

HSS Hire Group plc

FY22 RESULTS

APRIL 2023

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FY22 AGENDA

01_ HIGHLIGHTS

02_ FINANCIAL REVIEW

03_ STRATEGY REVIEW

04_ SUMMARY

05_ Q&A

APPENDICES



FY22 Highlights

STEVE ASHMORE

CHIEF EXECUTIVE OFFICER



Consistently delivering strong results

FINANCIALS

Double digit growth,
substantial profit
increase

- Like-for-like¹ revenue growth 11% up on FY21
- Significant increase in Adjusted PBT to £21.0m (FY21: £10.7m)
- Step change in Adjusted EPS to 2.40p (FY21: 1.25p)
- ROCE grew to 23% (FY21: 22%)
- Strong balance sheet, net debt leverage non-IFRS16 basis 0.8x (FY21: 0.9x)

PROSERVICE

Marketplace launched,
progress ahead of plan

- Largest marketplace for building services in Europe², delivering high NPS 44 (FY21: 38)
- Buyers embracing marketplace dynamics with self-serve rates on HSS Pro at 88% and associated revenue growth of 45%
- Range of products expanding to meet buyer demands, with launch of building materials and equipment sales verticals

HSS OPERATIONS

Continuous
improvement

- Rollout of Satalia supporting high service levels alongside 14% reduction in mileage per job
- Digital Service Portal currently being rolled out to enhance quality and improve productivity
- All time low RIDDOR rate at 0.02 (FY21: 0.11)

OUTLOOK

2023 trading started
strongly

- Q1 23 revenue growth, EBITDA and EBITA in line with expectations
- Continue to invest in marketplace growth, targeting 10ppts above market
- Final dividend of 0.37p per share proposed, total for year 0.54p per share



FY22 Financial Review

PAUL QUESTED

CHIEF FINANCIAL OFFICER



Financial summary / FY22

52 weeks ended 31 December / 53 weeks ended 1 January

Continuing Operations ¹	FY22	FY21	Change	Like-for-like change
Revenue	332.8	303.3	9.7%	10.7%
Adjusted EBITDA ²	71.6	69.8	2.6%	5.0%
Adjusted EBITA ³	32.0	31.7	1.0%	6.4%
Adjusted Profit Before Tax ⁴	21.0	10.7	95%	130%
Adjusted basic EPS	2.41p	1.25p	93%	130%
ROCE	22.8%	22.1%	0.7pp	
Net Debt non-IFRS16 (£m)	41.5	45.4	£3.9m	
Net Debt Leverage non-IFRS16 (x)	0.8x	0.9x	0.1x	
Net Debt Leverage IFRS16 (x)	1.3x	1.5x	0.2x	

- Like-for-like⁵ revenues 11% ahead of FY21
- Improved performance driven by increasing conversion through effective technology deployment, continued builders merchants growth, targeted fleet investment and disciplined price management
- Like-for-like⁶ EBITA margins maintained, strong price and cost management navigating inflation headwinds
- Like-for-like⁶ Adjusted PBT more than doubled, benefitting from substantial reduction in interest cost
- Increased profitability and lower interest cost delivering step change in EPS
- Services segment growth and targeted fleet investment leading to further increase in ROCE
- Robust balance sheet, reduced exposure to changes in the interest base rate following 2021 refinancing

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. Profit before tax excluding amortisation of brand and customer lists and exceptional items

5. Excluding benefit of additional week's trading in FY 21

6. Excluding following non-recurring items in FY 21: additional week's trading and COVID related income associated with business interruption insurance claim and TWSS. FY22 cost of living payment in relation to EBITA margins

Segmental analysis / FY22

52 weeks ended 31 December / 53 weeks ended 1 January

£m	FY22	FY21	Change	Like-for-like change ¹
Rental (and related revenue)				
Revenue	206.2	191.2	8%	9%
Contribution	138.4	132.6		
<i>Contribution margin</i>	67.1%	69.4%		
Services				
Revenue	126.6	112.1	13%	14%
Contribution	19.3	16.2		
<i>Contribution margin</i>	15.2%	14.5%		
Branch and selling costs	(53.8)	(49.2)		
Central costs	(32.3)	(29.8)		
Adjusted EBITDA	71.6	69.8		

