



5 April 2017

Hero Acquisitions Limited

Audited Results for the 53 week period ended 31 December 2016

Year of significant operational change and investment - foundations laid for sustainable profit growth

Hero Acquisitions Limited ("HSS" or the "Group") today announces results for the 53 week period ended 31 December 2016.

Financial Highlights	FY16 (53 weeks)	FY15 (52 weeks)	Change
Revenue	£342.4m	£312.3m	+9.6%
Adjusted EBITA ¹	£20.3m	£20.2m	+0.5%
Adjusted EBITA margin	5.9%	6.5%	(0.6pp)
Adjusted loss before tax ²	(£16.0m)	(£11.4m)	(£4.6m)
Statutory extracts			
Operating (loss) / profit	(£0.3m)	£12.0m	(£12.3m)
Reported loss before tax	(£36.6m)	(£25.5m)	(£11.1m)

Highlights

- **Market share gains in UK and Ireland**
 - 9.6% revenue growth with Services +60.8% and strong performance with key account customers
 - Portfolio of specialist businesses shows continuing revenue growth
 - Irish business continues to take market-share reflecting leadership position in expanding Republic of Ireland economy
- **Adjusted EBITA stable year on year**
 - Adjusted EBITA stable at £20.3m (FY15: £20.2m) with margin of 5.9%
 - Rental revenue and profitability impacted by operating model changes through Q4 FY16
- **Continued focus on driving capital efficiency**
 - FY16 capex (fixed asset additions) actively reduced to £42.4m, from FY15 level of £84.0m
 - Core fleet utilisation improved to 50% (2015: 48%) and specialist utilisation maintained in mid 70%'s
- **Significant changes in operating model implemented and ongoing**
 - Reported loss before tax of £36.6m reflects a year of investment in new distribution network structure, including non-finance exceptional costs of £16.9m, together with non-cash settled interest on amounts owed to group undertakings
 - New model will enable superior fleet availability 'anytime, anywhere', significantly strengthening our customer proposition and future sales opportunity
 - New central distribution and engineering capability implemented across England & Wales
 - Network 'right-sizing' plan initiated with 18 under-performing branches closed in Q4 16
 - Consolidation of distribution centre network with net 7 distribution centres closed in FY16
- **Facility and cash headroom in excess of £29m**
 - Net third party debt of £232.1m (2015: £218.1m) reflects implementation of operating model changes
 - Facility and cash headroom in excess of £29m as at 31 December 2016

- Cash proceeds of c. £13m from equity placing by parent company, HSS Hire Group plc, have subsequently been made available to the Group increasing facility giving pro-forma facility and cash headroom at 31 December 2016 in excess of £42m

Current Trading and Outlook

- Operating model optimisation will continue through H1 17:
 - Central distribution capability extended to Scotland as planned
 - 'Right-sizing' programme to offset the operating costs of the new distribution network continued with a further 37 under-performing branches closed
 - Ranges held at branches and CDCs re-profiled to enhance product availability further for customers
- Rolling programme of new sales initiatives commenced at the end of the quarter, focused on key markets offering market-leading availability online and in-branch
- Management team strengthened with appointment of Chief Commercial Officer and Group HR Director
- On a comparable 13 week basis and taking into account the impact of branch closures, revenue in Q1 17 is expected to be broadly flat compared to Q1 16 but with an improving trend
- As we leverage our new operating model and drive sales initiatives we expect Rental revenue momentum to build through the rest of the year which combined with a continued focus on cost reduction will lead to EBITA growth weighted toward H2 17

Explanatory Notes:

1) Adjusted EBITA defined as Operating profit with amortisation and exceptional costs added back

2) Adjusted loss before tax defined as loss before tax with amortisation and exceptional costs added back

John Gill, Chief Executive Officer of HSS Hire Group plc, the parent company of Hero Acquisitions commented:

"2016 was a year of significant operational change and investment for the Group. The result is an enhanced operating platform that will enable us to deliver superior fleet availability to customers right across our network, creating the foundation for future sustainable profit growth.

"While we made good progress in key accounts, specialist rental and our fast-growing Services business during the year, this was not matched by revenue growth in our core Rental business and re-establishing momentum in this area is our primary focus in 2017 and beyond.

"With a new platform in place that we can now leverage, we are firmly focused on pressing home our competitive advantage to drive growth in Rental revenues, particularly in our smaller and medium sized accounts. In particular, we appointed a Chief Commercial Officer in early 2017, with the objective of strengthening our customer proposition throughout our network. While we remain at the start of this journey, there are some encouraging initial signs that this strategy is beginning to gain traction in key markets such as London. In tandem, we will continue to grow our capital-light Services businesses, One-Call and HSS Training, where we are seeing strong demand from both existing and new customers. We expect to see the benefits of these activities deliver margin improvement in H2 17.

"Our markets remain competitive on price and the initiatives implemented over the last 12 months - and the ongoing programme of network optimisation - have strengthened our capabilities and leave the Group well-positioned to continue to serve our existing and future customers."

Update call for Hero Acquisitions Limited for holders of Senior Secured Notes

As required by the reporting obligations for the Senior Secured Notes, a separate conference call discussing the results of Hero Acquisitions Limited (a wholly owned subsidiary of HSS Hire Group plc) will be held for noteholders at 1400 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 FY16 Annual Report for Hero Acquisitions will be made available at www.hsshiregroup.com/investor-relations/senior-secured-notes/

For further information, please contact:

HSS Hire Group plc
(parent company of Hero Acquisitions Limited)

Tel: 020 7638 9571 (on 5 April 2017)

Thereafter: 020 8260 3343

John Gill, Chief Executive Officer

Paul Quested, Chief Financial Officer

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Kevin Smith

Nick Hayns

Note to editors

Hero Acquisitions Limited, a wholly owned subsidiary of HSS Hire Group plc, provides tool and equipment hire and related services in the UK and Ireland through a nationwide network of over 280 locations. Focusing primarily on the maintain and operate segments of the market, over 90% of its revenues come from business customers. HSS Hire Group plc is listed on the Main Market of the London Stock Exchange. For more information please see www.hsshiregroup.com.