HSS Hire Group plc
FY 21 Results

April 2022

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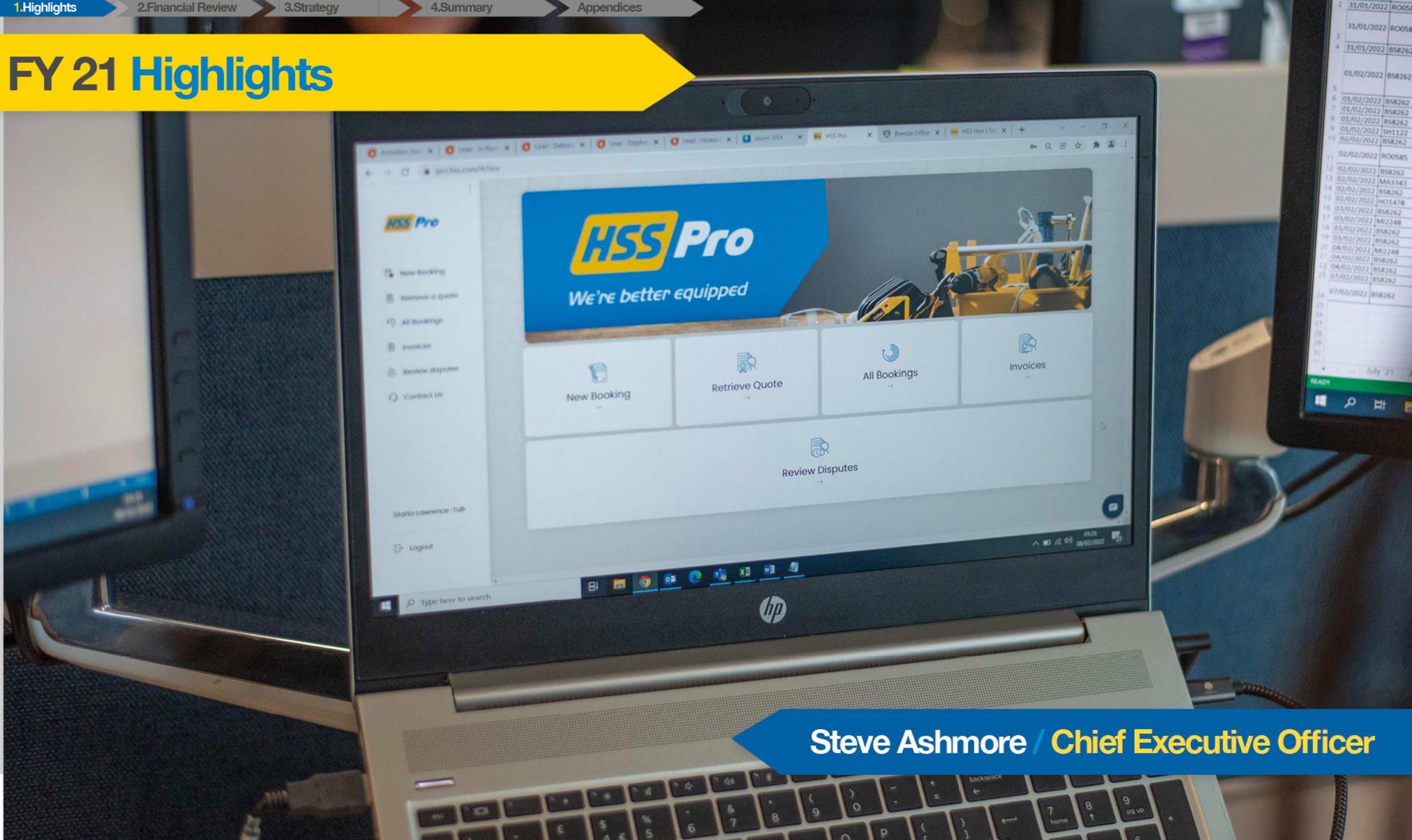
FY 21 Agenda

FY 21 Highlights



Steve Ashmore / Chief Executive Officer

HSS Hire

New operating model driving significant increase in profitability

FINANCIALS[1]

Improved profitability, returns and leverage

- Like-for-like revenue 20% up on FY20 and in line with FY19
- Increased EBITA margin to 10.4% (FY20: 5.3%)
- ROCE grew to 22% (FY20: 11%), supported by flexible, low cost operating model
- Materially stronger balance sheet; leverage reduced to 0.8x (FY20: 2.6x)
- Refinancing complete; interest costs significantly reduced
- Significant increase in EPS; full benefit of refinancing will be realised in FY22

ORGANISATION

Operating model delivering well

- Two divisions performing well: ProService (sales acquisition), HSS Operations (fulfilment)
- 55 builders merchant locations (Dec 2020: 24), like-for-like revenue growth 44%[2]
- Low cost, lower-carbon national network driving margin growth

TECHNOLOGY

Delivering tangible benefits

- HSS Pro rolled out in H121, improving the one-stop shop customer experience
- Significantly higher conversion rates at 71% (FY20 54%)
- 24% like-for-like increase in Services revenue compared to FY20, materially ahead of FY19
- Technology underpins accelerated ESG strategy; Net Zero by 2040 target

OUTLOOK

Strong start to FY22

- Revenue growth 13% in Q122 with EBITDA and EBITA in line with expectations
- Targeting Services growth at 10ppts above market and Rental growth in line with market
- Ukraine situation monitored closely; inflation and supply chain pressures being managed

1. All financial KPIs except Leverage are provided on an IFRS16 basis
2. Merchant locations open for comparable periods in both 2021 and 2020

