HSS Hire Group
Interim Results H1 2014
10 September 2014

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Today's Agenda

1. Operational & Business Highlights

2. Financial Review

3. Strategic Update

1. **Operational & Business Highlights**

2. Financial Review

3. Strategic Update

Positive Growth Momentum Maintained

- Strong revenue and EBITDA growth delivered across the Group in H1 2014 with growth trends seen in Q1 continuing through Q2 2014

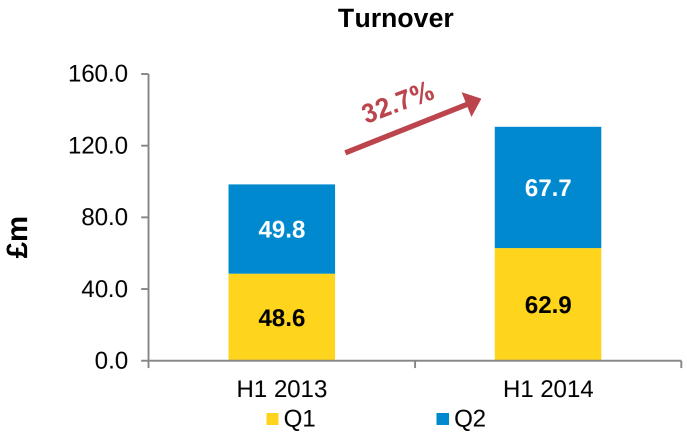
- Majority of growth continues to be driven by organic business, however the first half has also seen positive contributions from acquired businesses

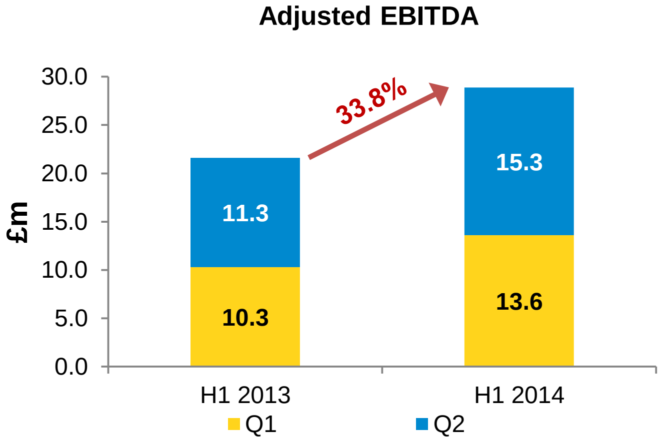
- Planned investment in hire fleet and new branch openings has continued, whilst ensuring we operate within our strict financial framework

- Investment is specifically targeted to support the capture of observed customer demand and to enable us to exploit market opportunities

Strong Turnover and EBITDA growth

- H1 2014 turnover grew 32.7% to reach £130.6m
  - Driven primarily by 19.3% organic growth
  - 13.4% growth driven by the acquisitions of UK Platforms, Apex and TecServ
  - Q2 2014 recorded revenue growth of 35.9%
- H1 2014 adj. EBITDA grew 33.8% to reach £28.9m
  - Q2 2014 recorded adj. EBITDA growth of 35.4%
  - Adjusted EBITDA margins maintained at c. 22%
- De-gearing through H1 (Proforma 3.7x at bond issue to 3.6x at H1)





Continued Investment for Long-term Growth

- 8 new HSS branches opened during H1 2014
  - 4 in Q1: Southend, Salisbury, Weybridge and Edmonton
  - 4 in Q2: Altrincham, West Thurrock, Worthing and Sittingbourne
- Expansion of UK Platforms into Scotland
- Continued strategic investment in hire fleet:
  - £38.8m in Core, UKP and ABird in H1 2014
  - £14.1m in Core and ABird in H1 2013
- Acquisition of Apex Generators:
  - 2013 turnover of c. £3.7m and EBITDA of c. £1.5m
  - Strong Scottish brand and presence
  - Enhanced ability to fulfil national power solution contracts

