



## HSS Hire Group Plc

Q3 results for the 39 week period ended 28 September 2019

# Continued improvement in profitability and returns

HSS Hire Group plc ("HSS" or the "Group") today announces results for the 39 week period ended 28 September 2019.

| Financial Highlights <sup>1</sup> (Unaudited) | Q3 2019<br>(39 weeks) | Q3 2018<br>(39 weeks) | Change |
|---|-----------------------|-----------------------|--------|
| Revenue                                       | £246.8m               | £241.4m               | 2.3%   |
| Adjusted EBITDA <sup>2</sup>                  | £47.2m                | £43.7m                | 7.9%   |
| Adjusted EBITDA margin                        | 19.1%                 | 18.1%                 | 1.0pp  |
| Adjusted EBITA <sup>3</sup>                   | £19.2m                | £11.5m                | 67.0%  |
| Adjusted EBITA margin                         | 7.8%                  | 4.8%                  | 3.0pp  |
| ROCE <sup>4</sup>                             | 23.9%                 | 8.3%                  | 15.6pp |
| Net debt leverage <sup>5</sup>                | 2.9x                  | 3.5x                  | 0.6x   |

The new accounting standard IFRS16 Leases will be adopted for the financial year beginning 29<sup>th</sup> December 2019. IFRS16 has not been adopted for the current period and as such all of the financial results have been presented excluding the impact of the standard.

## Financial Highlights

- Significant improvement in returns
  - Adjusted EBITDA growth of 7.9% including c£1m improvement Q3 19 against Q3 18; Adjusted EBITA increased £7.7m
  - Revenue growth and cost initiatives improved EBITDA margins by 1.0pp and EBITA margins by 3.0pp
  - ROCE improved to 23.9%, and remains above our targeted level. Improvement driven by leveraging customer insight tools, improved price controls and growth in the capital light Services business
- Solid underlying revenue growth of 3.2% excluding the previously communicated impact of loss of Services volume associated with a change to one managed service contract
  - Rental (and related) revenue growth of 1.5%
  - Continued strength in Services with revenue +c10% excluding the impact of managed service contract
  - LTM utilisation<sup>6</sup> has remained high following investment in new fleet at 51.3% in Core tool hire and 67.0% in Specialist
- Further reduction in net debt leverage to 2.9x (Q3 18: 3.5x)
  - Net debt has reduced by £58m since December 2018 as a result of improved EBITDA and the use of proceeds from the sale of UK Platforms
  - Cash and total facility headroom greater than £55m as at 28 September 2019
- Management reiterate confidence that full year profit will be in line with market expectations

Steve Ashmore, Chief Executive Officer, said:

“I am pleased to announce another quarter of strong growth against the backdrop of more challenging conditions. In the third quarter we delivered a significant improvement in profitability including a second successive quarter of return on capital above our 20% target range.

We remain focused on progressing our strategic plans through targeted investment in the products our customers want, further optimisation of our distribution network and the development of a best in class digital proposition for customers.

We have made a solid start to the fourth quarter and whilst market headwinds persist, we are confident that we will deliver full-year profit in line with market expectations.”

#### Notes

- 1) Results for Q3 19 and Q3 18 are for continuing operations and exclude the UK Platforms business which was sold in January 2019
- 2) 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
- 3) Adjusted EBITA defined as Adjusted EBITDA less depreciation
- 4) ROCE calculated as Adjusted EBITA for the 12 months to 28 September 2019 divided by the average of total assets less current liabilities (excluding intangible assets, cash and debt items) over the same period
- 5) Net debt leverage is calculated as closing net debt divided by adjusted LTM EBITDA for last 12 months. Q3 2019 LTM EBITDA excludes UK Platforms.
- 6) Utilisation is calculated for the 12 month period to 28 September 2019 and is value weighted based on rental revenue

**-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, re-hire and related services in the UK and Ireland through a nationwide network of over 240 locations and its OneCall re-hire business. It offers a one-stop shop for all equipment through a combination of our complementary rental and re-hire businesses to a diverse, predominantly B2B customer base serving a range of end markets and activities. 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](http://www.hsshiregroup.com).

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