Hero Acquisitions Limited
(subsidiary of HSS Hire Group plc)
Q1 FY16 Results



Agenda

- John Gill, CEO: Introduction
- Steve Bailey, Interim CFO: Q1 Results
- John Gill, CEO: Summary
- Q&A

Introduction

- Revenue up 16% on prior year (+c. 8% on 13 week basis)
- Growth across business remains volume led
- Revenue growth and EBITDA margins reflect continued expansion of supply chain management contracts
- EBITA margin improvement, reflecting revenue growth and cost rebasing in FY15
- Phased opening of NDEC continues and we remain on track to complete within FY16
- Market remains competitive with signs of softness in the general economy
- Trading in Q2 16 has started ahead of Q2 15

Income statement (1)

14 weeks ended 2 April / 13 weeks ended 28 March

£m	2016	2015	Growth (%)	Organic (%)
Revenue	**84.3**	**72.5**	***16.3%***	***15.4%***
Adj. EBITDA[1]	17.8	15.4	*15.6%*	*15.2%*
Adj. EBITDA margin	*21.1%*	*21.2%*		
Depreciation	(12.7)	(11.6)		
Adj. EBITA[2]	**5.0**	**3.8**	*31.6%*	
Adj. EBITA margin	*6.0%*	*5.2%*		

- Revenue growth across all regions and business units
- Q1 16 includes All Seasons Hire and additional week of revenue (c. 8%)
- Flat EBITDA margin and improved EBITA margin reflect change in revenue mix

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

Segmental analysis

14 weeks ended 2 April / 13 weeks ended 28 March

£m	2016	2015	Growth (%)
Core businesses			
Revenue	71.9	62.1	*15.8%*
Adj. EBITDA	10.6	10.1	*5.0%*
Adj. EBITDA margin	*14.7%*	*16.3%*	
Specialist businesses			
Revenue	12.4	10.5	*18.1%*
Adj. EBITDA	7.2	5.3	*35.8%*
Adj. EBITDA margin	*58.1%*	*50.5%*	

- Further strong growth in OneCall revenues (+62%), supporting new customer wins
- Changing EBITDA margin principally reflects expansion of supply chain management contracts
- Specialist businesses growth achieved through leveraging FY15 capital and depot investment and All Seasons Hire acquisition
- Also strong cross selling activity (reflected in HSS Core) - reducing dependency on 3rd parties and driving asset utilisation
- EBITDA growth from leveraging specialist depot network

Income statement (2)

14 weeks ended 2 April / 13 weeks ended 28 March		
£m	**2016**	**2015**
Adj. EBITA	**5.0**	**3.8**
Amortisation	(0.8)	(0.3)
Net finance cost (pre exceptionals)[1]	(9.2)	(6.9)
Exceptionals (all)	(2.0)	(4.9)
Reported PBT	**(7.0)**	**(8.3)**
Tax	(0.5)	(0.8)
Reported PAT	**(7.5)**	**(9.1)**

- Amortisation reflects software investment and All Seasons Hire acquisition in FY15
- Larger net finance costs reflects increased amounts owed to group undertakings as a result of post IPO funds flow
- Q1 16 exceptionals comprise:
  - £1.2m of NDEC set-up costs;
  - £0.7m onerous leases; and
  - £0.1m cost saving implementation

[1] *Pre exceptional finance costs which principally relate to costs related to the restructure of the group's debt during Q1 15*

Cash flow

14 weeks ended 2 April / 13 weeks ended 28 March

£m	2016	2015
Operating cashflow ("OCF")[1]	**0.2**	**(2.6)**
Less: Capex[2]	(8.9)	(15.7)
OCF less Capex	**(8.7)**	**(18.3)**
Less: Tax	-	-
Net cash flow before financing	**(8.7)**	**(18.3)**
Less: SSN redemption premium / Debt issue costs	-	(4.3)
Less: Net interest payable	(5.5)	(8.0)
Add: Net proceeds from borrowing / IPO	9.1	21.0
Net increase / (decrease) in cash	**(5.1)**	**(9.6)**

- Higher operating cashflow reflects higher EBITDA and lower investment in working capital
- Lower capex reflects lower additions through Q4 15 and Q1 16
- Reduced cash interest payable reflects reduction in senior secured notes part way through Q1 15

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

Balance sheet

As at 2 April / 28 March		
£m	**2016**	**2015**
Intangible assets	154.0	142.1
Tangible assets	180.6	154.5
Deferred tax asset	1.9	2.5
Net current assets / (liabilities)[1]	45.5	16.8
Other net liabilities	(9.5)	(5.8)
Net debt (ex. accrued interest)[2]	(443.6)	(360.0)
Accrued interest	(1.6)	(1.4)
Net liabilities	**(72.7)**	**(51.3)**

