Hero Acquisitions Limited

(subsidiary of HSS Hire Group plc)

H1 15 Results

August 2015

Agenda

- Chris Davies, CEO: Introduction
- Steve Trowbridge, CFO: H1 Results
- John Gill, COO: Progress on strategy
- Chris Davies, CEO: Summary and Q&A

Introduction

- 12% revenue growth in H1 2015, Adj. EBITDA[1] flat on prior period
- Market conditions softened in Q2 vs Q1
- Good strategic progress:
  - 27 new local branches opened
  - Strong growth in Specialist businesses
  - All Seasons Hire acquired and integrated
- Market conditions remain soft: reducing full year outlook but believe we continue to gain market share
- Well developed plans to open new National Distribution Centre in H1 2016
- Rebasing costs, targeting £8 - £12m savings in FY16 (Q4 FY15: £1.5m to £3.0m)
- Assessing further cost saving opportunities through refinancing in 2016

[1] *EBITDA before exceptional costs relating to restructuring and acquisition costs. See appendix C*

Income statement (1)

26 week period ended 27 June / 28 June				
£m	**2015**	**2014**	**Growth (%)**	**Organic (%)**
Revenue	**146.4**	**130.6**	***12.1%***	***10.6%***
EBITDA	28.1	27.9	*0.7%*	*(1.8%)*
Exceptionals (non-finance)	0.8	1.0		
Adj. EBITDA[1]	**29.0**	**28.9**	***0.3%***	***(2.4%)***
Adj. EBITDA margin	*19.8%*	*22.1%*		
Adj. EBITA[2]	**4.5**	**11.3**	*(60.2%)*	
Adj. EBITA margin	*3.1%*	*8.6%*		

- Revenue growth continued into Q2 2015 (+9.1%)
- Lower Adj. EBITDA margin reflects investment in strategic initiatives including local branch rollout

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

Segmental analysis

26 week period ended 27 June / 28 June			
£m	**2015**	**2014**	**Growth (%)**
Core businesses			
Revenue	125.1	114.5	*9.3%*
Adj. EBITDA	18.0	21.6	*(16.7%)*
Adj. EBITDA margin	*14.4%*	*18.9%*	
Specialist businesses			
Revenue	21.3	16.2	*31.5%*
of which: UKP			*14.4%*
of which: ABird / Apex[1]			*28.1%*
Adj. EBITDA	11.0	7.3	*50.7%*
Adj. EBITDA margin	*51.6%*	*45.1%*	

[1] *Organic growth*

- Revenue growth in Core business across all geographies
- Margins diluted by first year of plc costs and start up investment in new branches
- Strong revenue growth in Specialist businesses supplemented with additional Q1 of Apex and All Seasons Hire acquisitions

Income Statement (2)

26 week period ended 27 June / 28 June

£m	2015	2014	Growth (%)
Adj. EBITDA	**29.0**	**28.9**	***0.3%***
Depreciation	(24.4)	(17.6)	*38.6%*
Amortisation	(0.9)	(0.6)	
Adj. Operating profit	**3.6**	**10.6**	***(66.0%)***
Net finance cost (pre exceptionals)[1]	(14.2)	(10.8)	
Adj. loss before tax	**(10.5)**	**(0.1)**	
Exceptionals (all)	(5.2)	(8.8)	
Reported loss before tax	**(15.7)**	**(8.9)**	
Tax	-	(1.5)	
Reported loss after tax	**(15.7)**	**(10.4)**	

- Increased depreciation due to ongoing fleet investment (FY14 and FY15) and All Seasons Hire acquisition
- Higher net finance cost due to increase in amounts owed to subordinated group undertakings as a result of the IPO funds flow

[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

Cash flow

26 week period ended 27 June / 28 June

£m	2015	2014
Operating cashflow ("OCF")[1]	**23.5**	**24.2**
Less: Capex[2]	(61.6)	(34.0)
OCF less Capex	**(38.1)**	**(9.8)**
Less: Tax	(1.1)	0.7
Net cash flow before financing	**(39.2)**	**(9.1)**
Less: Debt issue costs	(4.3)	(7.3)
Less: Net interest paid	(8.0)	(2.6)
Add: Net proceeds from borrowing	40.4	15.8
Net decrease in cash	**(11.1)**	**(3.3)**

