HSS Hire Group plc

H1 FY17 Results

Agenda

Headlines	Steve Ashmore, CEO
H1 17 results	Paul Quested, CFO
Early views and outlook	Steve Ashmore, CEO

Headlines

- Operating model changes have impacted Rental revenue growth and cost base in H1
- Management have taken decisive action to improve revenue, profitability and service
  - Improved revenue / earnings trend through Q2
  - On track to deliver annualised cost savings of c. £13m compared to Q1 run rate
  - Enhanced fleet availability; Net Promoter Score has improved to 47 (H1 16: 42)
  - Improved capital efficiency enabling reduction of £4m - £6m in capex year on year
- Group returned to profit (EBITA) in June, July and August
- Revenue back in growth from July, however rental revenue rate of recovery materially slower than targeted
- We now expect H2 Adjusted EBITA profit to be in the range of £8m to £11m

Financial summary

26 weeks ended 1 July / 27 weeks ended 2 July

£m	2017	2016	Growth (%)
Revenue	**160.5**	**166.2**	*(3.4%)*
Adj. EBITDA[1]	17.1	32.1	*(46.7%)*
Adj. EBITDA margin	*10.6%*	*19.3%*	
Adj. EBITA[2]	**(7.3)**	**9.4**	
Adj. EBITA margin	*(4.5%)*	*5.7%*	
Exceptional costs	12.6	7.1	

- Revenue broadly flat on a comparable 26 week basis after impact of branch closures with improving trend
- Adj. EBITDA impacted by revenue mix, parallel running costs through Q1 and into Q2
- Exceptional costs reflect:
  - Impact of branch closures and associated fixed assets impairment
  - Implementation of cost reduction programme

[1] *Earnings stated before interest, tax, depreciation and amortisation ("EBITDA") and before exceptional items*
[2] *Adjusted EBITDA less depreciation*

Segmental analysis

26 weeks ended 1 July / 27 weeks ended 2 July			
£m	**2017**	**2016**	**Growth**
Rental (and related revenue)			
Revenue	119.3	128.7	(7.3%)
Contribution	73.9	86.7	(14.8%)
Contribution margin	*61.9%*	*67.4%*	
Services			
Revenue	41.3	37.5	10.1%
Contribution	5.2	5.2	0.0%
Contribution margin	*12.6%*	*13.9%*	
Branch and selling costs	(41.3)	(45.5)	
Central costs	(20.7)	(14.2)	
Adj. EBITDA	**17.1**	**32.1**	***(46.7%)***

Rental

- Revenues impacted by strong comparator period and additional week's trading in H1 16
- Contribution down by 5.5pp driven by 53rd week (1pp), customer and product mix (2.8pp) and parallel running costs (1.7pp)

Services

- Continued growth in OneCall and training revenues
- Annualisation of large MSP contract and continued investment in teams to support future growth impacting contribution

Costs

- Branch and selling costs reduced reflecting cost reduction programmes
- New operating model costs included in central costs and against Rental contribution

Net debt lower year on year

26 weeks ended 1 July / 27 weeks ended 2 July		
£m	**2017**	**2016**
Adj. EBITDA	**17.1**	**32.1**
Exceptional costs (cash)	(2.0)	(6.3)
Working capital	(1.1)	(10.6)
Capex [1]	(18.2)	(29.3)
Net interest paid	(6.9)	(6.4)
Tax paid	(0.2)	(0.1)
Net (increase) decrease in net third party debt	**(11.2)**	**(20.6)**
Closing net third party debt	**230.6**	**238.7**

Lower net debt balance reflects:

- Lower adjusted EBITDA
- Equity placing (Dec 2016)
- Improved working capital management
- Capital efficiency and lower investment in non-fleet capex

[1] *Gross of finance lease funding*

>£35m headroom in cash and existing facilities

Early views

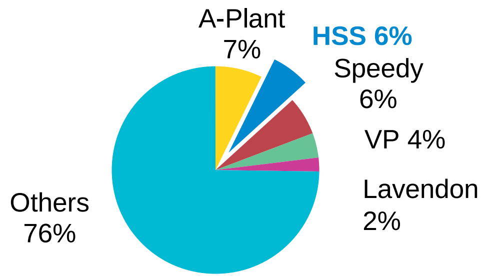
Since joining the business

1. Established stable of brands with market leading positions in chosen markets

#2

in the UK tool and equipment rental market by revenue

2016 market share[1]

