30 August 2017

Hero Acquisitions Limited

Half year results for the 26 week period ended 1 July 2017

Hero Acquisitions Limited ("Hero Acquisitions" or the "Group"), a wholly owned subsidiary of HSS Hire Group plc, today announces results for the 26 week period ended 1 July 2017.

Financial Highlights	H1 2017 (26 weeks)	H1 2016 (27 weeks)	Change
Revenue	**£160.5m**	£166.2m	(3.4%)
Adjusted EBITDA[1]	**£17.3m**	£32.5m	(46.8%)
Adjusted EBITA[2]	**(£7.1m)**	£9.8m	(£16.9m)
Adjusted EBITA margin	**(4.4%)**	5.9%	(10.3pp)
Reported loss before tax	**(£40.4m)**	(£17.6m)	(£23.3m)

Trading and Operational Highlights

- **As expected, H1 profitability impacted by substantial operating model changes in Group Improving performance trend through second quarter:**
  - Underlying revenue growth achieved in Q2 on comparable 13 week basis after adjusting for impact of branch closures
  - Improving Rental revenue trend as sales initiatives gain traction with target customers
  - Adjusted EBITDA and EBITA for Q2 17 ahead of Q1 17 run rate
- **Continued strength in Services (+8%) and Key Accounts (+11.6%) during H1 17**
- **On track to deliver annualised cost savings:**
  - Targeting annualised cost savings of c. £13m compared to Q1 run rate
  - Majority of cost actions implemented by end of Q2, with remainder in Q3
- **New operating model delivering planned improvements:**
  - Enhanced fleet availability has led to Net Promoter Score improving to 47 (H1 16: 42)
  - Improved capital efficiency will enable reduction of £4m - £6m in capex year on year
  - LTM[3] fleet utilisation remains high: 49% in Core and 72% in Specialist, notwithstanding the disruption resulting from the transformational change programme
  - Continued focus on working capital management with facility and cash headroom of £35m as at 1 July 2017

Current Trading and Outlook

- Year on year revenue growth on both underlying and reported basis for first 8 weeks of Q3 17, however at a materially lower level of improvement than expected at the start of H2
- Sales and cost initiatives have improved Adjusted EBITDA and EBITA in July and August but we now expect H2 Adjusted EBITA to be in the range of £8m to £11m
- Detailed strategic review commenced to drive profitable share gains with update to be presented in November 2017

Explanatory Notes:

1) *Adjusted EBITDA is defined as operating profit before depreciation, amortisation, and exceptional items. For this purpose depreciation includes the net book value of hire stock losses and write offs, and the net book value of other fixed asset disposals less the proceeds on those disposals.*

2) *Adjusted EBITA defined as Adjusted EBITDA less depreciation*

3) *Utilisation calculated over the last twelve months to the end of H1 2017*

Steve Ashmore, Chief Executive Officer of HSS Hire Group plc, parent company of Hero Acquisitions Limited, said:

"While significant operational change was achieved during H1 17, both Rental revenue growth and the cost base were temporarily impacted leading to reduced profitability.

"We are facing into these challenges by taking decisive action to reinvigorate Rental revenue growth through the implementation of new sales initiatives and by rolling-out cost actions that will deliver annualised cost savings of c. £13m, a number of which are enabled by the recent investment in our centralised engineering and distribution capability. As a result of these actions the Group returned to profitability in June with revenue in growth for the first 8 weeks of Q3 17 and this momentum will result in a stronger H2 relative to H1 performance leading to a healthier exit rate as we head into 2018.

Whilst the rate of recovery in our Rental revenues has been positive, it has been materially slower than originally targeted leading to lower than expected profitability over this period. On this basis we expect H2 adjusted EBITA profit to be in the range of £8m to £11m.

"The new leadership team is currently conducting a thorough review of the Group's strategy to gain profitable share in what remains an attractive and fragmented market. We will update the market on the outcome of this process during Q4 17."

Progress against strategic priorities

The Group has historically focused on three strategic priorities. The progress against each in H1 17 is detailed in the table below.

Strategic priority	**Progress in H1 17**
Optimise distribution and branch network	• Completed roll in of Scotland to central engineering and distribution model • Actions taken to right size network: o 37 underperforming branches closed in Q1 o 13 further branches closed at end of Q2 o Fleet and colleagues re-deployed across network • Re-profiling of stock across network, reduction in offline hire fleet and improved fulfilment performance is driving enhanced fleet availability • Cost actions implemented in late Q2 and early Q3 to deliver annualised cost savings of c. £13m
Win new, and deepen existing, customer relationships	• 11.6% growth in Key Accounts revenue • Majority of growth from existing Key Accounts (+11%) • Average number of account customers in period up 1% • Customer experience further improved. Net Promoter Score of 47, significantly above the TNS B2B Benchmark[1] average of 27
Continued development and growth of our specialist businesses	• Revenue performance impacted by consolidation of Specialist brand sales team into core team in H1 16 • Specialist brand specific sales teams reinstated, with early positive signs in revenues

1) *Kantar TNS Benchmark data comes from Business to Business studies. The sectors included in the benchmark are Manufacturing (e.g. durables, consumer goods, investment goods, other manufacturing industry), Service providers (e.g. logistics, call centres, leasing, consulting), Utilities (e.g. water, gas, electricity)*

The new leadership team is currently reviewing these strategic priorities and will provide an update to the market in Q4 17.

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/

For further information, please contact:

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Notes to editors

HSS Hire Group plc provides tool and equipment hire and related services in the UK and Ireland through a nationwide network of over 250 locations. Focusing primarily on the maintain and operate segments of the market, over 90% of its revenues come from business customers. HSS is listed on the Main Market of the London Stock Exchange. For more information please see www.hsshiregroup.com.