- Higher cash outflow reflects settlement of 2014 capex purchased on extended terms
- Cash flow funded through IPO proceeds and RCF drawdown

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

Balance sheet

26 week period ended 27 June / 28 June

£m	2015	2014
Intangible assets	152.3	140.7
Tangible assets	173.4	128.1
Deferred tax asset	2.5	-
Working capital[1]	27.1	8.3
Other net liabilities	(10.6)	(9.2)
Net debt[2]	(402.8)	(294.5)
Net liabilities	**(58.1)**	**(26.7)**

- Growth in tangible assets reflects targeted hire fleet investment alongside All Seasons Hire acquisition
  - £23.7m in Core fleet[3];
  - £15.9m in Specialist fleet[3]
- Continued improvement in utilisation:
  - LTM Core up 2% to 48% (46%: H1 14)
  - LTM Specialist up 4% to 73% (69%: H1 14)
- Larger net debt balance reflects increase in subordinated amounts owed to group undertakings as a result of IPO funds flow

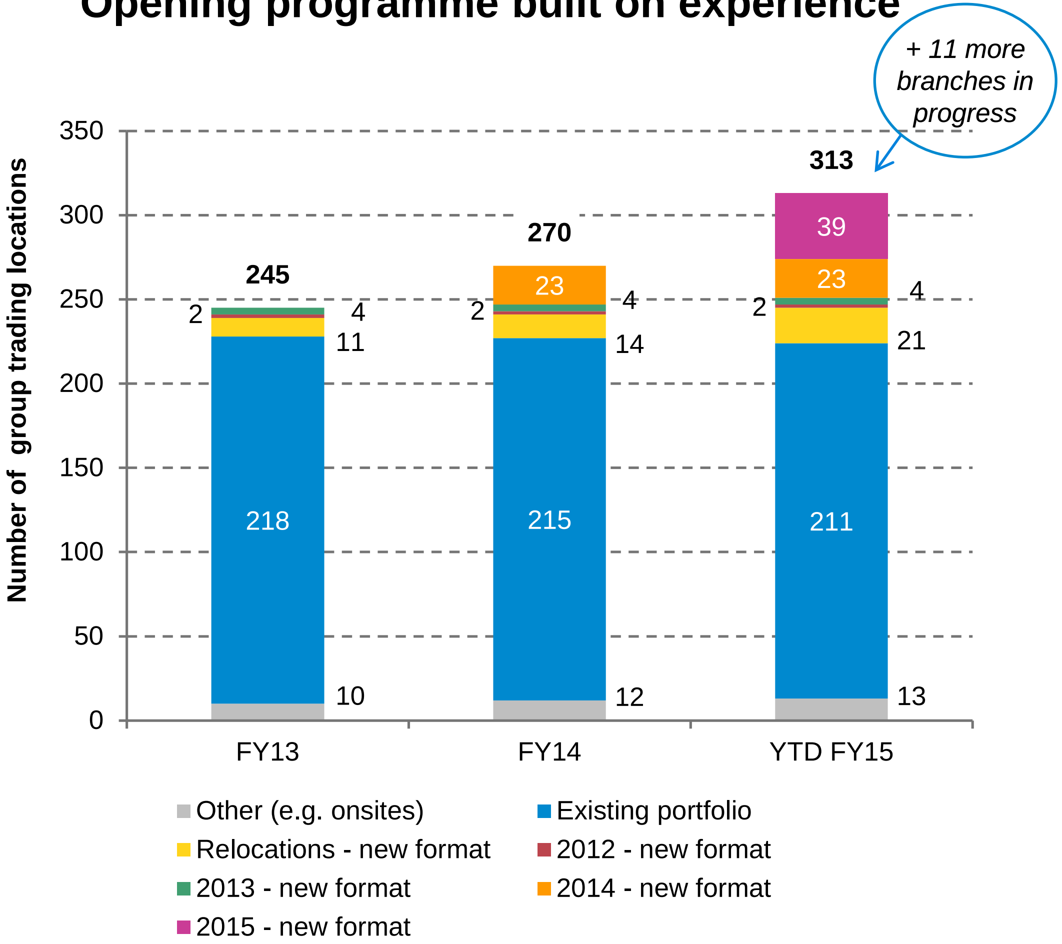
[1] Current assets less current liabilities. Current assets / liabilities captured within net debt e.g. the current portion of finance leases are not reflected in Working capital
[2] Comprises cash and all debt principal and accrued interest balances, including those which would ordinarily be shown within current assets, current liabilities or non current liabilities and includes Subordinated Shareholder Loans. See appendix D
[3] Fixed asset additions to materials and equipment held for hire

