Hero Acquisitions Ltd

(subsidiary of HSS Hire Group plc)

Q1 18 Results

MAY 24th 2018

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Agenda

Q1 18 Highlights	Steve Ashmore, CEO
Q1 18 Results	Paul Quested, CFO
Outlook	Steve Ashmore, CEO
Q&A	

Group recovery gains momentum

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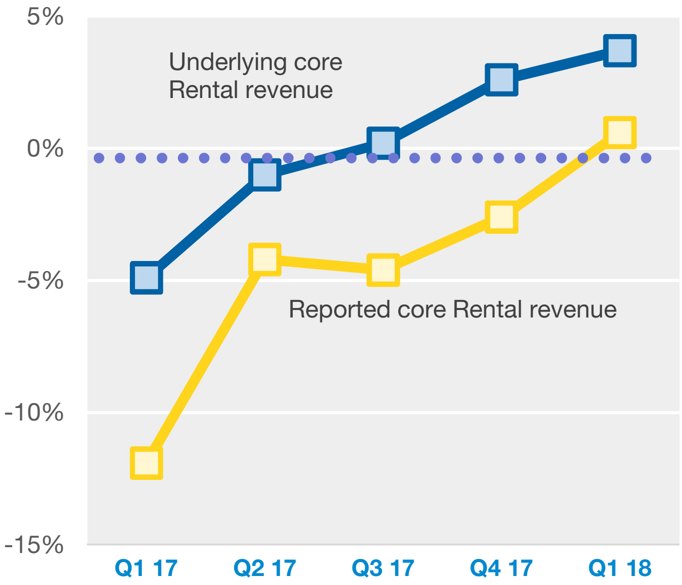
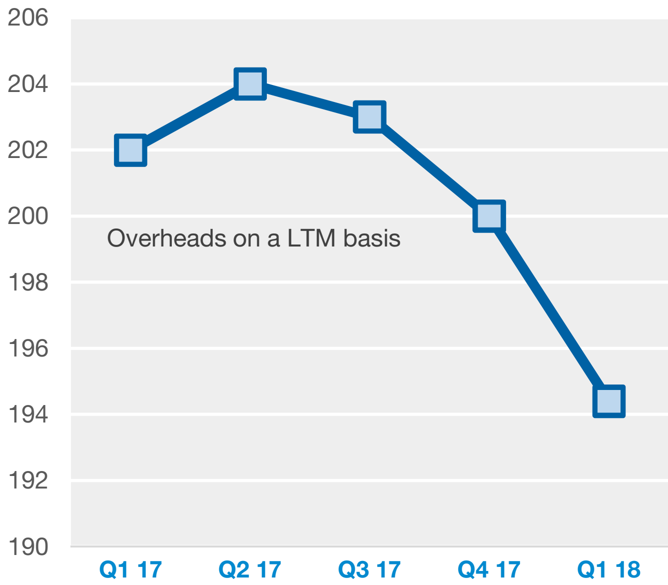
- Q1 Adjusted EBITDA growth of 63.5%
- Rental revenue growth and cost initiatives improved EBITDA margins by 5.9pp to 16.5%
- Underlying revenue growth greater than 8%
- Underlying core rental revenue growth greater than 4%
- Net leverage reduced to 4.2x against 4.8x in 2017
- Successfully implemented network distribution changes which will deliver c.£11m annualised savings
- Positive momentum continuing into April

EBITDA more than 60% ahead of Q1 17

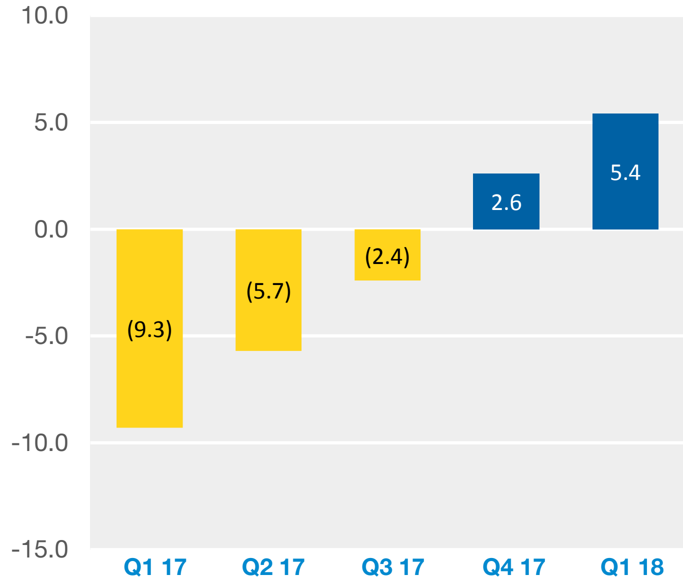
Underlying Rental revenue growth trend improving[1,2]



