HSS Hire Group plc

H1 20 Results

8 October 2020

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

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.

Agenda

Highlights

H1 20 Results

Latest Trading

Accelerating Digital Strategy

Summary

Appendices

Highlights

HSS Hire

Recovery ahead of expectations, digital strategy accelerated

Improving revenue and profitability trend

- EBITDA and EBITA returned to pre-COVID-19 levels
- Underlying revenue exiting September above 90% of FY19, despite 145 branches closed
- Positive EBITDA maintained throughout pandemic

Strengthened liquidity

- Liquidity headroom of £66.4m as at 26 September 2020
- Material reduction in overdue debt
- Net leverage headroom of 0.6x against Q3 covenant test

Accelerating digital strategy

- Ongoing investment in digital and good customer adoption
- Exciting enhancement of OneCall operating platform enabling deployment to field sales
- New agile operating model materially reduces fixed costs while maintaining national footprint, closing 134 branches and entering in to consultation with c300 employees

Decisive and sustainable response to COVID-19

Safety and Wellbeing

- Introduced new safety measures and testing practices
- Mobilised home-working solution. Continues to work well
- Enhanced colleague communications

Continuity for Customers

- Reliable customer service, supported by resilient operational performance
- Leveraged extensive OneCall supply chain
- Flexible ways of working adapted by HSS Training

Leveraging Technology

- Digital connectivity has driven a sales channel shift away from branches
- Launch of low-contact Click-and-Collect service has provided a safe fulfilment channel for customers
- HSS Pro POS ready for launch in Q4 20, providing sales colleagues with full transactional capability across our full range of services

H1 20 Results

HSS Hire

Financial summary

Continuing Operations[1]	H1 20 Reported	**H1 20 Non-IFRS16**	H1 19[5]	Variance
Revenue	125.8	**125.8**	161.4	(22.1)%
Adjusted EBITDA[2]	28.7	**16.8**	27.0	(37.9)%
Adjusted EBITDA margin	*22.8%*	***13.3%***	*16.7%*	(3.4)pp
Adjusted EBITA[3]	1.1	**(0.3)**	8.8	£(9.1)m
Adjusted EBITA margin	*0.9%*	***(0.2%)***	*5.4%*	(5.6)pp
Net Debt Leverage (x)	n/a[4]	**2.9x**	3.0x	0.1x
Net Debt (£m)	236.8	**156.7**	186.0	29.3
ROCE (%)	n/a[4]	**16.2%**	21.9%	(5.7)pp

- Underlying revenue declined 19.7%. Q1 in line with expectations, Q2 heavily impacted by COVID-19
- Decisive cost action and continued price control protecting margins
- Cash preservation activity enabled £22.8m reduction in net debt since FY19 year end
- Net debt leverage broadly unchanged despite reduction in EBITDA

1 Excluding UK Platforms for all measures except Net Debt Leverage and Net Debt
2 Earnings stated before interest, tax, depreciation and amortisation ("EBITDA") and before exceptional items relating to restructuring and acquisitions
3 Adjusted EBITDA less depreciation
4 In adopting IFRS16 the Group has applied the cumulative catch up ("modified") transition method. As such, FY19 has not been restated. ROCE and net debt leverage are therefore provided on a non-IFRS16 basis only
5 H1 19 is before the adoption of IFRS16

HSS Hire

Segmental analysis

£m	H1 20 Reported	**H1 20 Non-IFRS16**	**H1 19**	**Variance**
Rental (and related revenue)				
Revenue	84.6	**84.6**	110.3	(23.3)%
Contribution	57.1	**56.7**	73.5	
Contribution margin	67.5%	**67.0%**	*66.7%*	
Services				
Revenue	41.2	**41.2**	51.2	(19.4)%
Contribution	6.1	**5.9**	8.2	
Contribution margin	14.7%	**14.4%**	*16.0%*	
Branch and selling costs	(23.0)	**(34.5)**	(42.6)	
Central costs	(11.4)	**(11.3)**	(12.0)	
Adjusted EBITDA	28.7	**16.8**	27.0	