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Focused organisation delivering KPI progression

HSS PROSERVICE (SALES ACQUISITION)

CONVERSION RATES

71%

up from 54% in FY20

REHIRE REVENUE[1]

+22%

vs FY20

DIGITAL CHANNEL MIX-

23%

up from 10% in FY19

HSS OPERATIONS (FULFILMENT)

FLEET UTILISATION

59.5%

up from 52.4% in FY20

CARBON EMISSIONS[2]

91% reduction

vs FY20

DELIVERY PERFORMANCE

99%

maintained at FY20 levels

1. Excludes benefit of additional trading week in FY21
2. Buildings energy consumption

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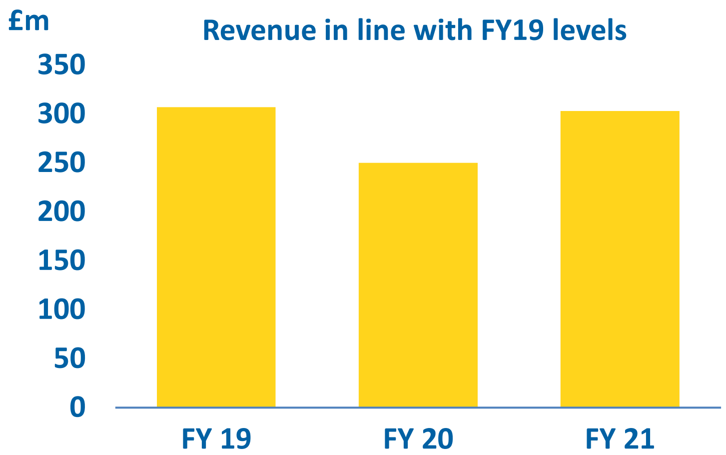
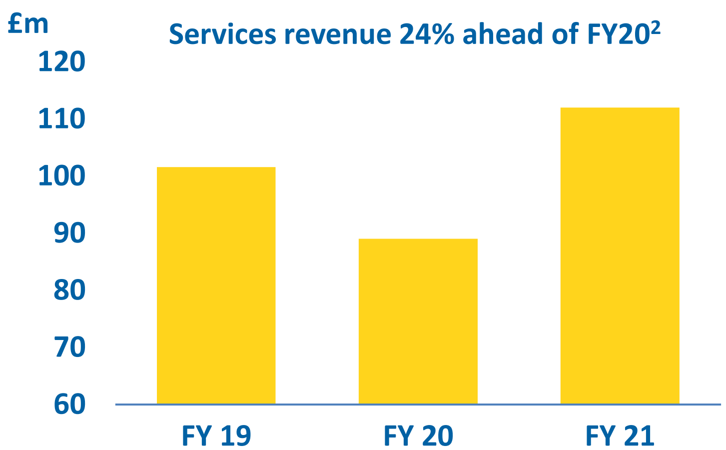
Financial highlights (non-IFRS16) / FY21

Strong revenue recovery

Revenue in line with FY19 levels

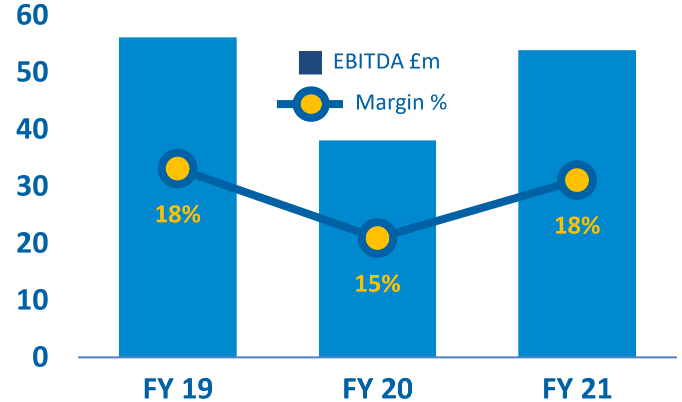


Services revenue 24% ahead of FY20[2]