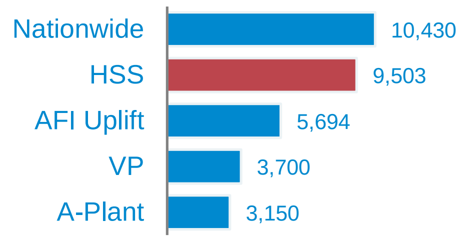


[1] Company reports, ERA industry reports

#2

in the UK powered access market by fleet size

Fleet size (# of machines)[2]

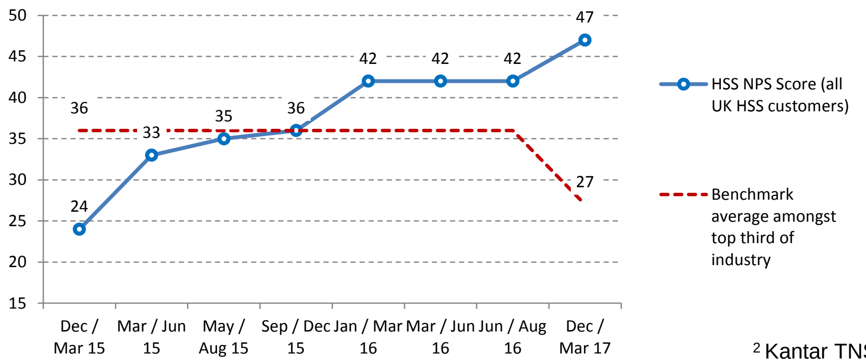


[2] Cranes & Access Top 30 List

2. Great brand strength and leading levels of customer service

Leading NPS score:

47[1]



Significantly above the top third of the TNS B2B Benchmark[2] score of **27**

[1] Kantar TNS

[2] Kantar TNS benchmark includes manufacturing, service providers and utilities sectors

Early views

Since joining the business (cont…)

3. Committed and knowledgeable colleagues

512 years' experience across 64 colleagues in Manchester Piccadilly

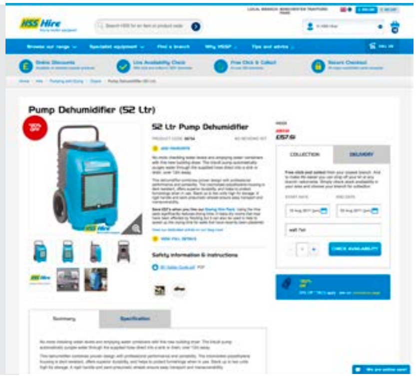
UK CUSTOMER EXPERIENCE AWARDS '16 WINNER

4. Forward thinking and innovative business

Centralised engineering and distribution capability

Purpose built hire fleet refurb centre

Fully mobile enabled transactional customer facing website



Building momentum:
4 clear sets of actions

1 Revenue momentum building

- Focus on driving rental revenue growth, initiatives starting to deliver
- New sales initiatives in larger markets gaining traction
- Re-focus on Specialist businesses to drive profitable market share growth

2 Delivering cost savings

- Management expects to achieve top end of annualised target range of £11-13m, against Q1 run rate
- Majority of cost actions implemented by end of Q2. Benefit will flow through H2
- Management remain focused on further cost opportunities

3 Improving customer experience

- Roll out of centralised engineering and distribution capability now complete
- Enhanced customer proposition, through better availability and fulfilment
- Evidence of utilisation levels driving operational and capital efficiencies

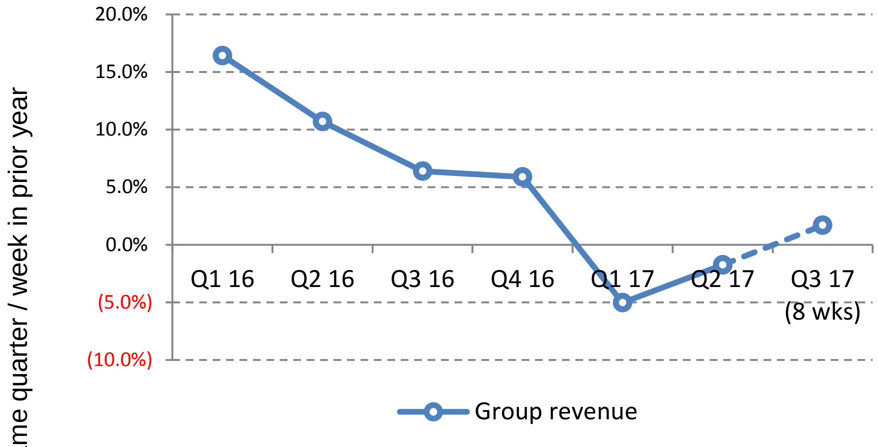
4 Enhancing working capital management

- Improved cash collection through implemented process changes
- Strong working capital management through harmonising the terms between customers and suppliers