1 Underlying revenue adjusted for loss of Services volume related to managed service contract

Rental

- Revenue heavily impacted by COVID-19 pandemic. However, continued improving trend since April, driven by combination of strategy implementation and relaxation of government restrictions
- Effective price control and cost management has maintained margins

Services

- Underlying[1] revenue down 7.3%; resilient OneCall performance, Training heavily impacted by Q2 lockdown
- OneCall margins maintained, overall Services segment impacted by mix due to lower Training revenue

Costs

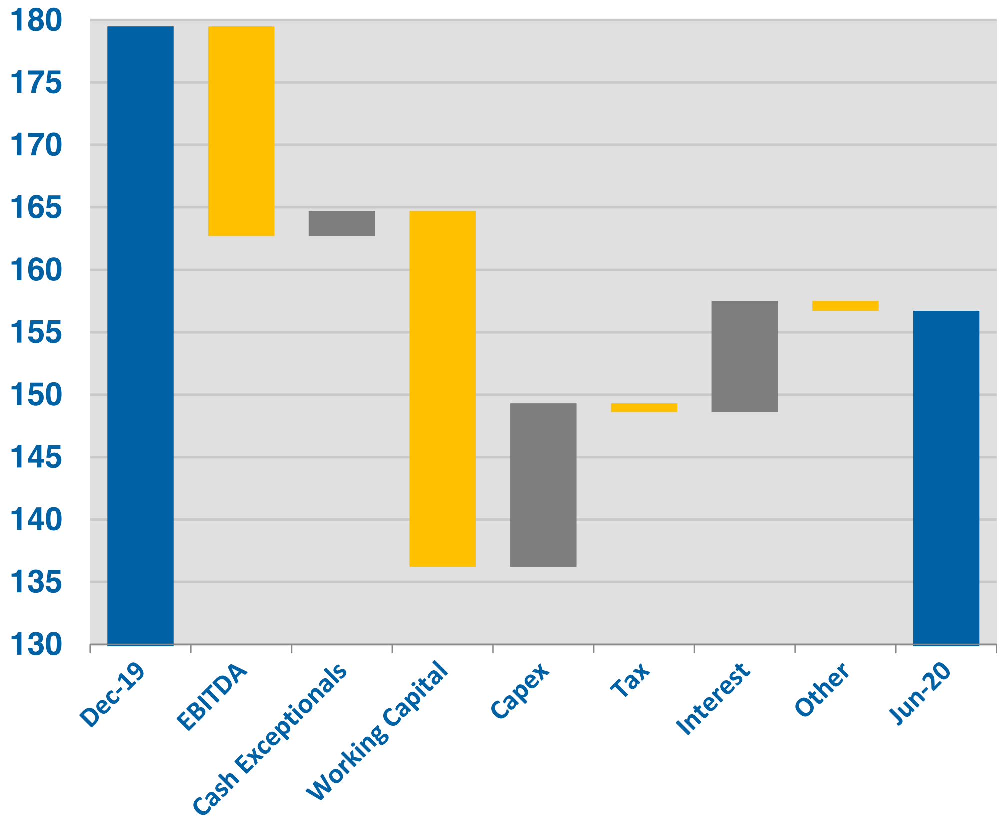
- Effective cost management in response to pandemic, including colleagues furloughed, management salary reductions, rent and rates savings and discretionary spend cuts
- Includes £6.6m benefit from Job Retention Scheme

HSS Hire

Material reduction in net debt

- **Net debt reduced by £22.8m since FY19**
- Continued focus on working capital management, material reduction in overdue debt
- Managing capex to meet demand, prioritisation of higher returning product categories
- Total cash and RCF facility **headroom of £68.7m** as at 27 June 2020
- IFRS16 increases net debt by £80.1m

Movement in Group Net Debt (Non-IFRS16, £m)