Updated FY15 outlook

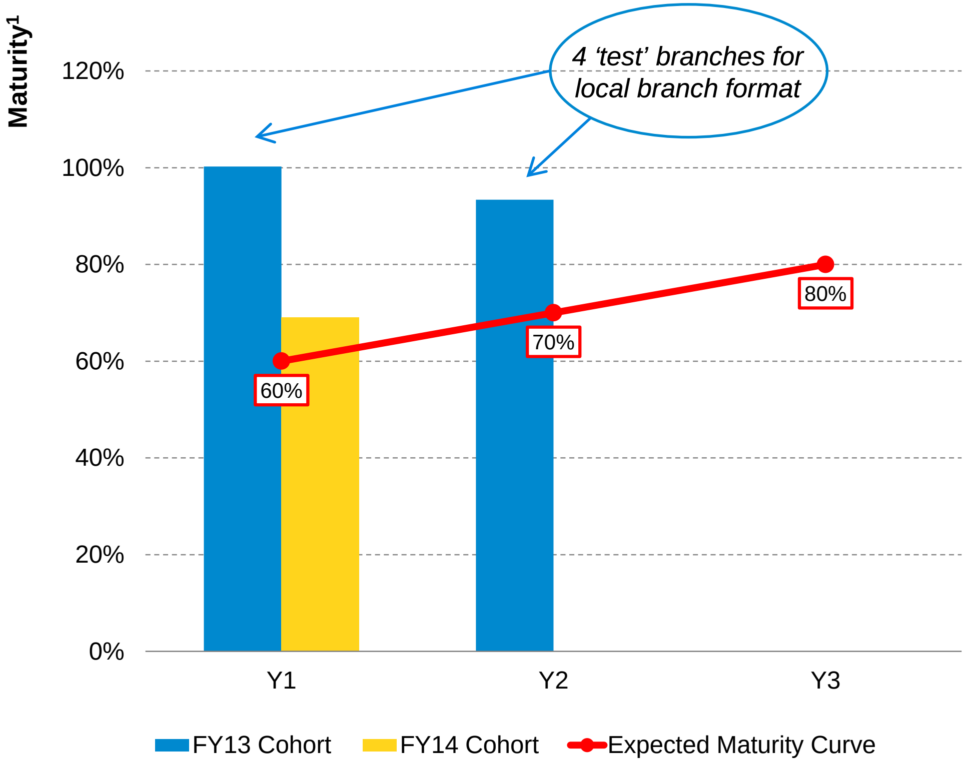
- Expect to continue growing market share through H2, despite variable market conditions
- 2015 revenue growth (full year) is now expected to be in the range 8 – 11%
- Earnings expected to be below current market expectations
- Rebasing costs to deliver savings of £1.5m to £3.0m in Q4 2015
- Capex investment will be below FY14, matched to expected customer demand