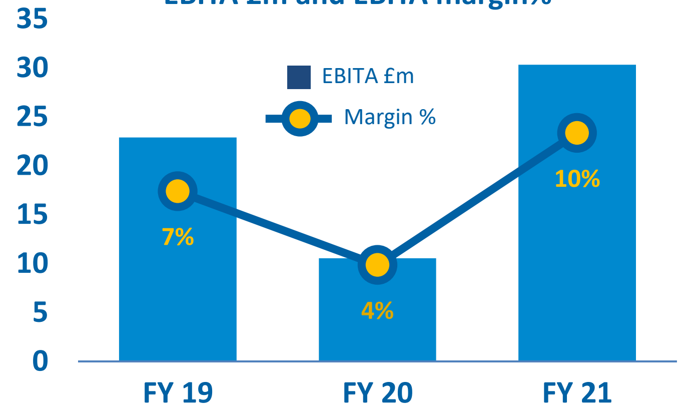


EBITDA and EBITA materially improved

EBITDA £m and EBITDA margin%

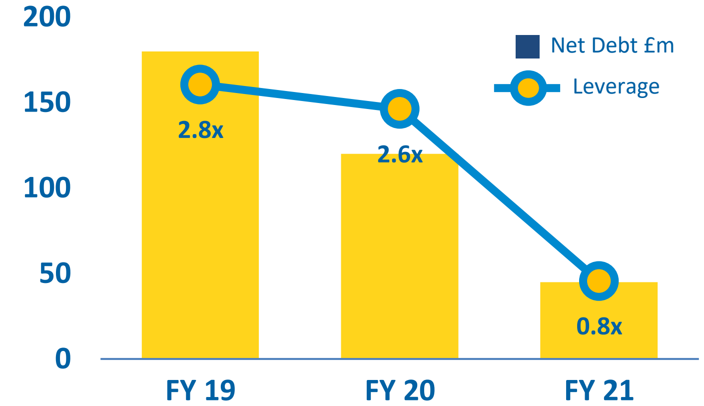


EBITA £m and EBITA margin%

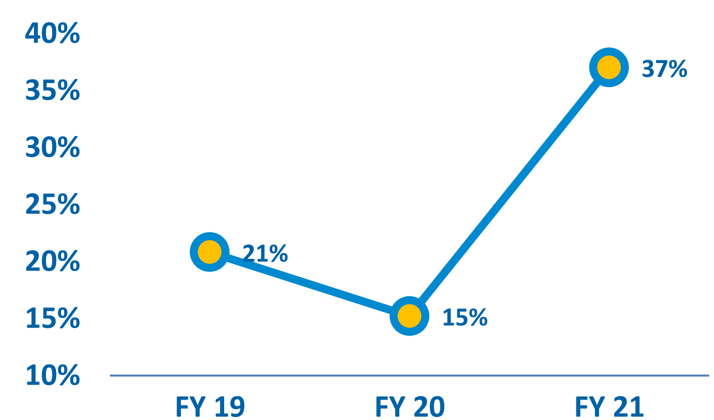


Transformed leverage, enhanced returns

Net Debt and Leverage



ROCE[3]



Notes:
1. All figures based on continuing operations, which excludes Laois and ASH, and a non-IFRS16 basis
2. Excludes benefit of additional trading week in FY 21
3. ROCE is calculated as Adjusted EBITA for the 12 months to 1 January 2022 divided by the average of total assets less current liabilities (excluding intangible assets, cash and debt items) over the same period

FY 21 Financial Review

Paul Quested / Chief Financial Officer

HSS Hire

Financial summary / FY21

53 weeks ended 1 January / 52 weeks ended 26 December

Continuing Operations[1]	FY21	FY20	Variance
Revenue	**303.3**	250.1	21%
Adjusted EBITDA[2]	**69.8**	59.6	17%
Adjusted EBITDA margin	**23.0%**	23.8%	(0.8)pp
Adjusted EBITA[3]	**31.7**	13.4	£18.3m
Adjusted EBITA margin	**10.4%**	5.3%	5.1pp
Profit / (loss) before tax	**6.1**	(29.6)	£35.7m
ROCE	**22.1%**	10.7%	11.4pp
Net Debt non-IFRS16 (£m)	**45.4**	120.4	75.0
Net Debt Leverage non-IFRS16 (x)	**0.8x**	2.6x	1.8x
Net Debt Leverage IFRS16 (x)	**1.5x**	2.8x	1.3x
Adjusted basic EPS	**1.52p**	(4.64)p	6.16p

- Like-for-like[4] revenues 20% ahead of FY20, returning to pre-pandemic levels
- Improved performance driven by increase in enquiries and a step forward in conversion through effective technology deployment and builders merchant expansion
- Increased EBITA margins and higher ROCE reflect effectiveness of new operating model
- Net debt leverage (non-IFRS16) reduced to 0.8x, record low for Group
- Significant increase in EPS supported by lower interest costs following successful refinancing, the full benefit of which will be realised in FY22

1. Excluding Laois, disposed April 21, and All Seasons Hire, disposed September 21
2. Operating profit stated before interest, tax, depreciation and amortisation ("EBITDA") and before exceptional items
3. Adjusted EBITDA less depreciation
4. Excluding benefit of additional week's trading in FY21

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Segmental analysis / FY21

53 weeks ended 1 January / 52 weeks ended 26 December

£m	FY21	FY20	Variance
Rental (and related revenue)			
Revenue	**191.2**	160.6	19%
Contribution	**132.6**	116.8	
Contribution margin	**69.4%**	72.7%	
Services			
Revenue	**112.1**	89.4	25%
Contribution	**16.2**	10.7	
Contribution margin	**14.5%**	12.0%	
Branch and selling costs	**(49.2)**	(46.2)	
Central costs	**(29.8)**	(21.8)	
Adjusted EBITDA	**69.8**	59.6	17%

Rental

- Like-for-like[1] revenue up 18%, Q421 returned to pre-pandemic FY19 levels
- Expanded low cost builders merchant network, represents 16% of total England & Wales orders (FY20: 4%). Like-for-like revenue up 44% vs FY20
- Price control maintained strong underlying margin with reported margin impacted by higher ancillary sales, IFRS16 and prior year Government JRS support

Services

- Like-for-like[1] revenue up 24% vs FY20, materially ahead of pre-pandemic levels; HSS Pro improving customer experience
- Long term commercial agreements in place following sale of Laois and ASH; revenue growing
- Training revenue and profit both at record high
- Leveraging technology to improve underlying contribution margins by 3.2pp[2]