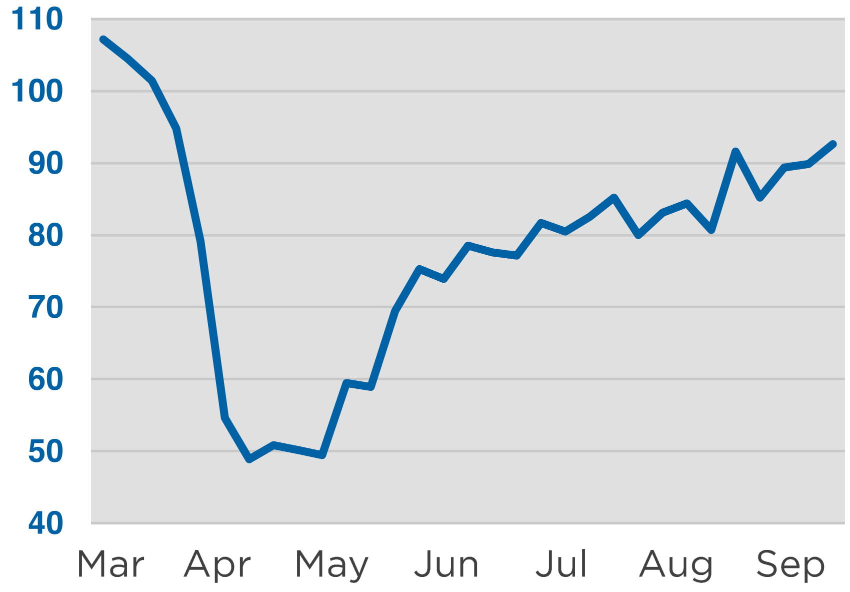


Latest Trading

Revenue recovering

- COVID-19 had limited impact until week 13 FY20
- Significant drop in activity immediately after lockdown
- Gradual lift in activity driven by:
  - Enhancements to digital channels, driving online orders
  - Launch of our Click-and-Collect proposition, providing low-touch fulfilment channel
  - Controlled return of colleagues from furlough, focusing on sales activity and operational capacity
  - Excellent continuity of service delivered by our operations teams
  - Strong Services performance: resilient OneCall division and recent rapid recovery of Training
  - Regional recovery rates different and driven by local policy
- Underlying trading is currently above 90% of prior year

Percentage of 2019 Revenue [1]