New local branches: programme built on experience

Opening programme built on experience

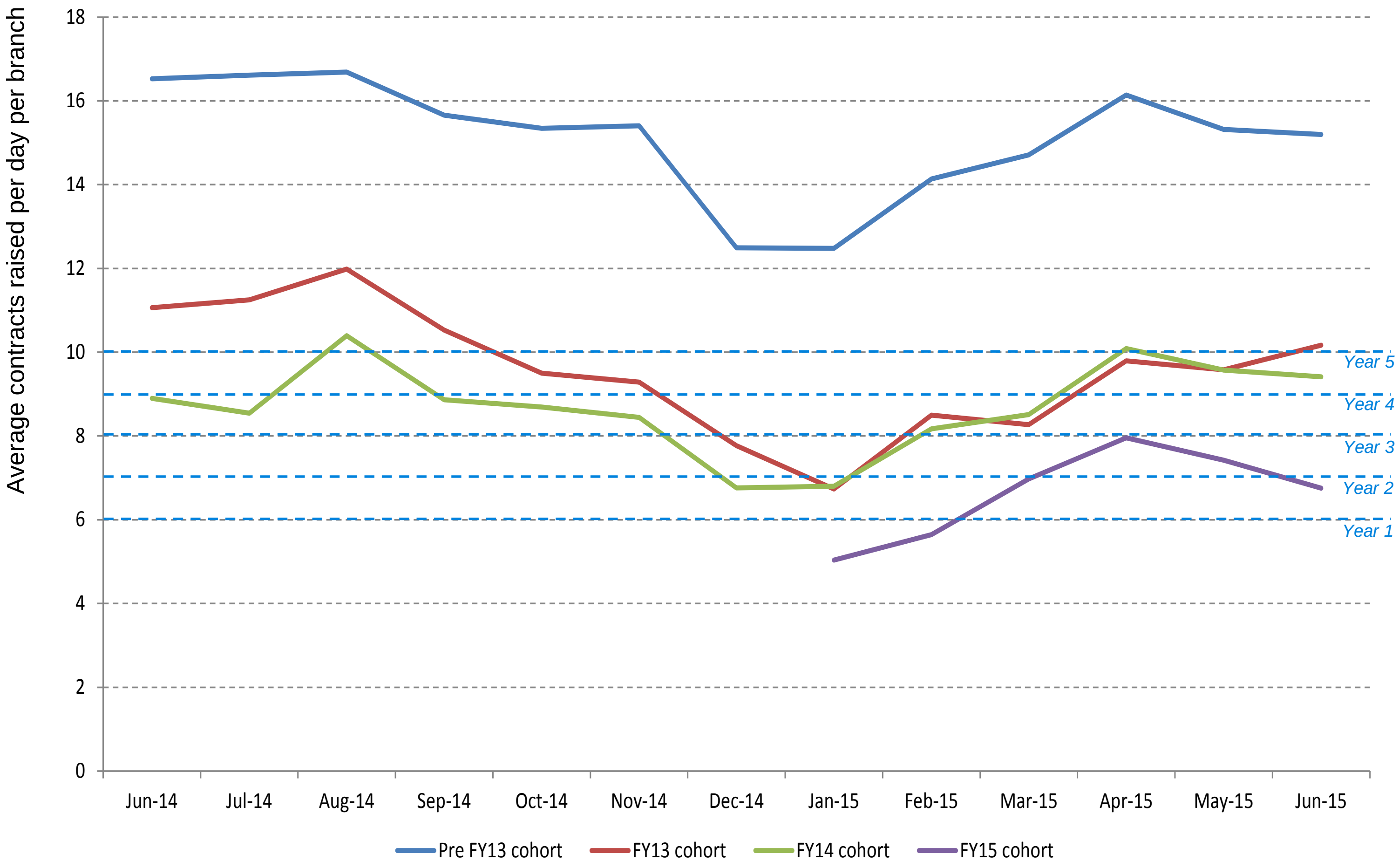


Branches continue to outperform expectations



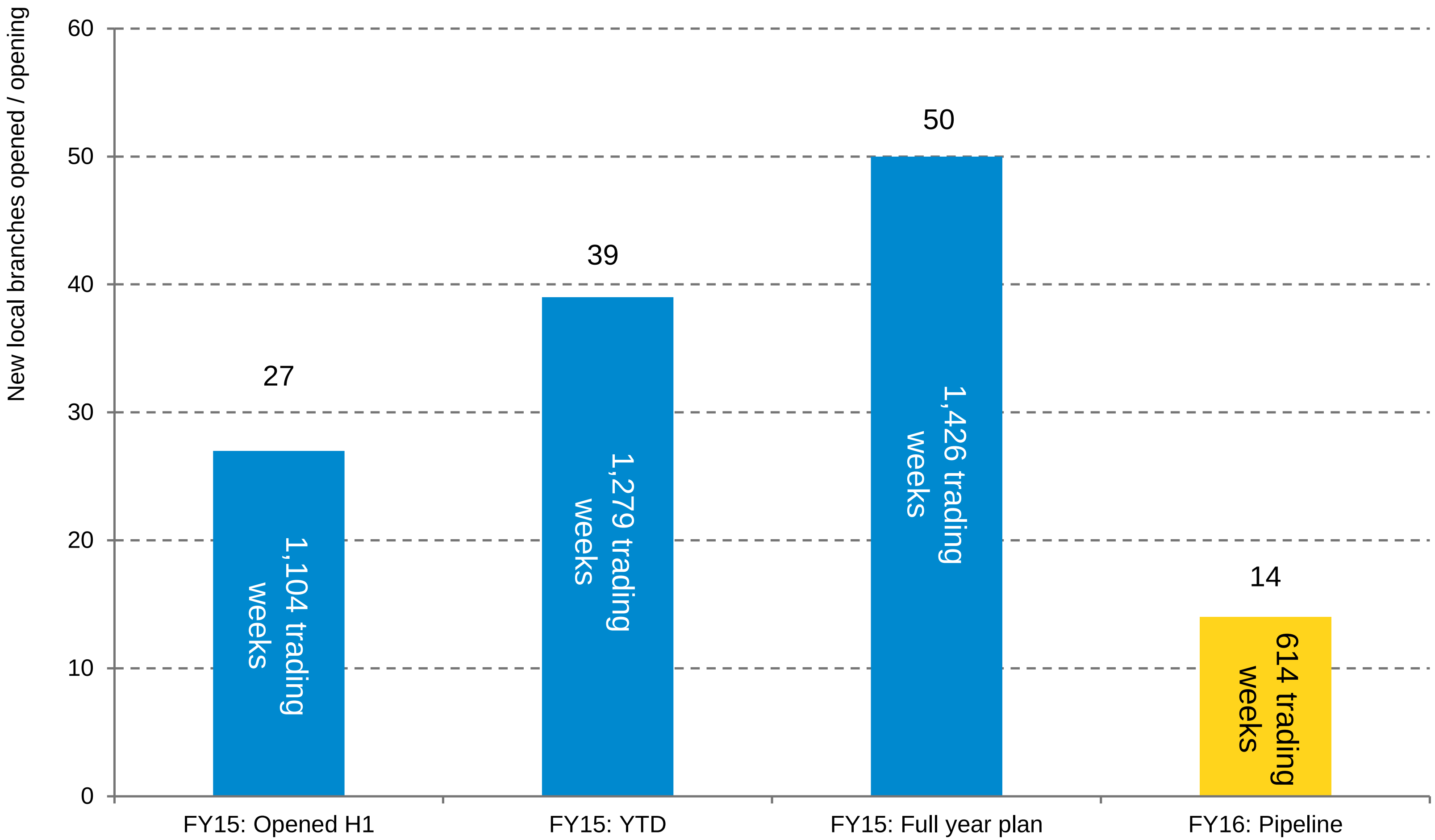
[1] *Maturity measured against mature revenue of £450k per branch (grown at 2% p.a.)*

New local branches: average contracts raised / day / branch



- Profile reflects revenue seasonality
- Steeper gradient in FY15 cohort as ongoing opening programme dilutes average
- Baseline targeting 10-12 transactions per day to achieve model

New local branches: delivered/planned trading weeks



- On track to deliver 50 new local branches planned for FY15
- Good progress already made with FY16 pipeline

Key Accounts: existing, new and pipeline

26 week period ended 27 June / 28 June

£m revenue	2015	2014	Growth (£m)	Growth (%)
Existing key accounts	44.2	43.2	1.0	*2.4%*
New key accounts	1.0	-	1.0	
Total key accounts	**45.2**	**43.2**	**2.0**	***4.7%***

