24 November 2016

Hero Acquisitions Limited

9M 16 Trading Update for Hero Acquisitions Limited

Hero Acquisitions Limited ("HSS" or the "Group"), a wholly owned subsidiary of HSS Hire Group plc, announces an update on its performance for the 40 week period ended 1 October 2016.

Unaudited Financial Highlights	9M 2016 (40 weeks)	9M 2015 (39 weeks)	Change
Revenue	**£256.0m**	£230.8m	+10.9%
Adjusted EBITDA[1]	**£52.8m**	£51.4m	+2.7%
Adjusted EBITA[2]	**£15.1m**	£14.1m	+7.1%

Highlights

- **Continued market share gains**
  - 11% revenue growth, with Services (+67%) and continued key account customer growth
  - 2% revenue growth in Rental and related revenue
- **EBITA margin progression through FY16**
  - Adjusted EBITA up 7% to £15.1m
  - Continued margin improvement through year from 4.7% at H1 16 to 5.9% at 9M 16
- **Driving capital efficiency through the business**
  - Utilisation remains strong at 50% in core categories and c.75% in specialist categories
  - Capex of £37.9m through 9M16, materially lower than in 9M 15 (£74.7m)
- **NDEC implementation substantially complete**
  - New National Distribution and Engineering Centre provides the platform to serve the UK market with improved customer proposition
  - All branches in England and Wales are now being serviced from the NDEC (as at 18 November)
  - Locations in Scotland will be rolled in to NDEC during Q1 17

Current Trading

- Given the scale, complexity and investment in the operational change being rolled out across the Group, we have taken the decision to extend the implementation period through to Q1 17
- This will impact on our core Rental and related revenue growth, and reduce the speed at which we can optimise our remaining network and reduce operating costs
- As a result, Q4 trading will be at the lower end of management's expectations
- Our focus on reducing operational cost continues; we have closed 18 underperforming branches in October and 4 distribution centres since the end of H1 16. Combined with the extension of our NDEC implementation timetable, full year exceptional costs to continue at the current run rate
- Net debt has increased slightly to £240.4m, reflecting increased exceptional costs, which largely relate to the NDEC implementation, together with the additional rent payment taken in Q1 of this year

Outlook

- Whilst the Board strongly believe the investment in the Group's operational model will best position the business to serve the UK tool and equipment hire market, as a result of the impact on Rental and related revenue and the extended implementation timetable, they now expect adjusted EBITA for the year to be above the prior year, but below the range of market expectations
- A continued focus on capital efficiency means FY16 capital expenditure will be in line with the £40m - £45m range previously guided
- Based on current performance expectations for the remainder of the year and planned capital expenditure, management expect a small reduction in net third party debt by the year-end

Explanatory Notes:

1) *Adjusted EBITDA defined as Operating Profit with depreciation, amortisation and exceptional costs added back (exceptional costs include restructuring, IPO and acquisition costs)*
2) *Adjusted EBITA defined as Adjusted EBITDA less depreciation*

John Gill, Chief Executive Officer of Hero Acquisitions Limited's parent company HSS Hire Group plc, said:

"We made further progress with our strategy in the period, particularly with the growth in our market share and the implementation of the NDEC. Our investment through FY16 has laid the foundations for us to improve our customer experience and service proposition and deliver capital and operational efficiency".

"Given the scale and complexity of this transformational operational change within the Group, we have taken the decision to extend the implementation into Q1 17. While we are seeing some impact on performance in FY16. However, the Board remains confident that the initiatives being pursued will position the business to drive improved shareholder returns in what remains a competitive and fragmented marketplace."

"Looking ahead to 2017 we will continue the optimisation of our network across both distribution centres and local branches to deliver the benefits of our new operating platform, delivering an enhanced customer proposition, with a primary focus to drive EBITA margin growth."

Update call for holders of the Senior Secured Notes

As required by the reporting obligations for 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

A presentation to accompany the call and the 9M Report for Hero Acquisitions will be made available at www.hsshiregroup.com/investor-relations/senior-secured-notes/.

For further information, please contact:

Hero Acquisitions Limited Tel: (On 24 November 2016) 020 7638 9571

John Gill, Chief Executive Officer Thereafter: 020 8260 3343

Paul Quested, Chief Financial Officer

Robert Halls, Investor Relations Manager

Citigate Dewe Rogerson Tel: 020 7638 9571

Simon Rigby

Kevin Smith

Nick Hayns

Note 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 310 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.