Overheads reducing (£m)[1]



Year on Year EBITDA variance (£m)



[1] 2017; Underlying revenue is total rental revenue, excluding branch closures, seasonality, asset disposals and business divesture

[2] 2018 ; Underlying revenue is total rental revenue excluding business divesture

Financial summary

13 weeks ended 31 March/13 weeks ended 1 April

£m	2018	2017	Variance
Revenue	**84.4**	**80.2**	**5.2%**
Adjusted EBITDA[1]	**13.9**	**8.5**	**63.5%**
Adjusted EBITDA margin	*16.5%*	*10.6%*	
Adjusted EBITA[2]	**2.2**	**(4.4)**	**6.6**
Adjusted EBITA margin	*2.6%*	(5.5)%	8.1pp
Exceptional items	*0.7*	6.5	

- Revenue growth of +5.2% vs Q1 17 as a result of sales initiatives across the Group
- Adjusted EBITDA increased through core rental revenue growth and cost actions implemented
- Exceptional items relate to cost reduction activity

[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

[2] Adjusted EBITA is defined as operating profit before amortisation and exceptional items

Segmental analysis

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13 weeks ended 31 March/13 weeks ended 1 April

£m	2018	2017	Variance
Rental (and related revenue)			
Revenue	61.5	60.1	2.3%
Contribution	39.7	37.3	6.4%
Contribution margin	64.6%	62.1%	
Services			
Revenue	22.9	20.0	14.5%
Contribution	3.1	2.0	55.0%
Contribution margin	13.5%	10%	
Branch and selling costs	(21.1)	(20.5)	
Central costs	(7.8)	(10.3)	
Adjusted EBITDA	**13.9**	**8.5**	**63.5%**

Rental

- Total revenue growth of 2.3%
- Underlying rental revenue growth greater than 4%
- Q1 18 contribution up 2.5pp driven by increasing rental revenue and the impact of implemented cost initiatives

Services

- Improving contribution through revenue growth and profit improvement plan

Costs

- Supply chain changes fully implemented, with benefits expected to flow through during H2 18 and early 2019

Movement in external net debt

13 weeks ended 31 March/13 weeks ended 1 April

£m	2018	2017
Adjusted EBITDA	**13.9**	**8.5**
Cash Exceptionals	(0.2)	(3.2)
Working capital and other	3.0	5.0
Capex	(3.7)	(11.8)
Net interest payable	(6.0)	(5.5)
Movement relating to equity placing	-	12.5
Net decrease in external net debt	**7.0**	**5.4**
Opening external net debt	232.7	232.2
Closing external net debt	225.7	226.7

- Higher EBITDA in Q1 2018 compared to Q1 2017
- Working capital improvement continues to be a management focus
- Reduction in capex due to timing of hire fleet investment through operational change and lower non fleet capex
- Facility and cash headroom greater than £30m as at 31 March 2018