Costs

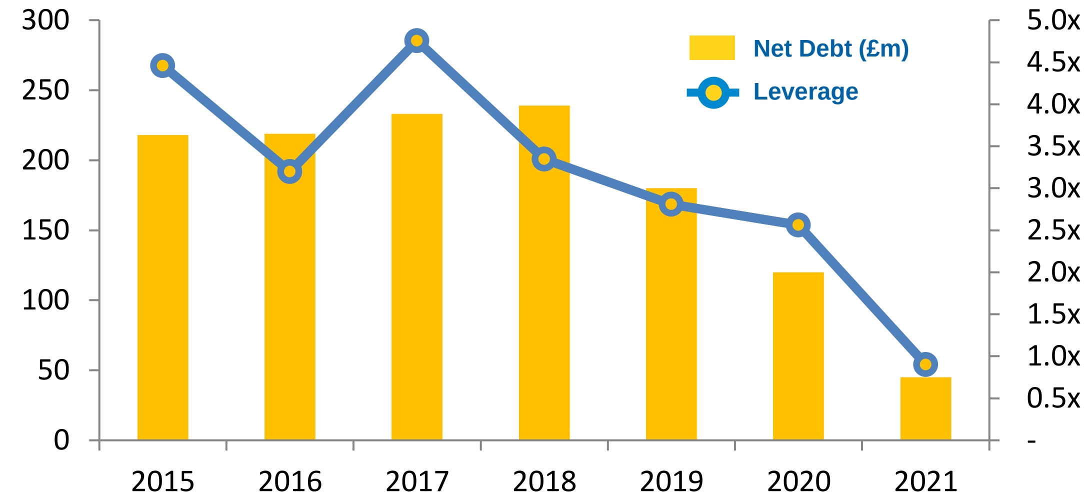
- Benefits from operating model change being realised as expected
- Investment in technology to deliver digital strategy
- FY20 includes £16m non-recurring benefits relating to decisive actions taken in response to COVID-19

1. Excluding benefit of additional week's trading in FY21
2. Prior year contribution includes Government Job Retention Scheme support – Rental £2.0m, Services £0.7m.

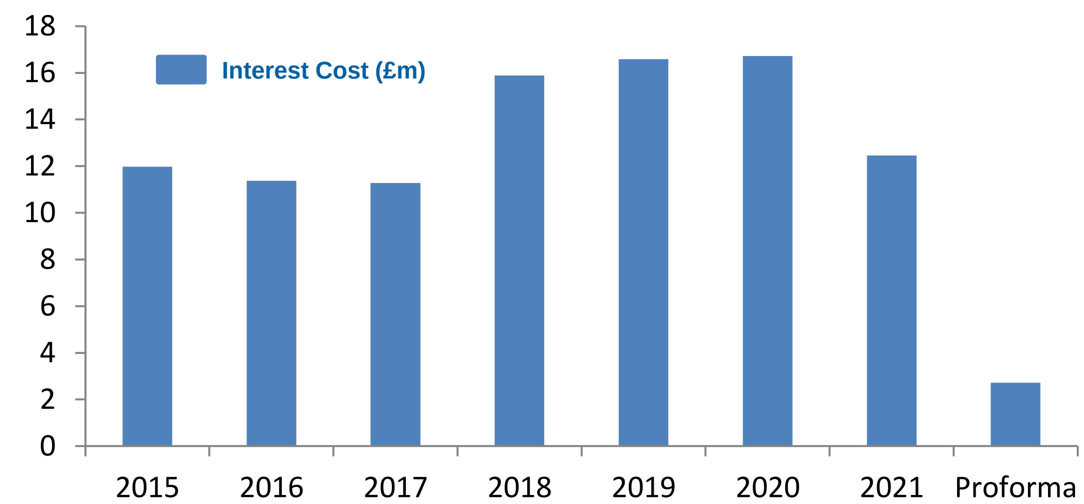
Refinancing complete. Balance sheet materially strengthened

- Net debt and leverage transformed through:
  - improved trading
  - effective working capital management
  - disposals of Laois and ASH
  - benefit of 2020 capital raise
- Enabled refinancing with new 4+1 facility in place:
  - £70m term facility
  - £25m RCF
  - £30m finance lease lines
- Material reduction in annual term loan / RCF interest cost:
  - Reducing to c.£3m[3] (FY20 £16.3m)
  - Pro-forma EPS increase of 1p over FY21
- Operating cash flow improved £15.6m
- Group net debt leverage target remains between 1.0x and 1.5x[1]

Net debt and leverage materially reduced[1]