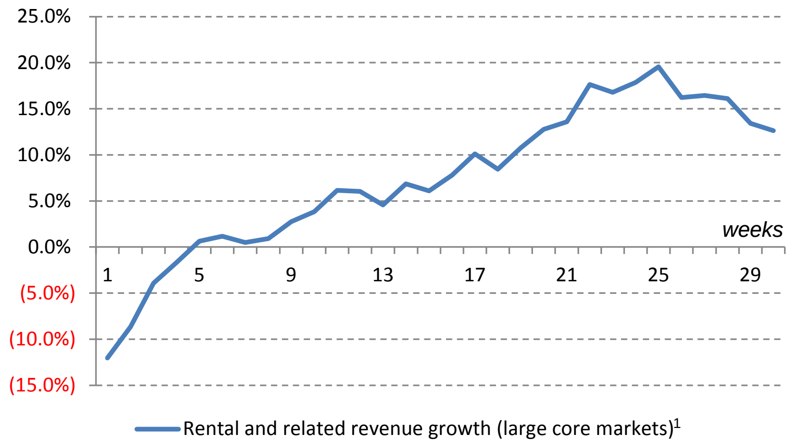
Targeting growth in Adjusted EBITA through decisive action

Building momentum:
Revenue trend improving

Group revenue growth



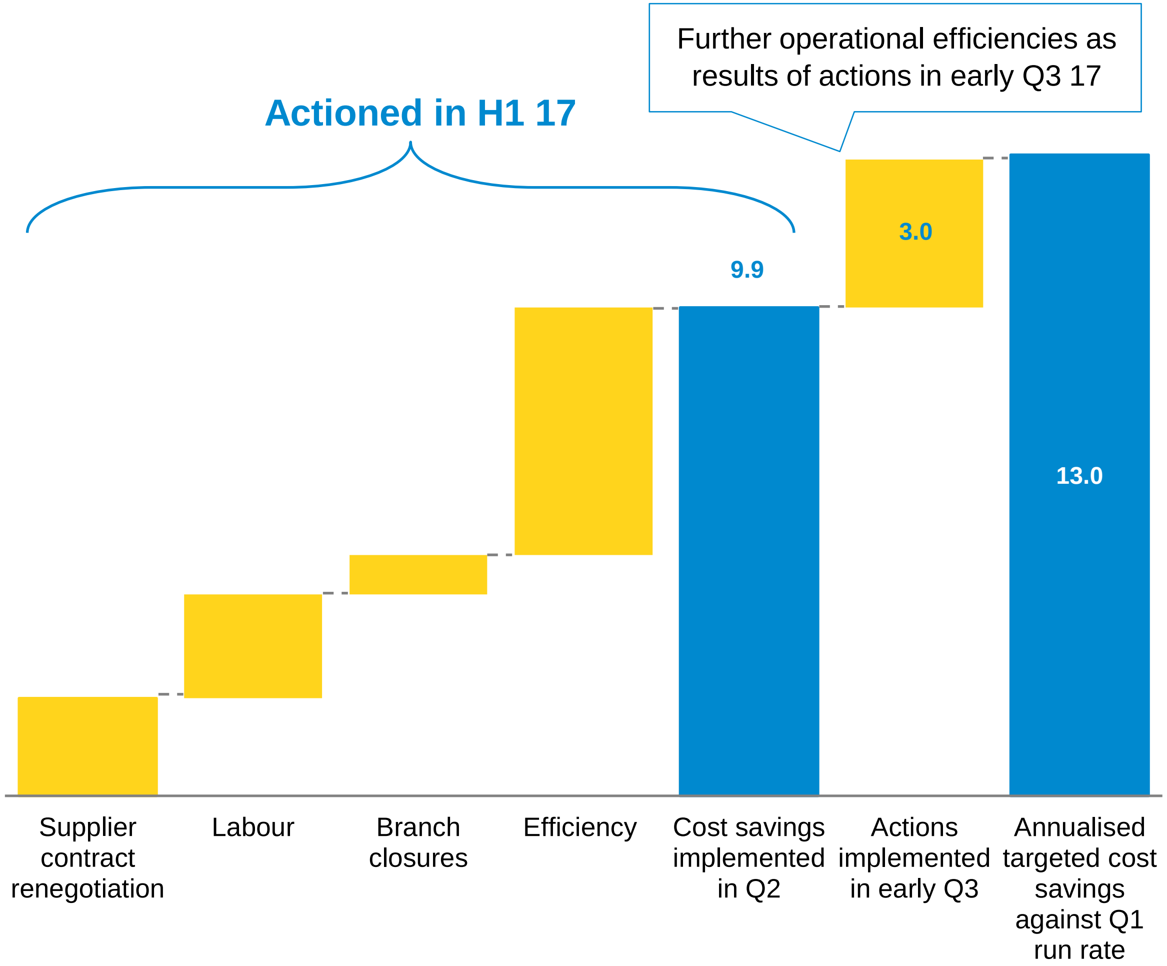
Rental revenue growth in large core markets



