HSS Hire Group plc

H1 19 Results

SEPTEMBER 05th 2019

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Agenda

Half Year Highlights

H1 19 Results

Strategy Update

Summary

Appendices

Half Year Highlights

Focus on profitable growth, improved returns

Improving returns, ROCE above 20%

- Adjusted EBITDA growth of £2.6m year on year, with margins improved 1.0pp
- Adjusted EBITA £5.5m higher than H1 FY18, with margins 3.3pp higher at 5.4%
- Material improvement in ROCE[2] to 21.7% whilst increasing fleet investment

Revenue growth 3.9%

- Rental revenue growth 1.1%
- LTM[3] utilisation remains high in both Tool Hire and Specialist businesses at 51.3% and 67.8%
- Continued strength in Services with Total revenue +10.6% and contribution +15.7%

Leverage ratio reduced

- Material reduction in net debt leverage to 3.0x[4] (H1 2018: 3.7x)
- Cash and facility headroom greater than £50m as at 29 June 2019

Significant progress with strategic priorities

- Customer App successfully rolled out with ongoing development
- New driver technology now in place, improving efficiency
- Automated OneCall platform fully operational for all suppliers

On track with full year expectations

- Well reported headwinds in the market
- Self-help initiatives already implemented including cross dock closure
- Full year expectations unchanged

1 Results based on continuing operations basis
2 ROCE calculated as last twelve month Adjusted EBITA to 29 June 2019 divided by average total assets less current liabilities (excluding intangibles, debt and cash items)
3 Utilisation calculated over the last twelve months to 29 June 2019 based on value
4 Net debt, as at 29 June, divided by Adjusted EBITDA for the 12 months to 29 June 2019

Continued progress made against 2020 plan, step change in ROCE

	2016	2017	2018[1]	H1 19[1,2]	2020 Framework
Revenue growth	9.6%	(1.9%)	6.2%	**3.9%**	Ahead of market
Rental revenue growth	0%	(5.7%)	3.8%	**1.1%**	Ahead of market
Adjusted EBITDA margin	20%	14.6%	18.6%	**19.0%**	>20%
Adjusted EBITA margin	6%	0.5%	6.8%	**8.4%**	>9%
Leverage	3.2x	4.8x	3.1x	**3.0x**	<2.5x
ROCE	9.7%	1.0%	16.5%	**21.7%**	>20%

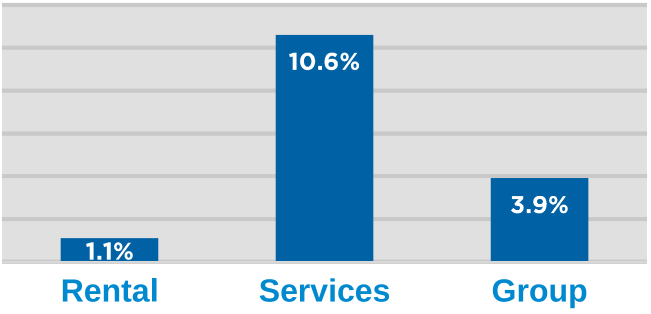
1 2018 comparators are on a continuing operations basis
2 EBITDA margin, EBITA margin, Leverage and ROCE based on the 12 months to 29 June 2019

H1 19 Results

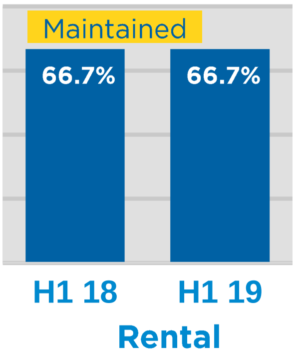
Financial highlights [1]