Interest cost[2] significantly reduced

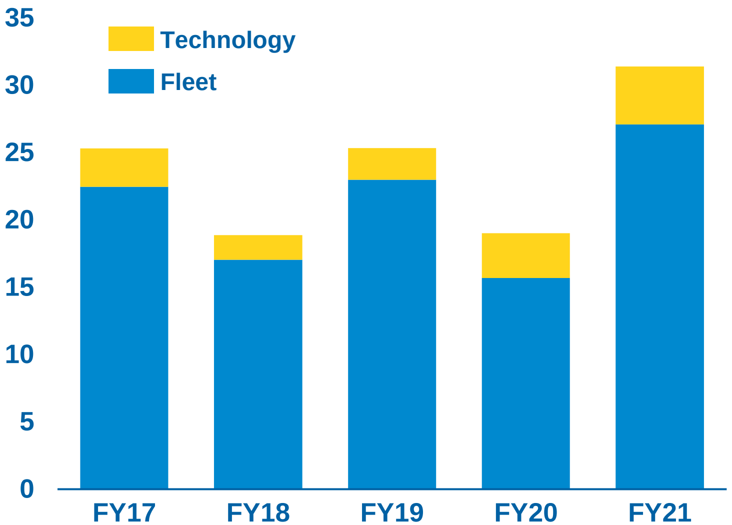


1. Non-IFRS16 basis
2. Term facility, RCF, loan notes
3. Based on current SONIA rate

New operating model driving superior returns; ROCE at record levels

Investment capitalising on the opportunity

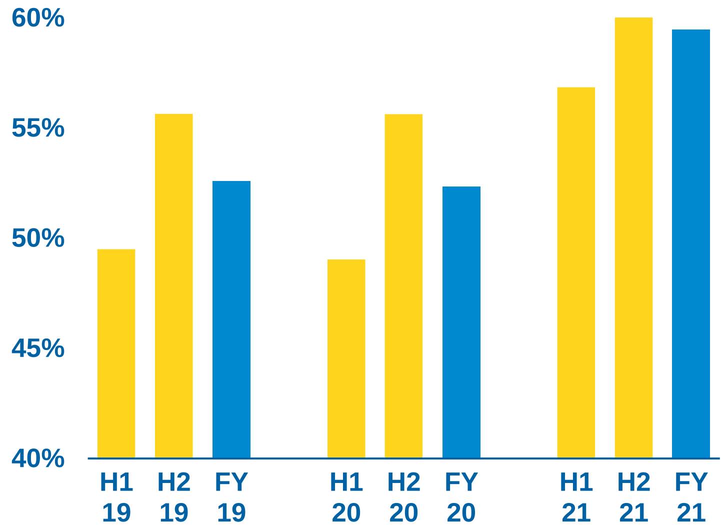
Fleet and IT capex £m (continuing operations)



- Forecast FY22 total capex £35-£40m; investment in technology £5-£10m
- Fleet investment informed through insight tools, identifying demand and maximising returns

Utilisation stepped forward

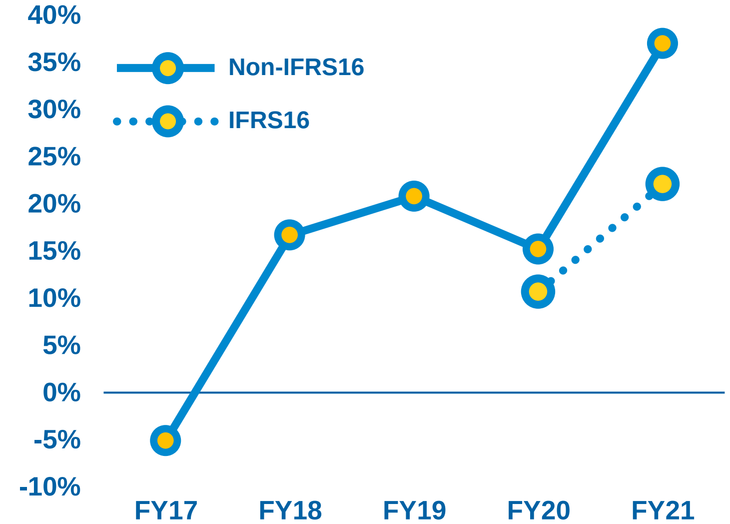
Core fleet utilisation %[1]



- New operating model has improved utilisation
- Utilisation at 59.5% in FY21, 7.1ppts ahead of FY20 and 6.9ppts ahead of FY19

ROCE at record levels

Return on Capital Employed %[2]



- Strong performance in capital-light Services business and growth through digitally-led low cost operating model

1. Utilisation for core fleet on value basis

FY 21 Strategy Review

Steve Ashmore / Chief Executive Officer

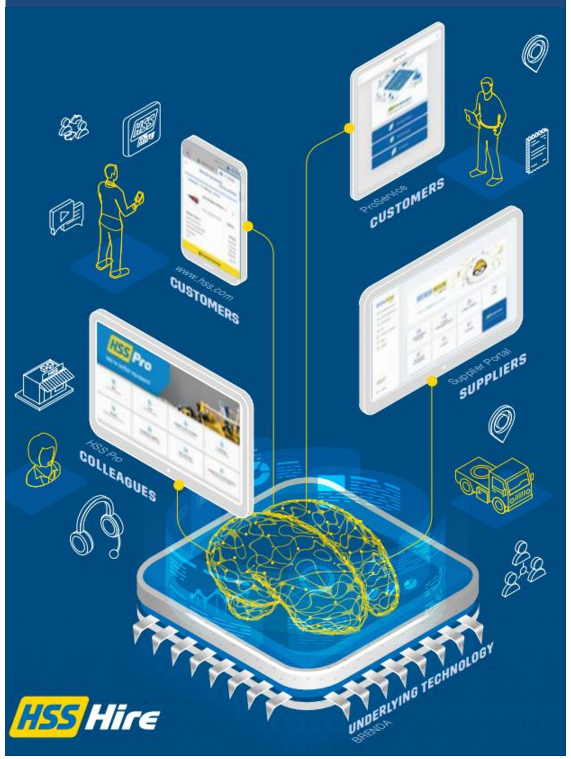
How we operate today

1 HSS ProService = Sales Acquisition

hss.com
- 4.3m unique visits in FY21, +9% vs FY20
- 66,000+ App downloads
- 23% of order volumes

HSS Pro
- c.60% of all enquiries
- c.20,000 of c.27,000 customers
- £100m+ revenue LTM

BRENDA TECHNOLOGY PLATFORM



Connecting customers, colleagues and suppliers

Supplier Portal
- 600+ rehire suppliers
- c.150 training suppliers

HSS Training
- 63 in-house trainers

Diverse Salesforce

44 HSS Branches	55 Builders Merchants	c.130 Field Sales	c.260 Desk Sales

2 HSS Operations = National Fulfilment

+

600+ other hire providers

(Plant, Powered Access, HVAC, Accommodation, Welfare, Lifting, Safety, Ventilation, Pumps, Generators, Traffic Management, Rail, Specialist equipment and many more)