Rental

- Expanded low cost builders merchant network to 63 (Dec21: 55) representing c15% of contracts raised². Like-for-like³ revenue up 22%
- Investment in data-driven central sales team, delivering 10% revenue growth in Q422 with improving trend
- Targeted fleet investment enabling growth, improving returns and high utilisation
- Strong price control maintained, reported margin impacted by product mix (resale) and additional trading week in FY21

Services

- Customer experience continues to be improved through ongoing technology enhancements and broadening rehire supplier network; conversion improving to 74% (FY21: 71%)
- Training revenue 16% ahead of FY21, delivering record profit levels
- Leveraging technology enabling continued margin expansion

Costs

- Continued cost discipline navigating inflationary headwinds, prior year includes non-recurring Covid-19 benefits
- Investment in central sales team and technology
- Payments made to colleagues to support cost of living challenge

Segmental analysis / our new structure

Proforma¹ 52 weeks ended 31 December 2022

£m	HSS ProService	HSS Operations	IntraGroup / Central ²	FY22
Revenue	296.8	159.4	(123.4)	332.8
EBITDA	27.0	64.4	(19.8)	71.6
EBITA	25.3	26.8	(20.1)	32.0

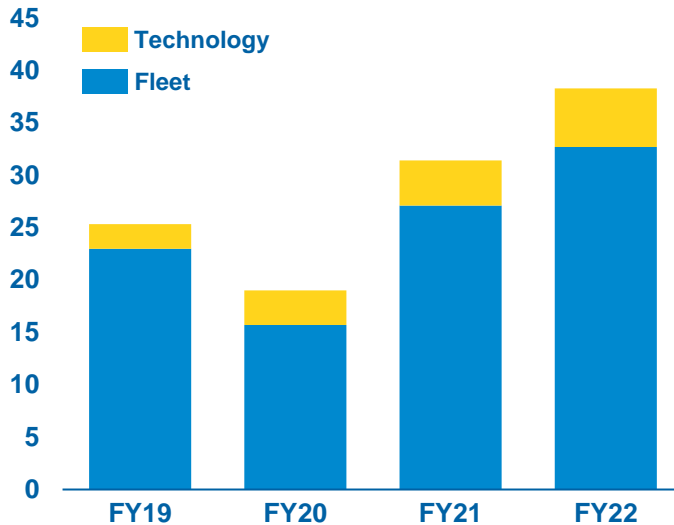
- Legal separation of HSS ProService successfully completed 3 July 2022
- HSS ProService, a capital-light technology-led marketplace focussed on customer acquisition and enquiry conversion
- HSS Operations includes all asset owning Group businesses³ and is focussed on fulfilment, service and safety; a key supplier to ProService
- Basis for FY23 segmental reporting
- Proforma highlights revenue and profitability before central cost allocations

1. Proforma results based on 6 months of actuals from July 2022 and carve out assumptions for preceding 6 months
 2. Approximately £14m of the Central costs can be directly attributed to HSS ProService and HSS Operations
 3. HSS Hire in England, Wales, Scotland and Northern Ireland, HSS Hire Ireland Limited and the Group's Power division

ROCE at record levels

Insight-led targeted investment

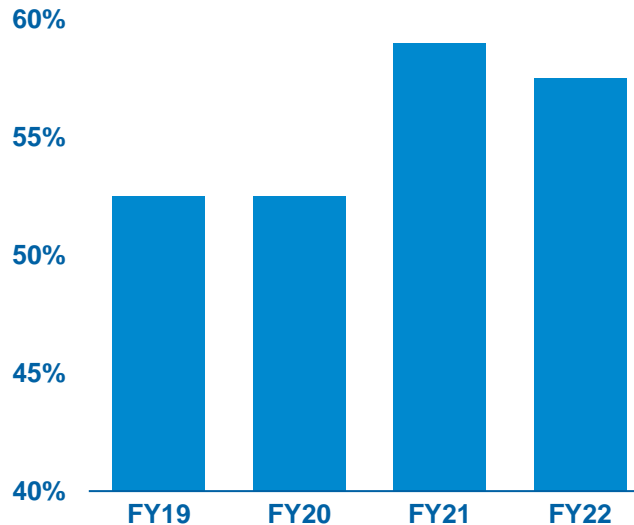
Fleet and IT capex £m (continuing operations)



- Fleet investment informed through insight tools, identifying demand and maximising returns
- FY23 capex guidance of £34-£38m
- Continued investment in technology (c£5m in FY23)