Improving Market Conditions through H1

- UK market for tool and equipment hire remains competitive
  - Large operators and numerous specialist and/or smaller regional hire businesses
  - Continued strength observed in the South East and London markets

- Continued growth leads us to believe we are taking market share from competitors
  - Summer conditions have enabled a large number of our client's projects to move forward
  - Continued high levels of utilisation alongside hire fleet investment in ABird and UK Platforms

- Macroeconomic factors will continue to be assessed across the second half of the year
  - Strong growth in UK services sector and UK construction activity
  - Slowing growth in UK manufacturing sector

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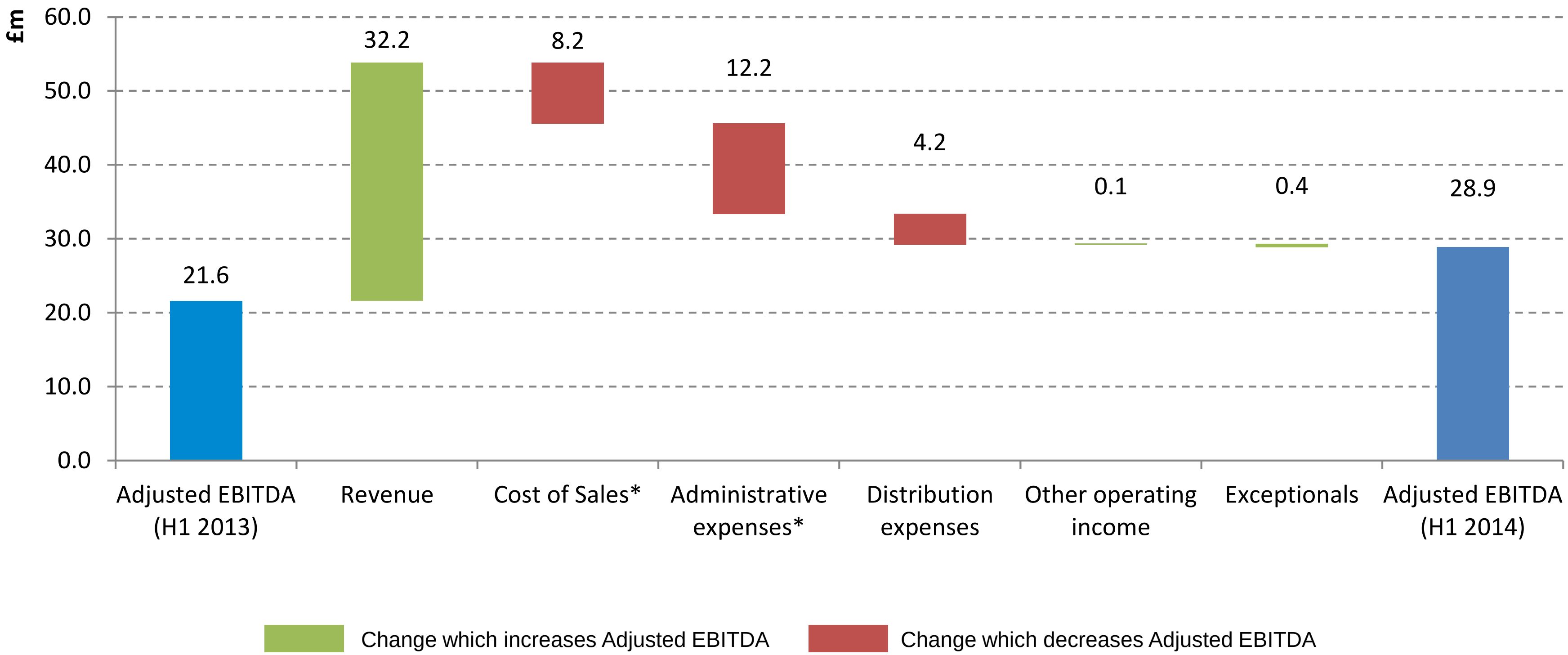
Robust Financial Performance