- Revenue growth from July
- Focus on large core markets (London and NW) continues to drive rental revenue growth, especially with SMEs
- Re-focus on Specialist businesses to drive market share growth in attractive segments
- Rental revenue momentum building but materially behind target
- Management targeting driving profitable rental revenue in H2

[1] *4-week rolling revenue growth*

Building momentum:
Delivering cost savings

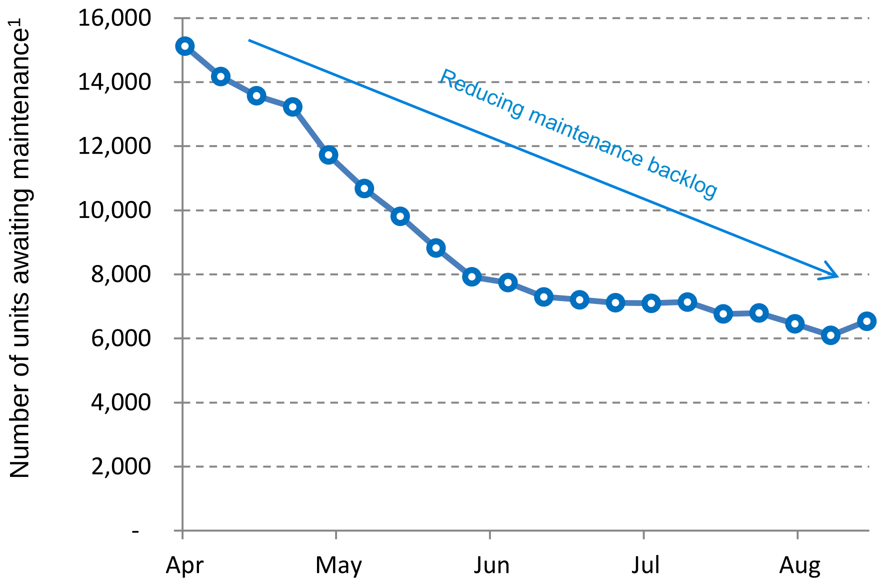


Costs actions implemented towards end of Q2:

- Efficiency through NDEC: improved productivity and distribution routing
- Closed 13 branches in Q2 17, 68 since Q3 16
- Reduced central headcount by 92
- Renegotiated terms with rehire suppliers
- Benefits will flow through H2

