



Hero Acquisitions Limited

Audited Results for Hero Acquisitions Limited for the year ended 30 December 2017

Trading momentum and strategic progress give strong platform to build upon

Hero Acquisitions Limited ("HSS" or the "Group") today announces results for the year ended 30 December 2017.

Financial Highlights	FY17 (52 weeks)	FY16 (53 weeks)	Change
Revenue	£335.8m	£342.4m	(1.9)%
Adjusted EBITDA ¹	£48.9m	£68.5m	£(19.7)m
Adjusted EBITDA margin	14.6%	20.0%	(5.5)pp
Adjusted EBITA ²	£1.7m	£20.2m	£(18.5)m
Adjusted EBITA margin	0.5%	5.9%	(5.4)pp
Adjusted (loss)/profit before tax ³	£(36.2)m	£(16.0)m	£(20.2)m
Statutory extracts			
Operating loss	£(68.5)m	£(0.3)m	£(68.2)m
Reported loss before tax	£(106.3)m	£(36.6)m	£(69.7)m

Financial Highlights

- Adjusted EBITA of £1.7m (FY16: £20.2m), in line with management expectations
- Decisive management actions returned Group to adjusted EBITA profit in the second half of the year:
 - H1 Adjusted EBITA loss of £7.1m, profitability impacted by substantial operating model changes
 - H2 Adjusted EBITA profit of £8.8m
- Performance trend through H2:
 - Improved underlying rental revenue trend in H2 17 +1.1% vs H2 16⁵
 - Continued strength in Services with revenue 10.9% and contribution 30.5% vs H2 16
 - Q4 Adjusted EBITDA ahead of prior year on a comparable basis⁶

Operational Highlights

- Delivered £13m of annualised cost savings through network efficiencies, reduced central headcount and branch closures; Q4 overheads £3.4m lower than Q1
- Continued operational improvements:
 - Improved capital efficiency leading to reduction in capex of around £5m year on year
 - Asset utilisation for Core in H2 53% (H2 16: 50%) and for Specialist 75% (H2 16: 75%)
- In depth strategic review completed with findings and plans outlined in December, including identification of further £10-£14m of annualised cost savings to be delivered in FY18 and FY19
- Exceptional costs of £66.6m primarily to realise savings implemented in the year and enable changes to the supply chain model identified in Strategic Review.
- Strategy focused on three areas to deliver improved performance:
 - Delever the Group
 - Repair the tool hire business
 - Strengthen the Group commercial proposition

Current Trading and Outlook

- Solid performance with improving trend continuing into 2018:
 - Underlying revenue growth of over 6% in Q1 18 compared to Q1 17⁵
 - Underlying core rental revenue growth greater than 3% in Q1 18 compared to Q1 17⁵
 - LTM Adjusted EBITDA expected to be c£54m at the end of March 2018, with Q1 18 expected to be 50% higher than Q1 17
- Reducing external net debt and delevering the Group remains a key focus
 - Leverage reduced to 4.3x by end of Q1 18
 - Facility and cash headroom of over £30m as at March 18
 - Agreed with lenders to extend the £80m revolving credit facility (RCF), now maturing in July 2019
- Good progress made on strategy implementation, including:
 - Changes to supply chain model on track to deliver annualised savings of c.£11m, resulting in an overall net cash savings of c.£8m per annum from FY19
 - Targeted action on improving profitability of Tool Hire business
 - Looking forward we expect Net Leverage to reduce to 3.2x following the implementation of the identified strategic actions

Steve Ashmore, Chief Executive Officer of HSS Hire, said:

“Overall 2017 was a difficult year for HSS, mainly due to the impact of operational changes made in 2016. We have addressed this by focusing on the core rental business and reducing our cost base and I am pleased with how the business responded in the second half of the year. When I arrived in June, I instigated a thorough strategic review process, the results of which have given us clear direction and an ambition to restore the business to historic levels of performance. Whilst we are only a few months into implementing the strategy, early signs are encouraging, and we are pleased with the results of the changes made to our network and the associated cost savings. I have been particularly pleased with how the organisation has embraced and responded to the new strategic direction, and remain confident that we will be successful in delivering on our strategic priorities set out in December.

Looking ahead the positive trading momentum has continued into the first quarter. This strong start to 2018 and good progress made on our strategic priorities gives me growing confidence the business can deliver on its full potential.”

Notes

1) Adjusted EBITDA is defined as operating profit before depreciation, amortisation and exceptional items. For this purpose depreciation includes the net book value of hire stock losses and write offs, and the net book value of other fixed asset disposals less the proceeds on those disposals. Adjusted EBITA is defined as operating profit before amortisation and exceptional items

2) Adjusted earnings per share is defined as profit before tax with amortisation and exceptional costs added back less tax at the prevailing rate of corporation tax divided by the weighted average number of ordinary shares

3) Adjusted (loss)/profit before tax defined as (loss)/profit before tax with amortisation and exceptional items added back

4) Adjusted (loss)/earnings per share defined as (loss)/profit before tax with amortisation and exceptional items added back less tax at the prevailing rate of corporation tax divided by the diluted weighted average number of ordinary shares

5) Underlying revenue is total revenue adjusted for the impact of branch closures in 2016 and 2017, business divestments in 2017, the effect of week 53 in 2016, and rental revenues and disposal proceeds arising from the material asset disposals made in 2016

6) Q4 16 post stripping out one off benefits from asset sales and one off supplier rebates of £2m

Update call for Hero Acquisitions Limited for holders of 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 1400 BST today.

To obtain dial-in details for the call, holders should contact Teneo Blue Rubicon at hss@teneobluerubicon.com. The accompanying presentation for the call will be made available at www.hsshiregroup.com/investor-relations/senior-secured-notes

-Ends-

Disclaimer:

This announcement contains forward-looking statements relating to the business, financial performance and results of HSS Hire Group plc and the industry in which HSS Hire Group plc operates. These statements may be identified by words such as “expect”, “believe”, “estimate”, “plan”, “target”, or “forecast” and similar expressions, or by their context. These statements are made on the basis of current knowledge and assumptions and involve risks and uncertainties. Various factors could cause actual future results, performance or events to differ materially from those described in these statements and neither HSS Hire Group plc nor any other person accepts any responsibility for the accuracy of the opinions expressed in this presentation or the underlying assumptions. No obligation is assumed to update any forward-looking statements.

Notes 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 250 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.

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