Our technology journey is now well advanced

2019

- ✓ Launched Customer App
- ✓ Launched Brenda, re-platforming our rehire business
- ✓ Started builders merchant trial

2020

- ✓ Launched click-and-collect
- ✓ Network restructure to lower-cost, scalable model. £15m saving
- ✓ Launch of HSS Pro
- ✓ Launch Vodafone Storm
- ✓ Built builders merchant network to 24

2021

- ✓ Rollout of HSS Pro to all sales colleagues
- ✓ Created a salesforce of self-service coaches, ready to train our customers
- ✓ Organisational restructure: ProService and HSS Operations
- ✓ Expanded builders merchant network to 55
- ✓ Launched Satalia transport route optimisation software
- ✓ Relocated to smaller head-office, better suited to flexible working

2022

- Cash transactions through HSS Pro
- Extended rehire range available on hss.com
- Enhance ProService self-serve platform
- Further developments to supplier portal
- Complete legal restructure

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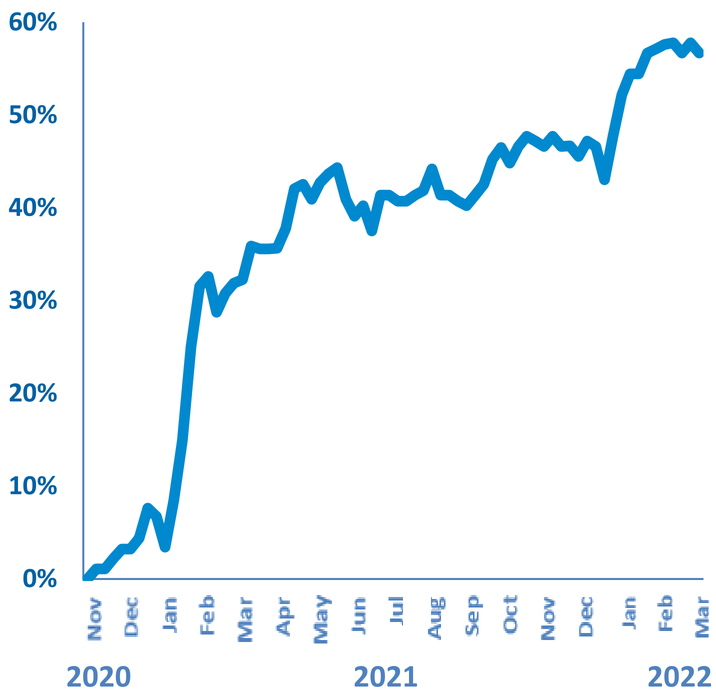
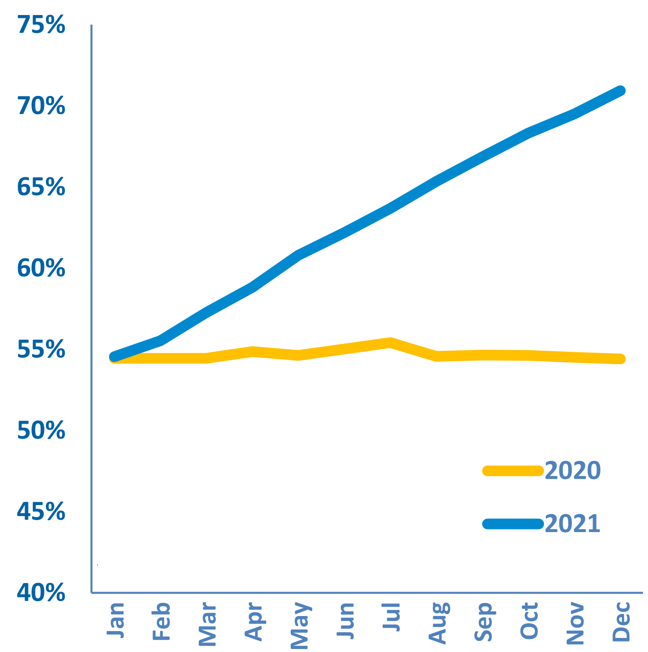
Technology deployment is delivering tangible benefits

Majority of orders now go through HSS Pro → **Conversion rates consistently higher** → **Rehire revenue[1] growing strongly**

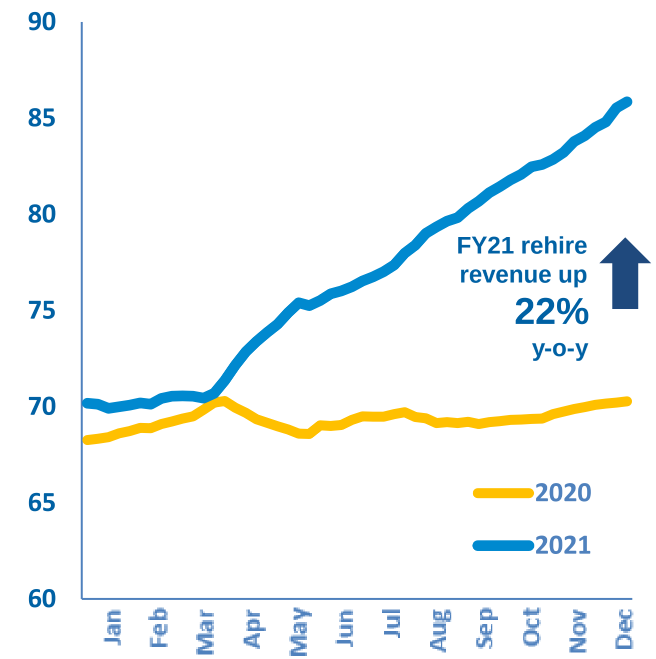
% of all orders transacted through HSS Pro