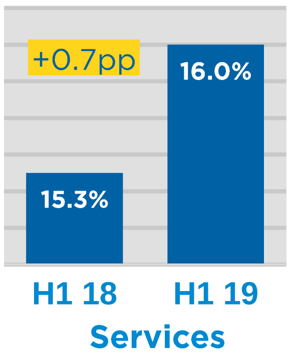
Strong Revenue Growth

Revenue Growth Versus H1 18



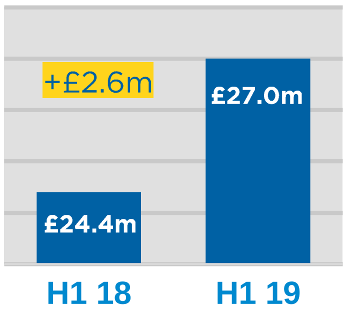
Strong contribution



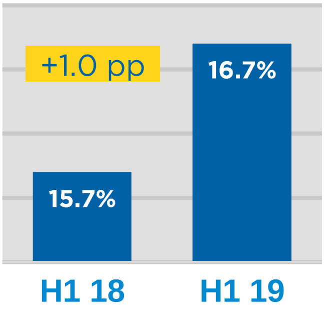


Improving Profitability

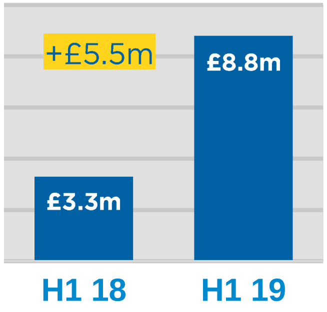
EBITDA £m



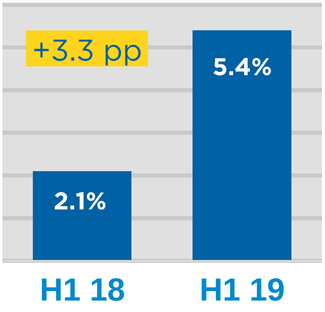
EBITDA %



EBITA £m

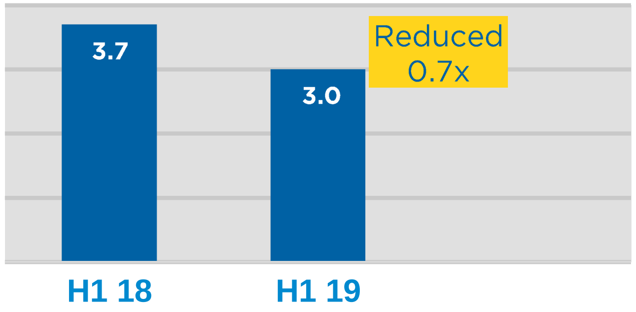


EBITA %

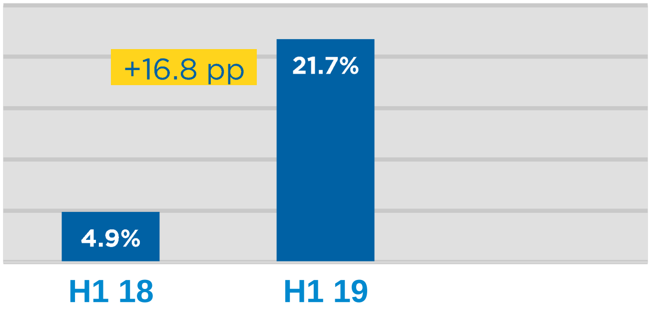


Enhanced Leverage and Returns

Net Debt Leverage



Return on Capital Employed



1 Non-IFRS 16 basis

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Financial summary

Continuing Operations 26 weeks ended 29/30 June

£m	2019	2018	Variance
Revenue	**161.4**	155.4	3.9%
Adjusted EBITDA[1]	**27.0**	24.4	10.9%
Adjusted EBITDA margin	***16.7%***	*15.7%*	1.0pp
Adjusted EBITA[2]	**8.8**	3.3	£5.5m
Adjusted EBITA margin	***5.4%***	*2.1%*	3.3pp
Exceptional items	**(2.8)**	(3.2)	£0.4m
Net Debt Leverage (x)	**3.0x**	3.7x	0.7x
ROCE (%)	**21.7%**	4.9%	16.8pp
Adjusted basic loss per share (p)[3]	**(0.77)p**	(1.88)p	1.11p

- Revenue growth across Rental and Services
- Focus on profitable growth through improved insight and price control leading to increased returns; ROCE above 20%
- Lower operational costs supporting EBITDA and EBITA margin expansion
- Net debt leverage reduced through improved profitability and sale of UK Platforms. Total net debt lower by £52.7m.