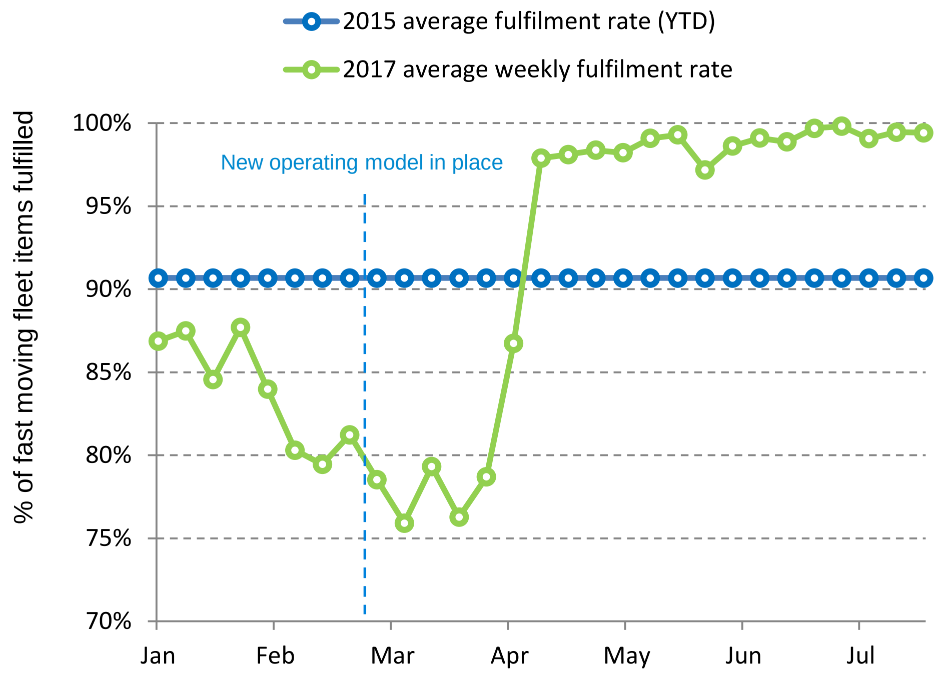
Building momentum: Improving customer experience

Improved availability and capital efficiency



- New operating model allows superior maintenance capability, driving availability and realising c.£4-6m capex savings

Fulfilment levels consistently above 2015 levels



- Higher fulfilment levels driving greater consistency in service and supporting regain of market share

