

### HSS Hire Group plc

*(parent company of Hero Acquisitions Limited)*

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## Notes to editors

Hero Acquisitions Limited, a wholly owned subsidiary of HSS Hire Group plc, provides tool and equipment hire and related services in the UK and Ireland through a nationwide network of over 330 locations. Focusing primarily on the maintain and operate segments of the market, over 90% of its revenues come from business customers. HSS Hire Group plc is listed on the Main Market of the London Stock Exchange. For more information please see [www.hsshiregroup.com](http://www.hsshiregroup.com).