1 Earnings stated before interest, tax, depreciation and amortisation ("EBITDA") and before exceptional items relating to restructuring and acquisitions
2 Adjusted EBITDA less depreciation
3 Calculated as PBT before amortisation and exceptional items less tax at the average prevailing rate across period, divided by the weighted average number of shares

Segmental analysis

Continuing Operations 26 weeks ended 29/30 June

£m	2019	2018	Variance
Rental (and related revenue)			
Revenue	**110.3**	109.1	1.1%
Contribution	**73.5**	72.7	1.1%
Contribution margin	***66.7%***	*66.7%*	-
Services			
Revenue	**51.2**	46.3	10.6%
Contribution	**8.2**	7.1	15.7%
Contribution margin	***16.0%***	*15.3%*	-
Branch and selling costs	**(42.6)**	(41.3)	-
Central costs	**(12.0)**	(14.1)	-
Adjusted EBITDA	**27.0**	**24.4**	**10.9%**

Rental

- Continued growth in more challenging market, enabled by fleet investment utilising new insight capability
- Margins maintained through strong price control

Services

- Ongoing growth with customers valuing "one stop shop"
- Improved margins through price discipline and effective supply chain management

Costs

- Effective cost control in place. Further action taken to drive efficiency in H2.

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Exceptional items

Continuing Operations 26 weeks ended 29/30 June

£m	2019	2018
Accelerated amortisation of debt issue costs	**1.8**	-
Cost reduction programme	**0.5**	0.7
Onerous leases	**0.5**	1.3
Strategic review	**-**	0.7
Impairment of property, plant and equipment	**-**	0.5
Exceptional items – continuing operations	**2.8**	3.2
Profit on disposal	**(14.9)**	-
Exceptional items	**(12.1)**	3.2

- Profit on disposal of UK Platforms £12.8m. £2.1m of transaction costs recognised in H2 2018.
- Accelerated amortisation of debt issue costs following early £38m prepayment of term facility with UK Platforms sales proceeds
- Cost reduction programme related to exit from Refurbishment Centre and cross-dock operation
- Revision of existing dark stores and onerous lease provisions

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Movement in net debt – Total Group

Total Group 26 weeks ended 29/30 June

£m	2019	2018
Adjusted EBITDA	**27.0**	29.9
Cash Exceptionals	**(2.0)**	(6.1)
Working capital	**2.2**	3.9
Capex	**(18.0)**	(13.1)
Tax	**1.0**	(0.2)
Net interest payable	**(9.8)**	(6.9)
Disposal of subsidiary	**51.5**	-
Other	**0.8**	-
Net decrease in net debt	**52.7**	7.5
Closing net debt	**(186.0)**	(225.2)
Leverage	**3.0x**	3.7x

- **Net debt reduced by £52.7m** since financial year end
- Sale of UK Platforms completed 11 January 2019
- **Net cash generated** from operating activities **£7.7m**
- Improved Continuing Operations profitability and lower cash exceptionals supporting debt reduction
- Increased investment in hire fleet to drive profitable Rental growth
- Net interest reflects new financing structure
- Total facility and cash **headroom of £52.9m** as at 29 June 2019