[1] Tracked across top 500 SKUs in business

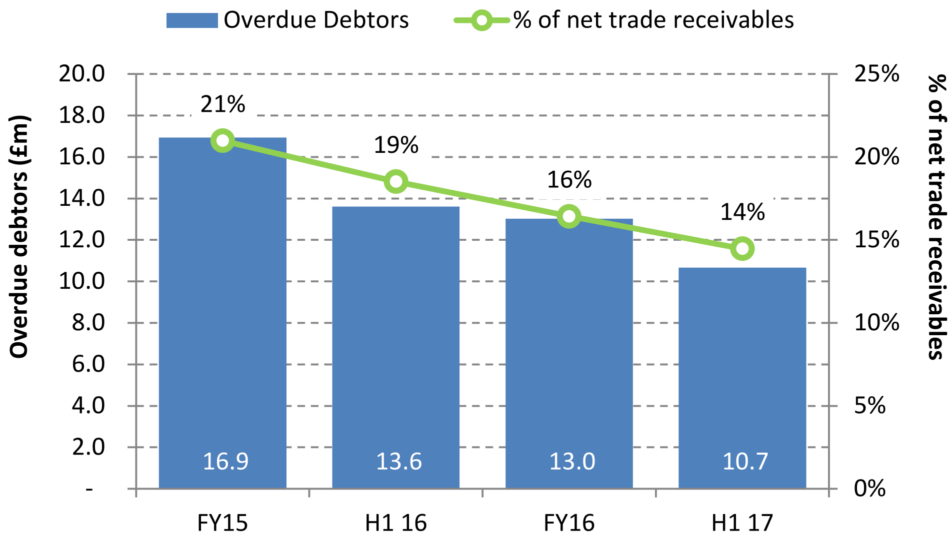
Improved NPS score of 47

Building momentum:
Enhanced cash management

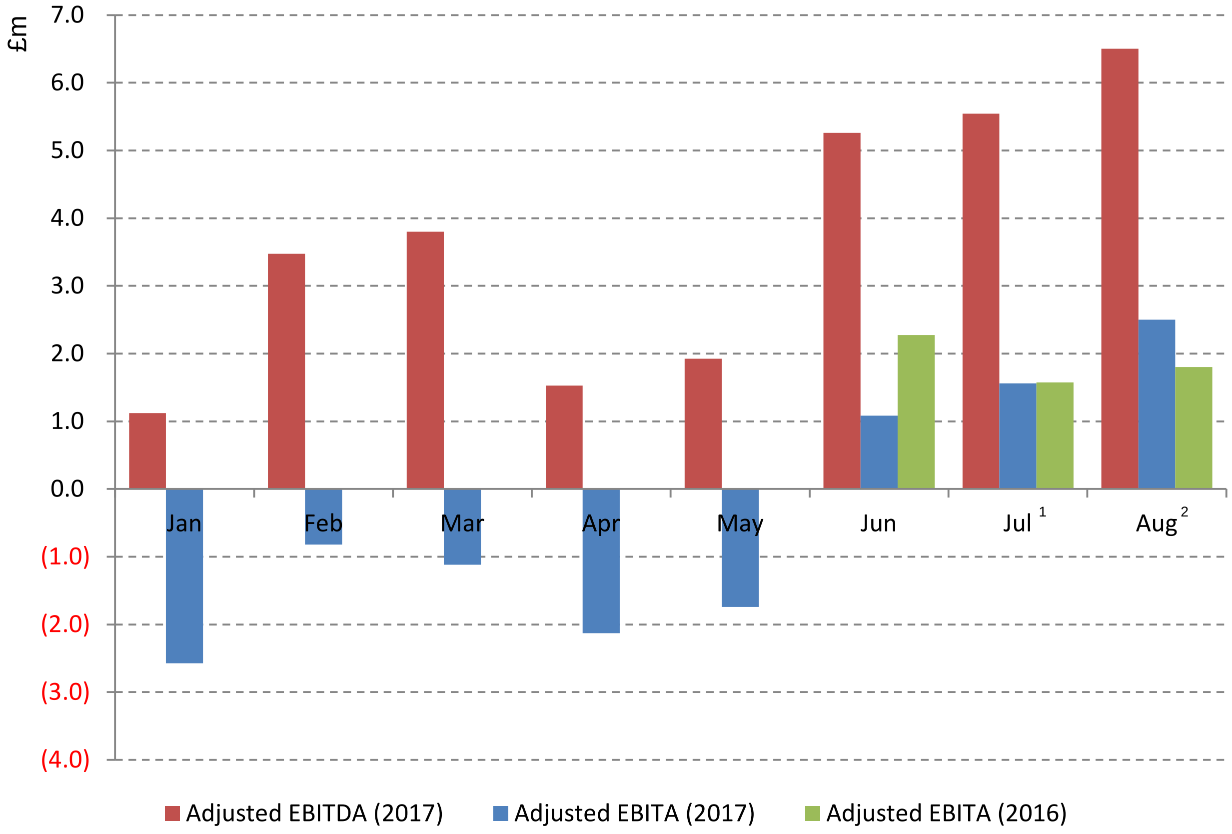
- Implemented process changes to improve receivables (e.g. invoicing systems)
  - Debtor days reduced from 94 days (FY15) to 80 days (H1 17)
  - Reduced overdue debtors by 37% since FY15
  - Targeting overdue debts of less than 10%