Maintaining high utilisation

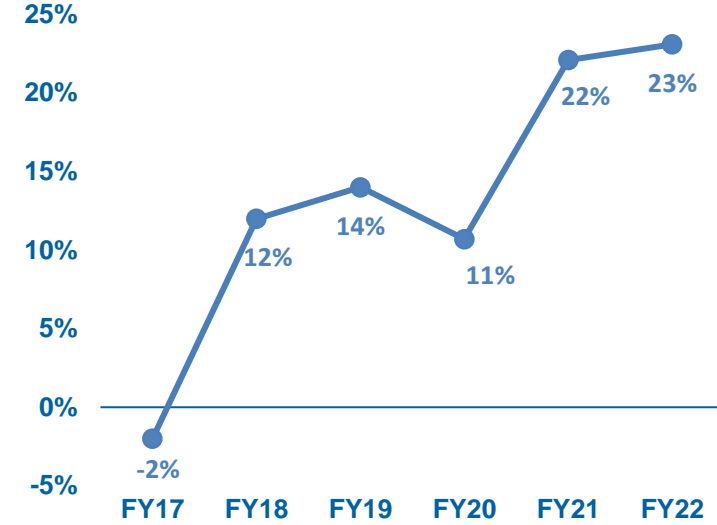
Fleet utilisation %¹



- FY22 utilisation at 57.5%, c5ppts ahead of FY19
- Operating model continues to enable high utilisation
- Maintaining high levels on enlarged fleet, c7%² larger than FY21

Enabling record ROCE levels

Return on Capital Employed (IFRS16 basis³) %



- Supported by strong performance in capital-light Services business, growth through digitally-led low cost operating model and continued price management



FY22 Strategy Review

STEVE ASHMORE

CHIEF EXECUTIVE OFFICER



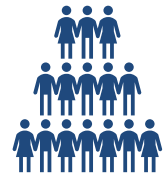
Buyers embracing our marketplace dynamics

HSS Pro built to address buyers' requirements



- ✓ A single self-serve platform
- ✓ One-stop-shop with great availability
- ✓ Enhanced control with integrated approval processes, full visibility
- ✓ Reduced cost of managing procurement

Early adopters showing positive characteristics following transition to HSS Pro



Onboarded potential
£20m+



Activity Increased¹
↑ 3.7x



Self-Serve
88%



Revenue¹
↑ 45%



Products Taken¹
↑ 2.8x

"HSS Pro has revolutionised the procurement process. The transition into using this has been a breeze. It has created a really efficient and effective process for our team ... We are very keen to get equipment sales and training via HSS Pro too"

HSS Pro Self-Serve Buyer

Strong pipeline of buyers lined up to use HSS Pro

Goal is to accelerate roll out to buyers with further spend potential of £50m by December 2023

Our longer term expectations:

- Significant increase in active buyers (particularly amongst largest contractors)
- Improved share of wallet amongst buyers
- High levels of self-service
- Significantly reduced buyer churn
- Broad range of buyer requirements met...

Proposition continues to expand to meet our buyers' demands

Independent research* of our buyer base has highlighted their demands

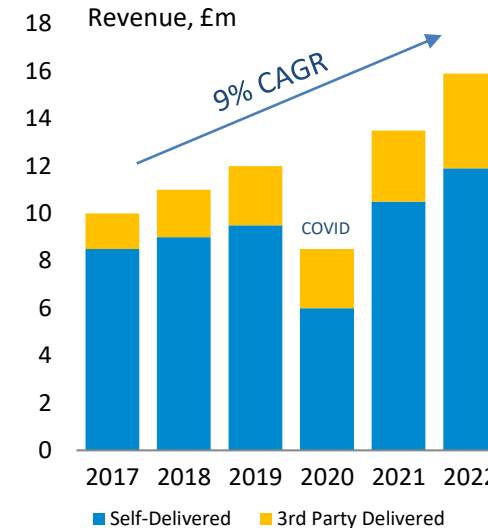
- 70-80% of all buyer groups are interested in an online marketplace citing time saving and convenience as the main benefits
- Buyers are interested in purchasing a range of products and services online

Equipment sales live on platform, building materials during May



- Products will be surfaced on HSS Pro, HSS Pro POS and hss.com, for example:
 - Timber, plasterboard, tiles
 - Power tools, hand tools
- Strong demand from buyers
- Sellers keen to supply, working closely with our builders merchant partners