Network successfully reconfigured in Q1

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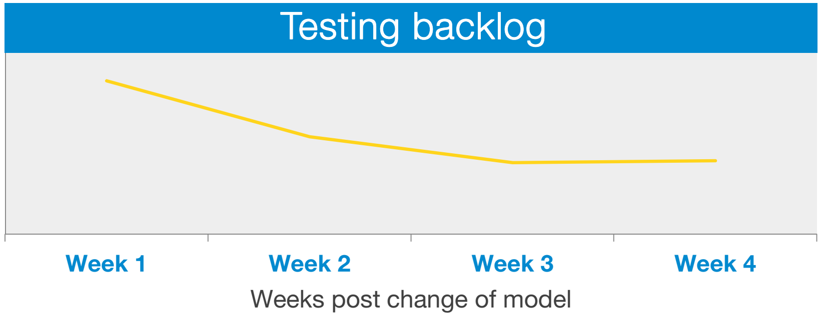
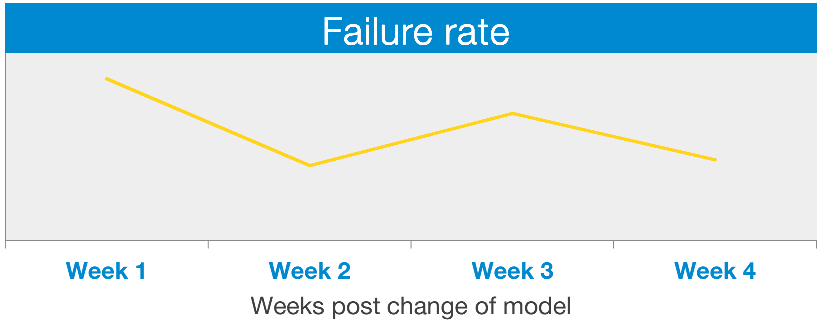
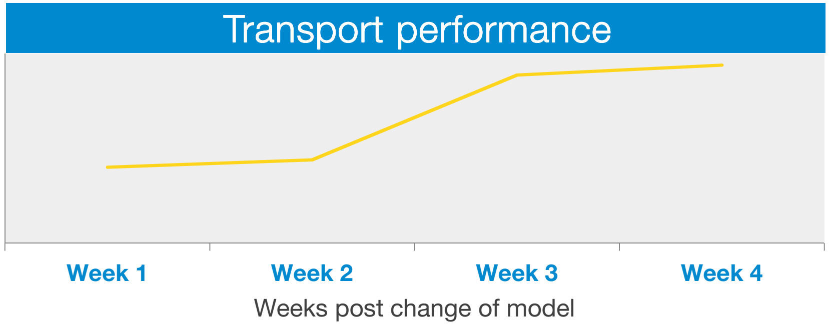
- We have implemented our new supply chain model:
  - 12,000 items moved out of NDEC
  - Removal of 100 FTE handling costs
  - Distribution trunking routes reduced from 42 to 8
  - Testing capacity increased from 30 to 200 HSS locations
  - 194 HSS colleagues trained
  - Engineering capacity increased by 30% in HSS network
- Service standards maintained, in some cases improved
- On track to deliver £11m annualised cost savings







Looking ahead

- LTM EBITDA £54.4m at the end of March with Q1 18 63.5% higher than prior year
- Q1 18 underlying revenue growth more than 8%, underlying core rental revenue more than 4%
- April has built on solid Q1 18
  - Underlying revenue [1] > 7% growth
  - Underlying core Rental revenue [1] c.3% growth
  - LTM EBITDA increased to c.£57m
  - Leverage reduced to 4.0x
- Management continues to make good progress towards refinancing the Group and expects to complete this during 2018

	2020
Revenue growth	Grow in line with market
Rental revenue growth	Ahead of market
EBITDA margin	>20%
EBITA margin	>9%
Leverage	<3x
Return on assets	>20%

[1] underlying revenue reflects impact of business divesture and timing of Easter

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) on 9 February 2015
- Hampshire Topco Limited, the previous top company in the group; and
- Hero Acquisitions Limited, the consolidated level at which we have also reported 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

HSS Hire You're better equipped

- 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
Balance sheet

13 weeks ended 31 March/13 weeks ended 1 April

£m	2018	2017
Intangible assets	151.4	155.2
Tangible assets	143.1	170.8
Deferred tax asset	0.1	0.7
Net current assets /(liabilities) [1]	18.5	31.7
Other net liabilities	(37.7)	(11.4)
External net debt (ex accrued interest)[2]	(224.2)	(225.1)
Amount due to group undertakings	(260.1)	(239.4)
Accrued interest	(1.6)	(1.6)
Net liabilities	**(210.5)**	**(119.1)**

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.

Appendix D
Net debt calculations

13 weeks ended 31 March/13 weeks ended 1 April

£m	2018	2017
Cash	(9.7)	(7.2)
RCF	74.0	68.5
Finance lease obligations	23.8	27.9
Senior Secured Notes[1]	136.0	136.0
Net debt (ex accrued interest ex)	224.1	225.2
Accrued interest	1.6	1.5
External net debt	225.7	226.7
Amount due to group undertakings	260.1	239.4
Net debt	485.8	466.1

- Reflects borrowings from all third parties and includes the net amounts due to group undertakings
- Leverage of 4.2x (December 17 : 4.8x)

[1] Shown gross of issue costs