- Harmonising payment terms between customers and suppliers

- H1 17 working capital outflow of £1.1m against prior year outflow of £10.6m



Building momentum:
Driving business into profitability

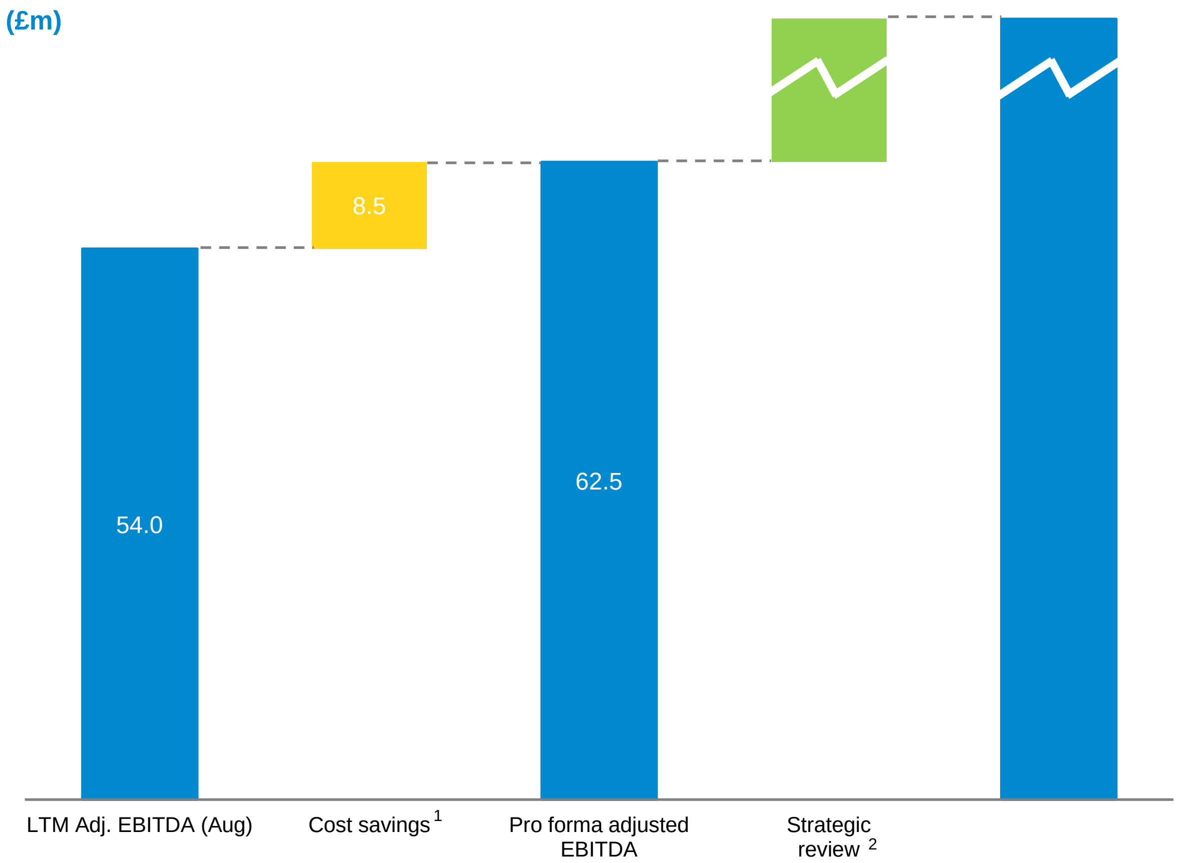


- H1 impacted by transition to new operating model
- Significant improvement in Adjusted EBITDA and EBITA since June
- Improvement reflects positive impact of sales initiatives and cost actions
- Continued focus on actions drive profitability through rest of year

[1] Per management accounts
[2] Latest management view

Strategic review to drive sustainable profit growth

1. **Revenue momentum building**
2. **Delivering cost savings**
3. **Improving customer experience**
4. **Enhancing working capital management**



[1] Annualised impact of already announced and executed cost reduction plans (LTM basis)
[2] From FY17 strategic review

Strategic review
Thorough review already underway

- Leadership team currently conducting strategic review to accelerate profitable market share gains and to de-lever the business
- Key areas of focus:
  - Business performance diagnostic: customer, product, branch and market profitability;
  - Defining future target segments offering high growth and profit potential;
  - Developing the most efficient route to market for our target areas; and
  - Delivering the most cost effective business model to drive profitable growth
- Update will be presented to the market in November 2017

Summary and outlook

- Continued focus to drive Rental revenue and EBITDA growth through sales and cost initiatives
- Net debt reduction remains management focus; No interim dividend declared
- Management expect H2 Adjusted EBITA profit to be in the range of £8m to £11m
- Leadership team will present update on strategic review in November 2017

Q&A

Important notice

By reading or reviewing this presentation, you agree to be bound by the following limitations:

This presentation has been prepared by the HSS Hire Group (the "Group") solely for information purposes. For the purposes of this disclaimer, this presentation shall mean and include the slides in this deck, the oral presentation of the slides by the Group or any person on its behalf, any question-and-answer session that follows the oral presentation, hard copies of this document and any materials distributed in connection with the presentation. By attending the meeting at which the presentation is made, dialling into the teleconference during which the presentation is made or reading the presentation, you will be deemed to have agreed to all of the restrictions that apply with regard to the presentation and acknowledged that you understand the legal regulatory sanctions attached to the misuse, disclosure or improper circulation of the presentation.

The information contained in this presentation should be considered in the context of the circumstances prevailing at the time and will not be updated to reflect material developments that may occur after the date of the presentation. The information and opinions in this presentation are provided as at the date of this presentation and are subject to change without notice. It is not the intention to provide, and you may not rely on this presentation as providing, a complete, fair, accurate or comprehensive analysis of the financial or trading position or prospects of the Group. No reliance may be placed on the information contained in this presentation for any purpose, and neither the Group nor any of its respective affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this presentation or their contents or otherwise arising in connection with the presentation, or any action taken by you or any of your officers, employees, agents or associates on the basis of the information.