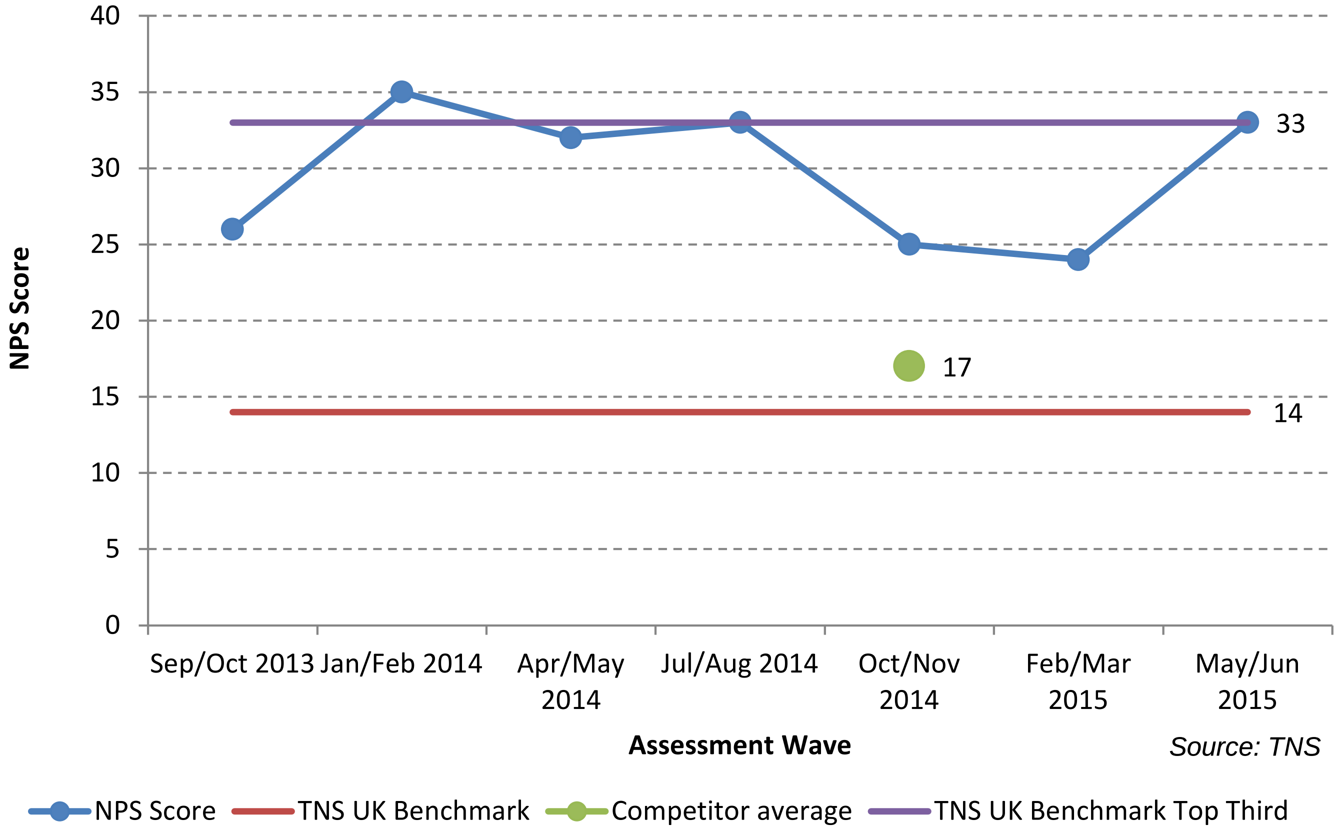
- Key account growth has been in low single digits amongst existing and new key accounts
- Focus on deepening existing relationships
- Converting new opportunities from pipeline

Specialist businesses: continued strong growth

- Organic revenue growth of 14.4% in UK Platforms and 28.1% in ABird/Apex[1]
- Acquired specialist HVAC business, All Seasons Hire in May 2015. Already investing in:
    - hire fleet; and
    - expansion of national depot footprint

[1] *Organic growth only (i.e. excluding Q1 2015 for Apex as we did not own Apex in Q1 2014)*

Customer feedback: Net Promoter Score



- Strong improvement in HSS Group NPS score in latest wave[1], returning to levels of TNS UK Benchmark Top Third[2]
- Continue to achieve scores ahead of competitors[3] and TNS UK Benchmark[4]