- Growth in intangible and tangible assets reflects investment through FY15 and Q1 16
- Movement in net current assets principally reflects settlement of capex creditors and continued growth in debtors with revenue growth
- Larger net debt balance reflects FY15 capex settlement, two quarterly rental payments in Q1 16 and increase in subordinated amounts owed to group undertakings from 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 balances, including those which would ordinarily be shown within current assets, current liabilities (excluding accrued interest) or non current liabilities. See appendix E

Summary

- Growth in line with expectations benefiting from new customer wins, capital investment through FY15, inclusion of All Seasons Hire and additional trading week
- Growth across all regions and business units
- EBITA margins improved to 6.0% reflecting revenue growth and cost rebasing programme
- We remain on track to complete the phased opening of the NDEC within FY16, thereby delivering a scalable platform for future growth
- The market remains competitive with signs of softness in the general economy, however trading in Q2 16 has started ahead of Q2 15
- H1 interim results will be reported on 31 August 2016

Q&A

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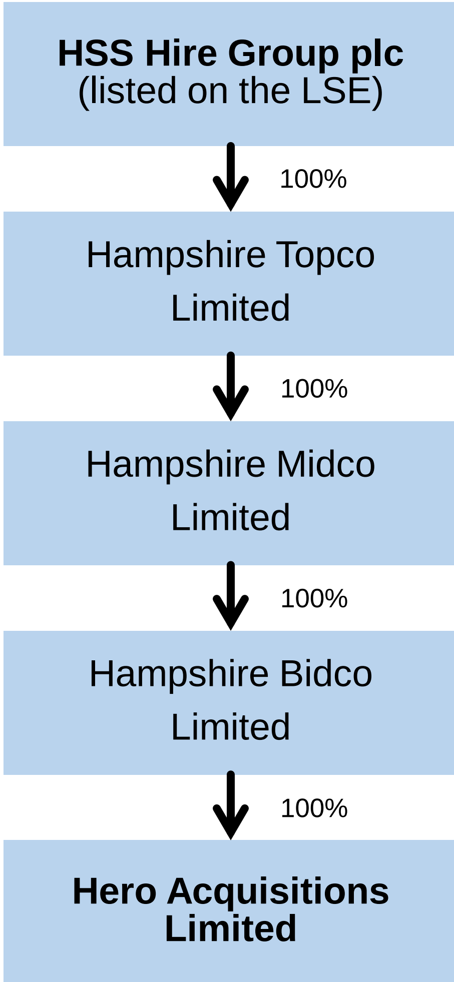
Appendices

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 Q1 FY16 numbers today to meet the reporting obligations attached to our Senior Secured Notes



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
Adjusted earnings calculations

14 weeks ended 2 April / 13 weeks ended 28 March

£m	2016	2015
Operating profit	**2.2**	**2.9**
Add: Depreciation and amortisation	*13.6*	*11.9*
Add: Exceptionals costs (non-finance)	*2.0*	*0.5*
Adjusted EBITDA	**17.8**	**15.4**
Less: Depreciation	*(12.7)*	*(11.6)*
Adjusted EBITA	**5.0**	**3.8**
Less: Amortisation	*(0.8)*	*(0.3)*
Less: Net finance cost[1]	*(9.2)*	*(6.9)*
Adjusted LBT	**(5.0)**	**(3.5)**

[1] Pre exceptional finance costs which relate to the partial redemption of the SSNs in 2015

Appendix D
Operating cash flow

14 weeks ended 2 April / 13 weeks ended 28 March

£m	2016	2015
Operating profit	**2.2**	**2.9**
Depreciation & amortisation	13.6	11.9
Decrease in Inventories	0.1	0.2
Increase in Trade and other receivables	(5.3)	(1.2)
Decrease in Trade and other payables	(10.3)	(15.4)
Decrease in Provisions	(0.0)	(1.0)
Operating cash flow	**0.2**	**(2.6)**

Appendix E
Net third party debt calculations

As at 2 April / 28 March

£m	**2016**	**2015**
Cash	(1.0)	(2.3)
Bank overdraft	5.8	6.1
RCF	59.0	9.0
Finance lease obligations	32.6	17.4
Senior Secured Notes[1]	136.0	136.0
Net third party debt (ex accrued interest)	**232.4**	**166.1**
Accrued interest	1.6	1.4
Net third party debt	**234.0**	**167.6**

- 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 April / 28 March

£m	**2016**	**2015**
Cash	(1.0)	(2.3)
Bank overdraft	5.8	6.1
RCF	59.0	9.0
Finance lease obligations	32.6	17.4
Net amounts due to group undertakings	217.4	198.3
Senior Secured Notes[1]	136.0	136.0
Net debt (ex accrued interest)	**443.6**	**360.0**
Accrued interest	1.6	1.4
Net debt	**445.2**	**361.4**

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

[1] *Shown gross of issue costs*