The information contained herein does not constitute investment, legal, accounting, regulatory, taxation or other advice and does not take into account your investment objectives or legal, accounting, regulatory, taxation or financial situation or particular needs. You are solely responsible for forming your own opinions and conclusions on such matters and the market and for making your own independent assessment of the information. You are solely responsible for seeking independent professional advice in relation to the information.

This presentation contains financial information regarding the businesses and assets of the Group. Such financial information may not have been audited, reviewed or verified by any independent accounting firm. The inclusion of such financial information in this document or any related presentation should not be regarded as a representation or warranty by the Group or any of its affiliates, advisors or representatives or any other person as to the accuracy or completeness of such information's portrayal of the financial condition or results of operations by the Group and should not be relied upon when making an investment decision.

This presentation contains certain non IFRS and non-UK GAAP financial measures. These measures may not be comparable to those of other companies within our industry or otherwise. Reference to these non IFRS or non-UK GAAP financial measures should be considered in addition to IFRS or UK GAAP financial measures, but should not be considered a substitute for results that are presented in accordance with IFRS or UK GAAP.

The market data contained in this presentation, including all trend information, is based on estimates or expectations of the Group, and there can be no assurance that these estimates or expectations are or will prove to be accurate. Our internal estimates have not been verified by an external expert, and we cannot guarantee that a third party using different methods to assemble, analyse or compute market information and data would obtain or generate the same results. We have not verified the accuracy of such information, data or predictions contained in this report that were taken or derived from industry publications, public documents of our competitors or other external sources. Further, our competitors may define our and their markets differently than we do. In addition, past performance of the Group is not indicative of future performance. The future performance of the Group will depend on numerous factors which are subject to uncertainty.

Certain statements in this presentation and the materials distributed in connection with it are forward-looking or represent beliefs and opinions. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions which could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These include, among other factors, changing economic, business or other market conditions, changing political conditions and the prospects for growth anticipated by the Group management. These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this presentation regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future and forward-looking statements regarding future events or circumstances should not be taken as a representation that such events or circumstances will come to pass. The Group does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. No statement in this presentation is intended to be a profit forecast. You should not place undue reliance on forward-looking statements, which speak only as of the date of this presentation.

This presentation does not constitute or form part of, and should not be construed as, an offer to sell or issue, or the solicitation of an offer to purchase, subscribe to or acquire the Group or the Group's or any of its companies' securities, or an inducement to enter into investment activity in any jurisdiction in which such offer, solicitation, inducement or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of such jurisdiction. No part of this presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever, nor does it constitute a recommendation regarding the securities of the Group or any of its companies. This presentation is not for publication, release or distribution in any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction nor should it be taken or transmitted into such jurisdiction.

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) on 9 February 2015, whose **H1 FY17** numbers we report today;
  - Hampshire Topco Limited, the previous top company in the group; and
  - Hero Acquisitions Limited, the consolidated level at which we also report 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 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
Result after tax

26 weeks ended 1 July / 27 weeks ended 2 July

£m	2017	2016
Adj. EBITA	**(7.3)**	**9.4**
Amortisation	(3.3)	(2.9)
Adjusted finance expense	(6.9)	(7.2)
Exceptionals	(12.6)	(7.1)
Reported LBT	**(30.1)**	**(7.8)**
Tax	(0.2)	(0.4)
Reported LAT	**(30.3)**	**(8.3)**

Appendix D
Balance sheet

As at 1 July / As at 2 July

£m	2017	2016
Intangible assets	177.3	179.6
Tangible assets	161.9	187.7
Deferred tax asset	0.5	1.3
Net current assets / (liabilities)[1]	31.7	38.0
Other net liabilities	(17.7)	(17.3)
Net debt (ex. accrued interest)[2]	(226.7)	(234.9)
Accrued interest	(3.8)	(3.9)
Net assets	**123.2**	**150.5**

[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 F*

Appendix E
Net debt calculations

As at 1 July / As at 2 July

£m	**2017**	**2016**
Cash	(7.1)	(2.3)
Bank overdraft	-	1.1
RCF	68.5	67.0
Finance lease obligations	29.3	33.0
Senior Secured Notes[1]	136.0	136.0
Net debt (ex accrued interest)	**226.7**	**234.9**
Accrued interest	3.8	3.9
Net debt	**230.6**	**238.7**

[1] *Shown gross of issue costs*