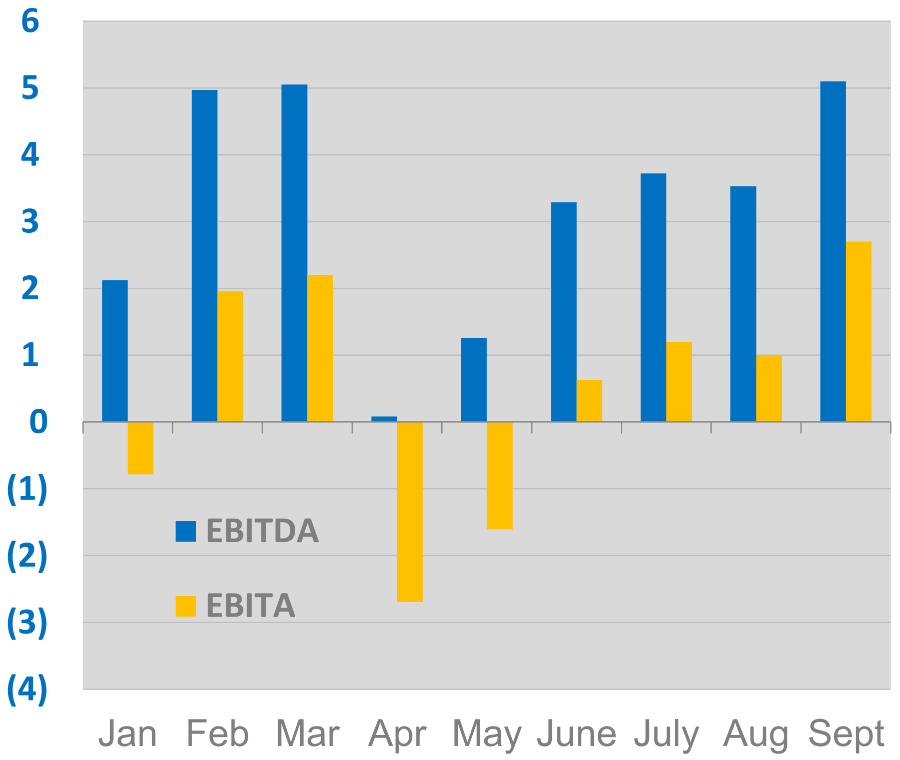


1 Underlying revenue excludes impact of loss of Services volume associated with a change to one managed service contract. Also excludes seasonal impact and impact of one-off COVID-19 PPE resale

Improving profitability

- September EBITDA and EBITA at pre-COVID-19 levels
- EBITDA has remained positive throughout, following decisive action by management:
  - During Q2 average colleagues furloughed was 50%
  - Management salary reductions throughout Q2
  - Rent & rates savings
  - Reductions in other discretionary spend
- EBITA returned to positive position in June
- Both metrics on an upward trend

EBITDA and EBITA (£m) [1]



1 EBITDA and EBITA reported here on a non-IFRS16 basis

HSS Hire

Maintaining liquidity

Liquidity Summary

	Dec 19	Jun 20	Sep 20
Liquidity headroom £m[1]	45.9	68.7	66.4
Covenant headroom	1.3x	1.1x	0.6x[2]

1 Cash and undrawn Revolving Credit/overdraft facility
2 Formally tested at end of October 2020

- Total cash outflow reduced by 50% in Q2 20
- Net debt (non-IFRS16 basis) c£159m as at 26 September
- Ongoing strong relationships with lenders

Actions Taken to Protect Liquidity

Managing capex to demand	• Fleet capex under ongoing review
Reduced salary costs	• Furloughed 60% of colleagues in April • Salary reductions for management • c£12m cash savings in total • 16% of current headcount remain furloughed
Working with landlords	• Rent holidays agreed • Increased flexibility on rental payments over balance of 2020
Taking advantage of tax relief	• VAT for Q2 20 deferred to 2021/22 tax year • Business rates relief for branch network • All other HMRC liabilities are being settled on time
Reduced Overdue Debt	• Debt team strengthened • New dispute management team created

Accelerating Digital Strategy

HSS Hire

Opportunity to accelerate third element of our strategy

1 DELEVER
the
Group

2 TRANSFORM
the
Tool Hire business

3 STRENGTHEN
commercial proposition

Well advanced
Continued focus

Opportunity to Accelerate

Digital

2019

2020

What We Did

- Launched **market-leading** end-to-end customer App in April 2019
- Introduced driver App technology enabling **live-order tracking** and improved operational efficiency
- **Fully integrated** both Apps with our industry-leading fully transactional website
- Launched **Click-and-Collect** during lockdown
- National salesforce rollout promoting digital, targeting **40%+ adoption**

Results Achieved

- 47,000+ downloads
- 4.7 Apple App Store rating
- 33% increase in online users since pre-COVID-19[1]
- Significant customer shifts to **digital channels** for placing orders (from <10% to 32% penetration)[1]
- Also significant shift to low-contact **Click-and-Collect** (currently 23% of contracts) or **delivered-to-site** (increased from 52% to 65% of contracts) as an alternative to branch collections[1]

Adapting to New Norm

- Continued investment in technology
- Creating **virtual order-taker roles**, focused and incentivised colleagues
- **Strengthening** field-based salesforce
  - Additional colleagues
  - New training
  - New technology
- Reduced need for **branch network** as customers adapt to digital and low-contact channels