Successful Training business to go live on our platform this year



- 16% revenue growth FY22 reflecting strong buyer demand and improving HSS offering, delivering record year of profit
- Training Plus channel (complementary courses delivered by third parties) growing strongly as supply chain expands, broadening the product offering

Next Steps

- Drive activity around sales of building materials and equipment
- Integration of other verticals, starting with fuel, waste, PPE and Training

HSS Operations is a key seller to ProService

HSS Operations

Fleet management and distribution business focusing on safety, customer service and efficiency



Fulfilment Locations:

- Customer Distribution Centre (CDC)
- Branch
- Builders Merchant
- ▲ Abird / Apex specialist

Highlights



£159m
FY22 REVENUE



£64m
FY22 EBITDA



215K
FLEET SIZE



~2,000
PRODUCTS SERVING A BROAD
RANGE OF END MARKETS



1,000
COLLEAGUES



71%
COLLEAGUE ENGAGEMENT

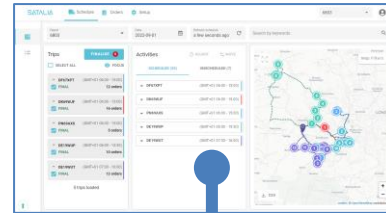
HSS Operations continues to deliver high levels of service and improvements

Satalia Deployment

Route optimisation software, adapted to requirements of hire

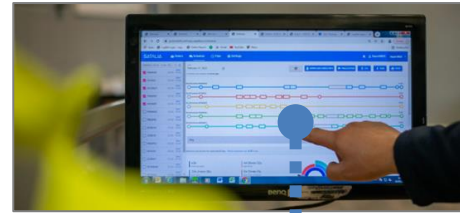


2020-2021



Customer Delivery Windows

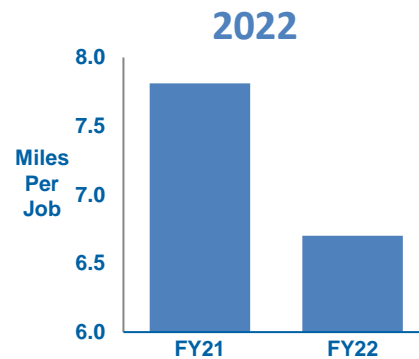
Timeslots for customers at the point of order



2023

Digitalisation

Paperless driver management
Track & Trace customer functionality
Click & Collect fulfilment



Reduced our mileage by the equivalent of driving around the equator 21 times

196 metric tonnes of carbon saved

Digital Service Portal

Device-prompted interactive servicing tool
Focus on equipment quality
Enhanced information
Improved damaged & dirty recovery