[1] *Based on 858 interviews conducted in May-June 2015*
[2] *Represents the average NPS Score of the top third of businesses surveyed by TNS calculated in the period between 2009 and 2012*
[3] *HSS defined group of competitors in the UK tool and equipment rental market. Weighted average score calculated in the Oct/Nov 2014 analysis performed by TNS*
[4] *Represents the average NPS score amongst B2B service companies in the UK calculated by TNS (based on 25,000 business customer interviews in the UK across Industry Products and Services between 2009 and 2012)*

Evolving our operating capability and rebasing our costs

- Opening new refurbishment centre in Q4 15
- Enhancing our distribution network
  - Plans progressed for new National Distribution Centre in H1 2016
  - Extends availability promise to customers
  - Enables exploitation of e-commerce platform
  - Exclusively concentrates existing distribution network on customer collection and delivery
- Rebasing our costs
  - Targeting gross savings between £8.0m and £12.0m in FY16 (full year)
  - Expect to deliver between £1.5m and £3.0m in Q4 FY15
- We will report on further progress against these in November

Summary, current trading and outlook

- Continuing to gain market share: double digit revenue growth delivered in H1
- Market conditions weaker than expected through Q2 and during August and remain variable
- Delivering strategy:
  - New local branches performing to our plan and on track to open 50 in FY15
  - Continued strong growth in Specialist businesses
  - NPS scores from our customers show that we continue to deliver best in class service
- Plans to open new National Distribution Centre and rebase cost structure underway
- Reducing full year outlook, but confident in strategy for medium and long term growth of the business

Q&A

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Appendices

August 2015

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 H1 15 numbers are included within this document;
  - Hampshire Topco Limited, the previous top company in the group whose H1 14 numbers are included within this document; 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 consolidated accounts, principally related to intangibles relating to the acquisition of the Hero Acquisitions group in 2012;
  - Lower net debt in the HSS Hire Group plc consolidated accounts, due to the consolidation of intercompany debts above the Hero Acquisitions group; and
  - Differences in tax and interest resulting from the above differences

Appendix C
Adjusted earnings calculations

26 weeks ended 27 June / 28 June		
£m	**2015**	**2014**
Operating profit / (loss)	**2.8**	**9.6**
Add: Depreciation & amortisation	*25.3*	*18.2*
Add: Non finance exceptionals	*0.8*	*1.0*
Adjusted EBITDA	**29.0**	**28.9**
Less: Depreciation	*(24.4)*	*(17.6)*
Adjusted EBITA	**4.5**	**11.3**
Less: Amortisation	*(0.9)*	*(0.6)*
Less: Net finance cost[1]	*(14.2)*	*(10.8)*
Adjusted LBT	**(10.5)**	**(0.1)**

[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
Net debt calculations

26 week period ended 27 June / 28 June		
£m	**2015**	**2014**
Cash	**3.7**	**5.0**
Bank overdraft	(8.9)	(5.4)
RCF	(33.5)	(9.5)
Finance leases	(19.0)	(9.7)
Accrued Interest	(3.8)	(5.4)
Senior Secured Notes[1]	(136.0)	(200.0)
Net amounts due to group undertakings	(205.3)	(69.5)
(Net debt) / Cash	**(402.8)**	**(294.5)**

- Reflects borrowings from all third parties, and includes the amounts due to group undertakings

[1] *Shown gross of issue costs*

Appendix D (cont…)
Net third party debt calculations

26 week period ended 27 June / 28 June

£m	2015	2014
Cash	3.7	5.0
Bank overdraft	(8.9)	(5.4)
RCF	(33.5)	(9.5)
Finance leases	(19.0)	(9.7)
Accrued Interest	(3.8)	(5.4)
Senior Secured Notes[1]	(136.0)	(200.0)
(Net debt) / Cash	**(197.5)**	**(225.0)**

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

[1] *Shown gross of issue costs*

Appendix E
Operating cash flow

26 week period ended 27 June / 28 June

£m	2015	2014
Operating profit	**2.8**	**9.6**
Depreciation & Amortisation	25.3	19.5
Increase in Inventories	(0.9)	(0.3)
Increase in Trade and other receivables	(5.5)	(7.8)
Increase in Trade and other payables	2.2	4.2
(Decrease) / increase in Provisions	(0.3)	0.2
Operating cash flow	**23.5**	**24.2**