1 Recent figures based on 8 weeks to Sept Wk3; comparators based on 8 weeks prior to Mar Wk 4

OneCall

2019

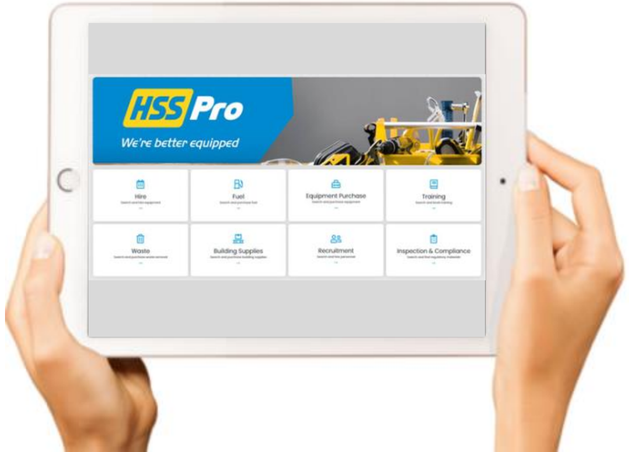
2020

What We Did

- **Brenda** platform launched in April 2019
- Fully rolled out by September 2019
- Colleagues trained and suppliers on-boarded
- Introduced **remote working** to ensure business continuity
- Continued **technology** investment: creation of **HSS Pro POS**, a single online platform for all colleagues offering the full range of our services

Results Achieved

- Significant improvement in metrics during rollout:
  - 20% **conversion** improvement
  - 68% increase in **productivity**
  - 100bp **margin** improvement
- Depth of supply chain and responsiveness has been a **considerable advantage** to us during pandemic



Adapting to New Norm

- Flexible **remote-working** solution for OneCall team and suppliers' employees
- **National rollout** of HSS Pro POS to salesforce in Q4
  - Key enabler for virtual order-takers
  - Key enabler for super-charged salesforce
- **Differentiation** will be key in a challenging market

Operating model

2019

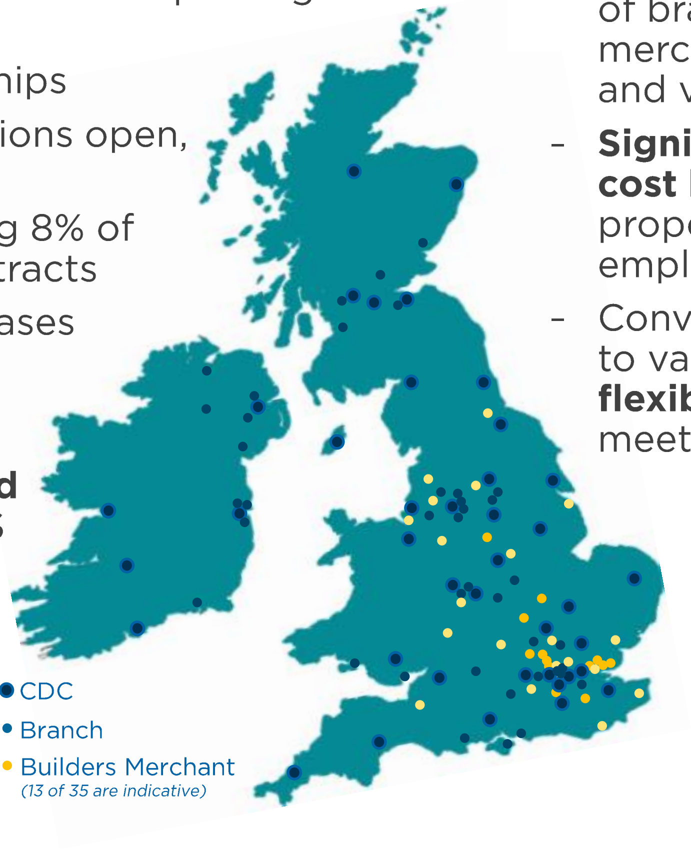
2020

What We Did

- **Removed excess** distribution network capacity
- Trialled builders merchant concession model:
  - **Low-cost** and **agile**
  - Access to **new customers** and footfall
- Leveraged new **technology** to enable new ways of working
- Trialled **'virtual-teams'** model during COVID-19 phase, keeping majority of small branches closed as lockdown has been released