Strategy Update

Continued progress made against strategic priorities

1 DELEVER

the
Group

2 TRANSFORM

the
Tool Hire business

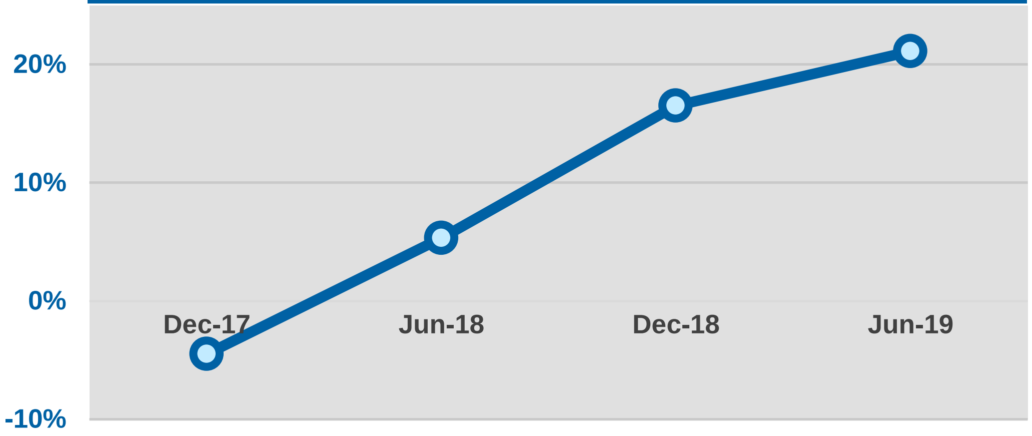
3 STRENGTHEN

commercial proposition

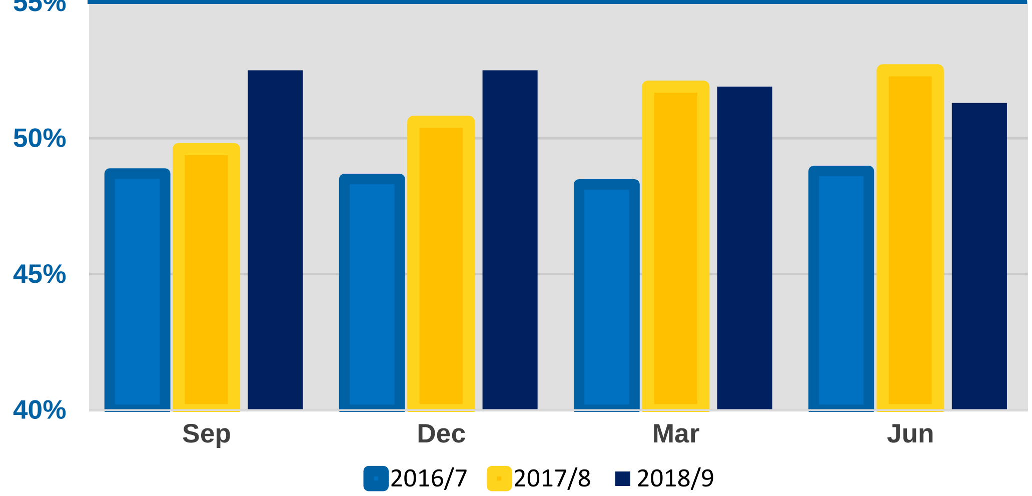
Driving improved Tool Hire profitability

- H1 product investment of £16.1m, utilising UK Platforms disposals proceeds and output of **customer segmentation** review
- Maintained **high levels of utilisation** as investment increased
- **Improved ROCE** through:
  - Leveraging insight tools providing data analytics into customer and product returns
  - Improved pricing control driving profitability
  - Growth in Services business
- **Reduced cost-to serve** by exploiting the product, branch and customer opportunities identified last year
- H2 focus on further optimising capex. Full year capex to be at **lower end of £35-£40m** range previously communicated

Material improvement in ROCE (%)[1]



Core utilisation remains high (%)[1]

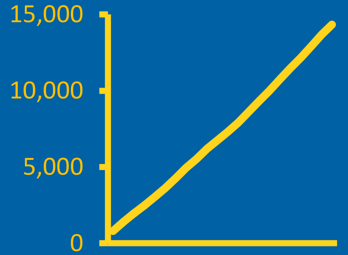


[1] Continuing Operations on LTM basis.
Utilisation calculated on value basis.