0.02
RIDDOR rate

44
NPS Score

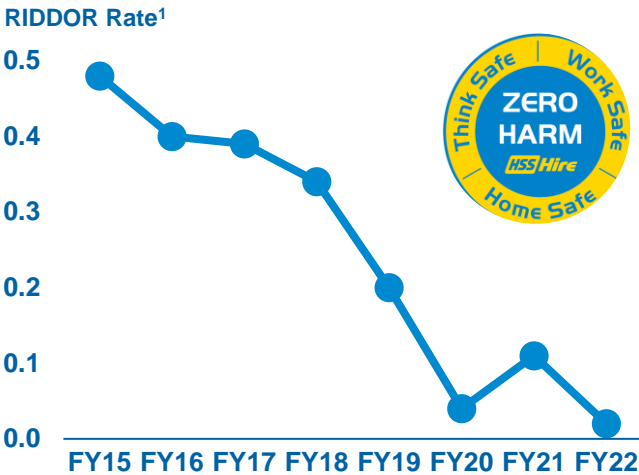
57.5%
Utilisation

14%
Mileage reduction

98.4%
Delivery performance

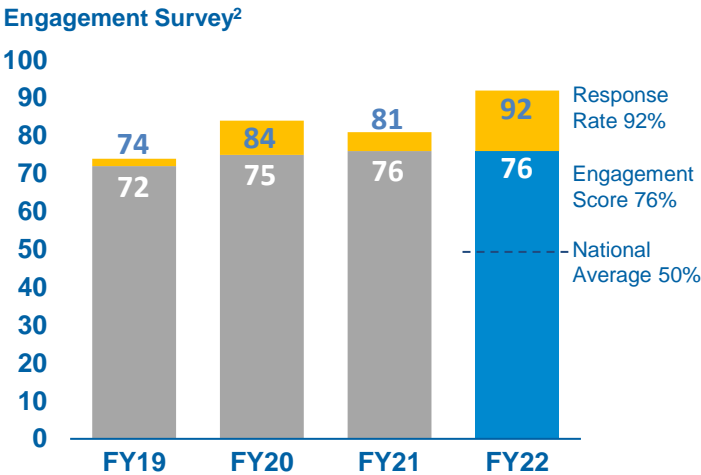
Strong ESG results

Keeping colleagues safe, RIDDORS at all time low



- Targeting zero harm
- ‘Safety Starts with Me’ campaign
- New high profile safety weeks
- New mobile technology driving consistently high near-miss reporting and safety observations

Colleague engagement consistently very high



- Earn As You Learn training programme
- ED&I Colleague Council set up
- Many other engagement forums, e.g. Women in Industry, Wellbeing Wednesdays, Love Your Colleague
- Cost of Living payments made to colleagues in May and October

Broader ESG Plan being recognised positively by third party experts



- New customer dashboards introduced
- EcoVadis awarded us silver rating, putting us in top 10% of our industry, increasing scores with other independent rating assessments
- Rolling out electric vehicles
- All electricity is now renewable





FY22 Summary

STEVE ASHMORE

CHIEF EXECUTIVE OFFICER



Summary

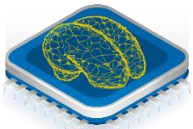


GROUP DELIVERING STRONG RESULTS

- Double digit growth, substantial profit progression
- Strong balance sheet, leverage remains at record lows
- ESG plan on track

[Click here to learn more about ProService](#)

HSS ProService



MARKETPLACE LAUNCHED, PROGRESS AHEAD OF PLAN

- Largest marketplace for building services in Europe
- Buyers embracing marketplace dynamics
- Range of products expanding to meet buyer demands

HSS Operations



DELIVERING MARKET-LEADING SERVICE

- High service levels, NPS ahead of industry benchmark
- Efficiency savings delivered, continuous improvement philosophy
- Strong safety culture, record low RIDDOR rates

HSS Hire

WELL POSITIONED FOR GROWTH

- Progressive dividend policy, final dividend of 0.37p proposed
- Investing in marketplace growth, targeting 10ppts above market
- FY23 in line with market expectations