- Revenue growth underpinned by increasing spend from existing clients, and supplemented by new clients and acquisitions
- Careful cost management in our main cost line (admin expenses) has enabled us to deliver a smaller increase than observed at the turnover level, despite the opening of eight new stores, the integration of acquired businesses and an increase in the number of employees
- Distribution expenses grew broadly in line with turnover, principally due to acquisitions but also to support increased volumes due to growth in our core hire and ABird businesses

£m	26 weeks ended		Change
	29-Jun-13	28-Jun-14	
Turnover	**98.4**	**130.6**	32.7%
Cost of Sales	(31.4)	(46.6)	48.4%
Gross profit	**67.0**	**84.0**	**25.4%**
Margin	*68.1%*	*64.3%*	
Administrative expenses	(51.0)	(62.5)	22.5%
Distribution expenses	(12.6)	(16.8)	33.3%
Other operating income	0.5	0.6	20.0%
Total operating profit	**3.8**	**5.3**	**39.5%**
Margin	*3.9%*	*4.1%*	
Adjusted EBITDA	**21.6**	**28.9**	**33.8%**
Margin	*22.0%*	*22.1%*	

Growth in Adjusted EBITDA Driven by Strong Top Line Growth



* These movements exclude the impact of depreciation and amortisation which is reported in these numbers in our interim report

Prudent Cash Flow Management

£m	26 weeks ended 29-Jun-13	26 weeks ended 28-Jun-14	Change £m
Net cash inflow from operating activities	**17.9**	**25.7**	**7.8**
Outflow from returns on investments & servicing of finance	(5.6)	(9.9)	(4.3)
Taxation paid	(0.1)	(0.7)	(0.6)
Outflow from capital expenditure & financial investment	(10.6)	(27.3)	(16.7)
Outflow from acquisitions & disposals	(25.8)	(6.7)	19.1
Net cash outflow before use of liquid resources & financing	**(24.2)**	**(19.0)**	**5.2**
Inflow from financing & management of liquid resources	29.1	15.8	(13.3)
Increase/(decrease) in cash	**4.9**	**(3.3)**	**(8.2)**

- Fixed asset additions during H1 2014 totalled £43.4m, £26.3m ahead of H1 2013, reflecting continued investment in our hire fleet and other fixed assets across the business
- Due to favourable supplier terms our cash outflow from capital expenditure and financial investment only increased by £16.7m compared to H1 2013
- Small net cash consumption over period in line with our expectations and regular business cycle

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3. **Strategic Update**

Consistent Strategic Agenda Focussed on Delivering Growth and Returns

Optimise the network	• Continued investment in new local format branches to drive organic growth
Build sustainable revenues	• Apex acquisition and UK Platform expansion into Scotland has enhanced our ability to service new and existing national customers
Drive operational efficiency	• Partnership with Unipart Group designed to optimise our engineering services and logistics operations
Invest in people and technology	• Organisational change to strengthen operational management • On-going investment in development of e-commerce platform
Develop services	• Continued growth in innovative cleaning rental and maintenance • Assessment of additional Remote Fleet Management applications

Summary and outlook

- We have delivered healthy revenue growth and strong Adjusted EBITDA conversion in Q2 and H1 of FY14
- The majority of our growth continues to be delivered by organic business, with positive contribution from our acquisitions
- We are committed to core strategy of organic growth, but will continue to assess strategic acquisition opportunities
- Very strong start to the year was supported by favourable trading conditions. We are hopeful that growth will continue through rest of the year and will remain vigilant in our assessment of macroeconomic conditions
- To date, Q3 revenue growth is broadly in line with H1 and our expectations, we therefore intend to continue with planned fleet investment and new local branch openings

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