Results Achieved

- Distribution **costs removed** from fixed cost base
- Builders merchant model proving **successful**
  - 7 partnerships
  - 16 concessions open, 6 in build
  - Now raising 8% of group contracts
  - Business cases exceeded
- **Above 90% of revenue retained** with 20% of HSS branches open



Adapting to New Norm

- Moving to new agile model
  - **Digitally-led**
  - National footprint, blend of branches, builders merchant concessions and virtual teams
  - **Significantly reduced cost base** (134 fewer properties, c300 fewer employees)
  - Conversion of fixed cost to variable costs, enabling **flexible** growth model to meet demand

Summary

HSS Hire

Recovery ahead of expectations, digital strategy accelerated

Improving revenue and profitability trend

- EBITDA and EBITA returned to pre-COVID-19 levels
- Underlying revenue exiting September above 90% of FY19, despite 145 branches closed
- Positive EBITDA maintained throughout pandemic

Strengthened liquidity

- Liquidity headroom of £66.4m as at 26 September 2020
- Material reduction in overdue debt
- Net leverage headroom of 0.6x against Q3 covenant test

Accelerating digital strategy

- Ongoing investment in digital and good customer adoption
- Exciting enhancement of OneCall operating platform enabling deployment to field sales
- New agile operating model materially reduces fixed costs while maintaining national footprint, closing 134 branches and entering in to consultation with c300 employees

COVID-19 situation remains uncertain, market guidance not provided in near term

Appendices

Appendix A
Exceptional items

£m	H1 20	H1 19
Onerous leases	(0.8)	0.5
Accelerated amortisation of debt issue costs	-	1.7
Cost reduction programme	-	0.5
Gross exceptional items	**(0.8)**	**2.8**
Profit on disposal UKP	**-**	**(14.9)**
Exceptional (credit) / cost	**(0.8)**	**(12.1)**

- Onerous lease credit relates mainly to the release of provisions associated with sites surrendered during the period and an adjustment relating to IFRS16 adoption
- Prior year accelerated amortisation of debt issue costs following early £38m prepayment of term facility with UK Platforms sales proceeds
- Prior year cost reduction programme includes removal of cross dock
- UKP sold on 11 January 2019

HSS Hire

Appendix B
Balance sheet

As at 27 June / 28 December

£m	2020 Reported	2019
Intangible assets	159.6	160.4
Tangible assets	71.5	101.9
Right of use assets	99.1	-
Net current (liabilities) / assets [1]	(3.5)	21.5
Other net liabilities	(29.1)	(32.8)
Net debt (ex accrued interest)[2]	(147.0)	(168.4)
IFRS16 liabilities	(80.1)	-
Accrued interest	(3.4)	(3.6)
Net assets	**67.1**	**79.0**

- IFRS16 includes creation of right-of-use assets (of which £24.9m transfers from tangible assets) and a lease liability

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 C
Net debt

As at 27 June / 28 December

£m	2020 Reported	2019
Cash	62.7	22.7
RCF	(17.2)	-
Finance lease obligations	(16.8)	(16.6)
Senior Finance Facility[1]	(182.0)	(182.0)
Net debt (excl. accrued interest)	**(153.3)**	**(175.9)**
Accrued interest	(3.4)	(3.6)
Net debt (excl. IFRS16)	**(156.7)**	**(179.5)**
IFRS16 liabilities	(80.1)	-
Reported Net debt	**(236.8)**	**(179.5)**

- Reflects third-party borrowings
- IFRS16 liabilities of £80.1m recognised
- Leverage of 2.9x (H1 19: 3.0x)

1 Shown gross of issue costs