App launched, early positive results

- **Market-leading App** soft launch April. Functionality including hire and off hire, live availability, find-a-branch and, importantly, live in-App track-and-trace.
- **Fully integrated** with our industry leading platform
- **Continuous agile development** based on customer feedback, making hire easier
- **Significant upgrade in July** including sign-on glass and in-App POD/POC/photos, which enables:
  - Paperless drivers
  - Better customer visibility
  - Reduced disputes and administration
- Step up in **customer engagement** during H2 19

>14,000
app downloads and growing



c.1,200
active users per week

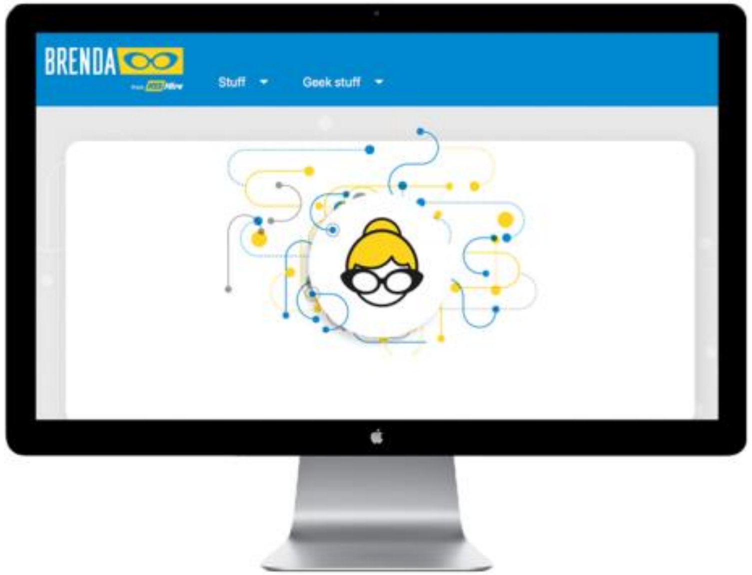
c.1,700
weekly App visits

App Store Rating
4.9

Google Play Rating
4.3

OneCall platform roll out completed

- **Automated platform** launched April with full end-to-end functionality rolled out to one product category, **shortening the customer journey** and **streamlining our processes**
- **Continuous agile development** based on customer, supplier and user feedback
- **Rollout** to all product categories now **completed**
- **Active suppliers** on-boarded
- Already seen **improvements** in conversion rates, productivity, margins and superior customer visibility
- Platform for **continued profitable growth** in this **capital-light business**
- Further development in pipeline for **larger customers**



Summary

Continued progress made in 2019

- **Good H1 performance, improved returns**
  - Group's EBITDA increased £2.6m and with margins improving by 1.0pp against H1 18
  - EBITA increased £5.5m with margins increasing 3.3pp compared to H1 18
  - Material improvement in ROCE to 21.7% whilst increasing fleet investment
  - Leverage reduced to 3.0x
- **Commercial Proposition strengthened**
  - Fragmented, digitally immature industry presents differentiation opportunity
  - Customer App successfully launched with ongoing development
  - OneCall platform roll out complete, efficiencies being delivered
- **Well reported economic headwinds, self-help initiatives already implemented**
- **Management confident that full year profit will be in line with market expectations**

Appendices

Appendix A
Balance sheet

As at 29 June / 29 December

£m	2019	2018
Intangible assets	**161.7**	163.7
Tangible assets	**109.3**	109.1
Deferred tax and derivative assets	**2.5**	2.9
Net current assets[1]	**26.4**	33.4
Other net liabilities	**(34.5)**	(35.2)
Net debt (ex accrued interest)[2]	**(182.3)**	(231.0)
Accrued interest	**(3.7)**	(4.6)
Net Assets held for sale	**-**	33.2
Net assets	**79.4**	71.5

- Assets held for sale relate to UK Platforms

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, including issue costs
2 Comprises cash and all debt principal balances, gross of issue costs and including those which would ordinarily be shown within current assets, current liabilities (excluding accrued interest or non current liabilities.

Appendix B
Net debt

As at 29 June/ 29 December

£m	2019	2018
Cash	**15.3**	19.9
RCF	**-**	(13.0)
Finance lease obligations	**(15.6)**	(21.0)
Term Loan/ Senior Secured Notes[1]	**(182.0)**	(220.0)
Net debt (ex accrued interest)	**(182.3)**	(234.1)
Accrued interest	**(3.7)**	(4.6)
Net debt	**(186.0)**	(238.7)

1 Shown gross of issue costs