Rehire conversion rates (LTM)



£m LTM Revenue



Targeting 100% of orders through HSS Pro and further improvements in conversion. Significant opportunity to increase rehire penetration amongst our customer base

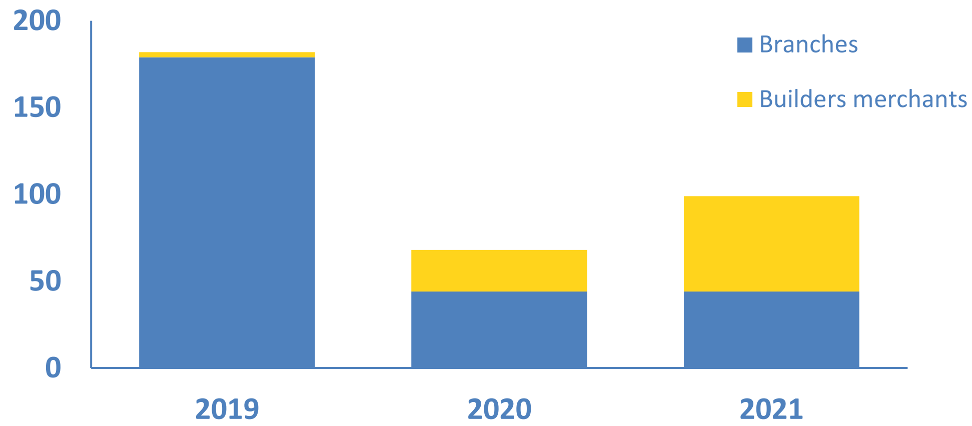
1. LTM revenue, excluding single managed service contract

HSS Hire

Low-cost, scalable builders merchant model is delivering

Expanding network of low-cost, high footfall builders merchant locations

Branch network evolution[1]



- Costs per location c.50% lower than branches
- Revenue growth opportunities through access to greater merchant footfall and new trade customers
- Over 70,000 contracts raised in 2021, generating over £16m of sales. Like-for-like growth 44%[2]
- All builders merchants are using HSS Pro with opportunity to extend to locations without HSS concession

55 builders merchant locations through 17 strongly aligned partners

"HSS is a great partner for us and their offering really enhances our proposition"
Lords Builders Merchant

"The strength of their brand is a significant attraction for us. Our sales teams are working closely together and there are lots of opportunities"
PGR Builders Merchant

"HSS are fast becoming an integral part of our customer offering within our store. We are looking forward to working with them on further store partnerships as well as exploring other ways of working successfully together. "
Howarth Timber Builders Merchant

Further 6-12 locations in pipeline for FY22

1. HSS locations excluding CDCs, on-sites and specialist depots (Abird, Apex, ASH, Laois)
2. Merchant locations open for comparable periods in both 2021 and 2020, total revenue

HSS Hire

ESG Strategy: Targeting Net Zero by 2040, underpinned by technology…

Conducted comprehensive ESG review with independent advisors

External Benchmarking
- "Excellent"

SUSTAINABLE ADVANTAGE ESG EXCELLENT 2022

Materiality Assessment
- Stakeholder priorities understood

Net Zero Analysis
- Carbon footprint analysis

Objectives Setting
- Approved at Board level

ESG Impact Report
- Publication Q2 2022

Clear Targets Supported by Tangible Actions
- Net Zero carbon emissions by 2040
- Submit Science Based Targets in 2022
- 2025 headline commitments:
  - 100% electricity from renewable sources
  - 95% zero waste to landfill
  - All products classified with Eco credentials

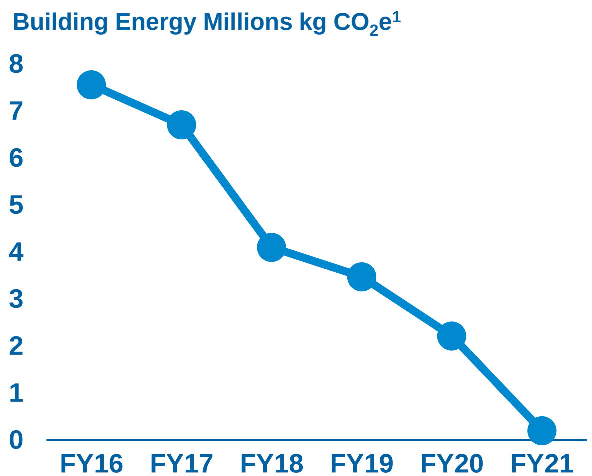
Technology Enabled Sustainability
- Insight for customers to select sustainable products
- Fulfilment solutions that minimise carbon footprint
- Insight for suppliers to improve utilisation
- Carbon reporting for customers
- Satalia route optimisation technology reducing fuel consumption

Implementation governed by CEO
- ESG-committee set up to deliver recommendations from external benchmarking
- ESG-forum set up by CEO to drive colleague engagement and innovation
- Targeting ISO27001 accreditation for cyber security
- Targeting ISO50001 accreditation for energy management