FY22 Results

Q&A

APRIL 2023

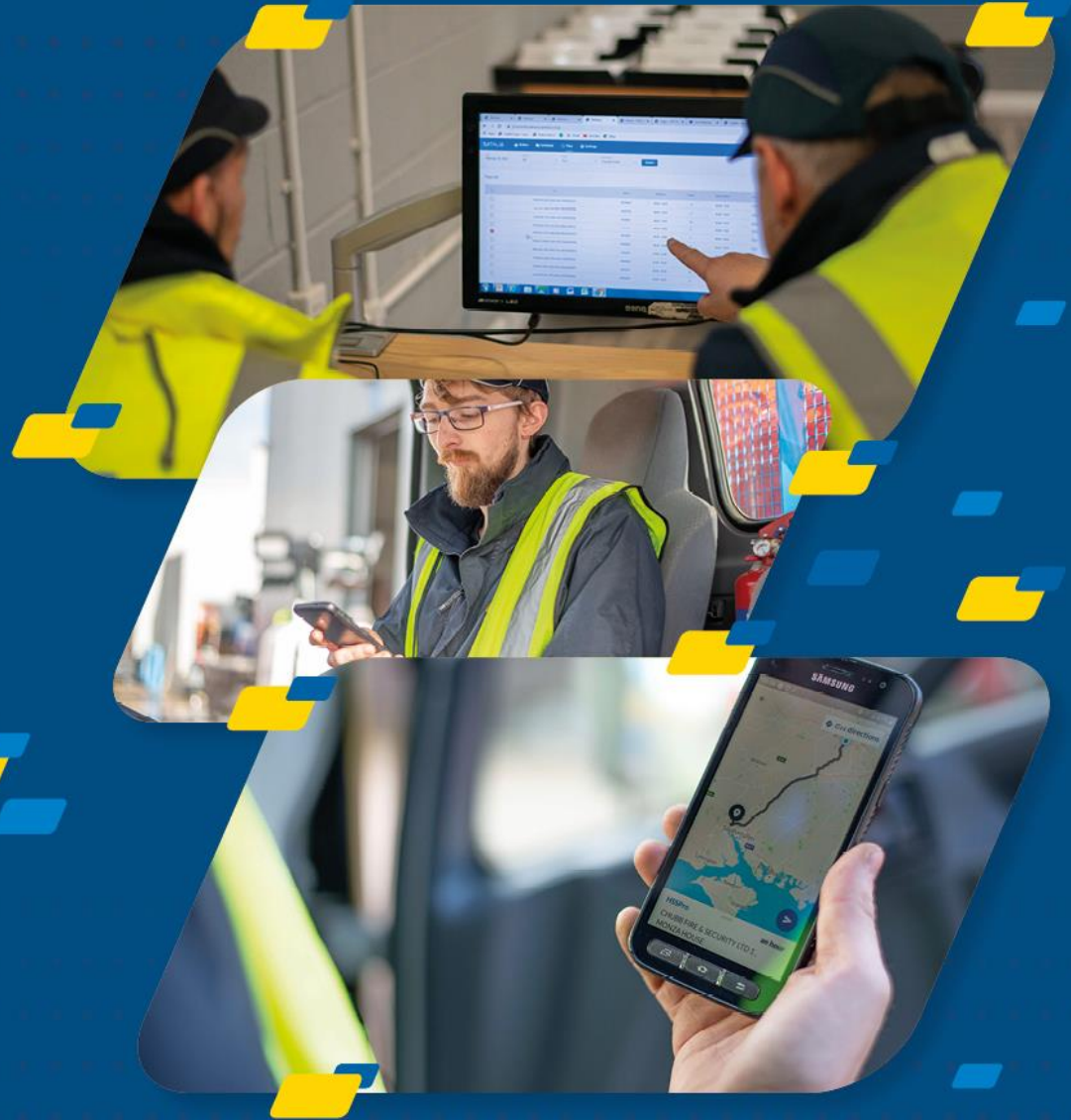




FY22 Results

APPENDICES

APRIL 2023



Exceptional items

52 weeks ended 31 December / 53 weeks ended 1 January

£m	FY22	FY21
Onerous property related items	(0.4)	(7.9)
Group restructure	3.2	0.6
Onerous contract	(0.4)	(0.3)
Refinancing	-	9.7
Capital raise	-	(0.2)
Profit on disposal – Laois and ASH	-	(41.2)
Exceptional cost / (credit)	2.4	(39.3)

- Onerous property credit relates to sublease income on vacant stores with prior year relating to provision releases post successful surrender of closed branches
- Group restructure relates to the legal separation of ProService in July 2022 followed by a strategy refresh to evaluate opportunities for creating greater shareholder value
- Onerous contract relates to movement in the discount rate applied to existing provision

Balance sheet

As at 31 December / 1 January

£m	FY22	FY21
Intangible assets	147.9	147.6
PPE	68.4	59.9
Right of use assets	71.2	76.0
Deferred tax asset	2.3	2.4
Net current assets ¹	(2.5)	(2.0)
Other net liabilities ²	(17.2)	(19.3)
Net debt (excl accrued interest) ³	(39.6)	(43.3)
IFRS16 liabilities	(52.7)	(59.2)
Accrued interest	(0.5)	(0.3)
Net assets	177.3	161.9

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. Other net liabilities includes non-current provisions and deferred tax liabilities
3. Comprises cash and all debt principal balances, including those which would ordinarily be shown within current assets, current liabilities or non current liabilities.

Net debt

As at 31 December / 1 January

£m	FY22	FY21
Cash	47.7	42.3
Hire purchase arrangements	(18.7)	(17.4)
Senior Finance Facility ¹	(70.0)	(70.0)
Net debt (excl accrued interest)	(41.0)	(45.1)
Accrued interest	(0.5)	(0.3)
Net debt (excl IFRS16)	(41.5)	(45.4)
IFRS16 liabilities	(52.8)	(59.2)
Reported net debt	(94.3)	(104.6)

- Reflects third-party borrowings
- Senior Finance Facility at SONIA +2.75-3.50%
- Leverage:
 - Non-IFRS 16 basis 0.8x (FY21: 0.9x)
 - IFRS16 basis 1.3x (FY21: 1.5x)

HSS Hire Group plc

MANY THANKS

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