…and building on the recent good progress made

Environmental

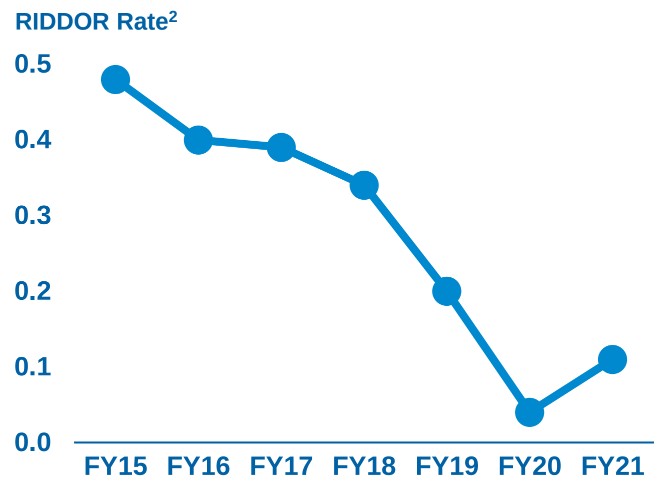
Ongoing reduction in energy carbon emissions



- Reduced physical footprint
- Switching electricity to 100% renewable sources
- Fleet moving to electric/hybrid cars, (currently 24%), trialling new electric vans

Health & Safety

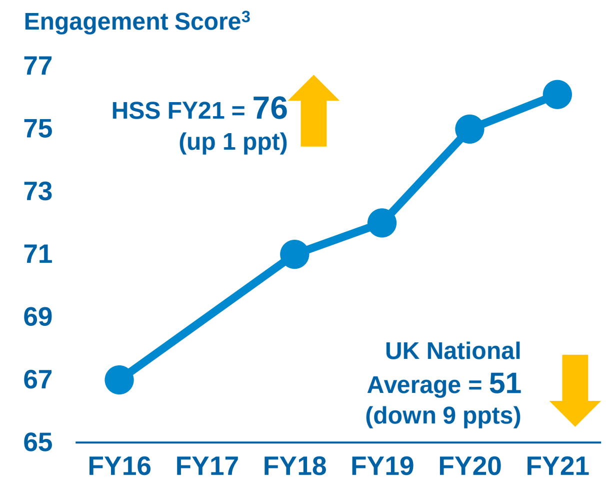
Keeping colleagues safe. RIDDORS remain low



- Enhanced near-miss reporting through mobile technology
- Significantly increased and locally actioned safety observations
- Mental wellbeing focus working with third parties

Engagement

Colleague engagement continuously improving



- Focus on management training and development
- Monthly health and wellbeing activities and webinars
- HSS TV review of the year

1. Independently audited, Maloney Associates
2. Reportable accidents per 100,000 hours worked
3. Independently assessed, Anthem Engagement Ltd

FY 21 Summary

Steve Ashmore / Chief Executive Officer

Summary

Integrated technology platform performing well

Low capital intensity and highly scalable business model

Poised for accelerated growth, targeting

- Services to grow 10ppts ahead of market
- Rental to grow in line with market

FY 21 Q&A

FY 21 Appendices

HSS Hire

Exceptional credit

53 weeks ended 1 January / 52 weeks ended 26 December

£m	FY21	FY20
Onerous property related items	7.9	(7.4)
Network restructure	-	(4.6)
Refinancing	(9.7)	-
Profit on disposal – Laois	3.2	-
Profit on disposal – All Seasons Hire	38.0	-
Legal restructure	(0.6)	
Capital Raise	0.2	(0.9)
Onerous contract	0.3	(0.6)
Exceptional credit / (cost)	**39.3**	**(13.4)**

- Onerous property credit relates to the release of lease liabilities and provisions on successful surrender of branches permanently closed in FY20. Prior year (including network restructure) relates to the initial impairment and costs incurred at point of closure.
- Refinancing costs include early prepayment fees and accelerated amortisation of debt issue costs
- Disposal of Laois (Irish plant hire business) in April 2021 for net proceeds of £10.0m
- Disposal of All Seasons Hire (large boiler / chiller rental business) in September 2021 for net proceeds of £54.3m
- Legal restructure of Group around Sales Acquisition and Fulfilment divisions, completing FY22
- Capital raise relates to adjustment to costs incurred in FY20
- Onerous contract relates to movement in the discount rate applied to existing provision

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Balance sheet

As at 1 January / 26 December

£m	2021	2020
Intangible assets	147.6	158.5
Tangible assets	59.9	68.4
Right of use assets	76.0	83.5
Deferred tax asset	2.4	-
Net current assets [1]	(2.0)	13.2
Other net liabilities	(19.3)	(26.5)
Net debt (excl accrued interest)[2]	(43.3)	(111.8)
IFRS16 liabilities	(59.2)	(74.3)
Accrued interest	(0.3)	(3.4)
Net assets	**161.9**	**107.6**

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 or non current liabilities.

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Net debt

As at 1 January / 26 December

£m	2021	2020
Cash	42.3	97.6
RCF	-	(17.2)
Finance lease obligations	(17.4)	(15.3)
Senior Finance Facility[1]	(70.0)	(182.0)
Net debt (excl accrued interest)	**(45.1)**	**(116.9)**
Accrued interest	(0.3)	(3.4)
Net debt (excl IFRS16)	**(45.4)**	**(120.4)**
IFRS16 liabilities	(59.2)	(74.3)
Reported net debt	**(104.6)**	**(194.6)**

- Reflects third-party borrowings
- Senior Finance Facility at SONIA +2.75-3.50%
- Leverage:
  - Non-IFRS 16 basis 0.8x (FY20: 2.6x)
  - IFRS16 basis 1.5x (FY20: 2.8x)

1. Shown gross of issue costs

HSS Hire Group plc
Many Thanks

April 2022