

HSS Hire Group plc

# H1 24 RESULTS

SEPTEMBER 2024

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# H1 24 AGENDA

01\_ HIGHLIGHTS

02\_ FINANCIAL REVIEW

03\_ STRATEGIC REVIEW

04\_ SUMMARY

05\_ Q&A

APPENDICES



H1 24 Highlights

STEVE ASHMORE

CHIEF EXECUTIVE OFFICER



# Solid performance, launching next phase of strategy

## FINANCIALS

Solid performance  
in challenging  
markets

- Revenue growth +3.2% despite seasonal product weakness and demand softness in certain end markets
- HSS ProService grew 3.4%, ahead of market<sup>1</sup>, benefitting from double digit Services growth
- Targeted cost actions taken, efficiency plans on track
- Adjusted EBITDA and EBITA broadly in line with H1 23 excluding seasonal performance
- Robust balance sheet with non-IFRS16 net debt reduced £17m and leverage maintained at 1.0x
- Dividend per share maintained at 0.18p in line with 1H 2023

## STRATEGY

Greater optionality  
to unlock and  
maximise  
shareholder value

- HSS ProService and HSS Operations to be fully separated end September
- Each business will pursue own complementary growth strategies with separate management teams
- Strategic momentum for both businesses:
  - HSS ProService: 2,200+ buyers using marketplace platform, growing at 38%<sup>2</sup>
  - HSS Operations: builders merchant offering expanded to 104 stores, 13% same store growth
- Capital Markets Days for each business in 2025 when growth strategies further progressed

## CURRENT TRADING

Well positioned to  
execute strategy

- Challenging market continues in H2 24 to date, particularly in seasonal products
- Mobilising on a number of large accounts won over the summer
- Somewhat encouraged by lead macroeconomic indicators for UK construction and positively positioned to capitalise on improving markets





## H1 24 Financial Review

# GREIG THOMAS

CHIEF FINANCIAL OFFICER / HSS PROSERVICE



# Financial summary / H1 24

26 weeks ended 29 June / 1 July

	H1 24	H1 23	Change
Revenue	170.8	165.6	3.2%
Adjusted EBITDA <sup>1</sup>	26.9	28.9	£(2.0)m
Adjusted EBITA <sup>2</sup>	7.3	10.8	£(3.5)m
Adjusted Profit Before Tax <sup>3</sup>	1.2	5.0	£(3.8)m
Adjusted basic EPS	0.13p	0.55p	(0.42)p
Interim Dividend Per Share	0.18p	0.18p	
ROCE	14.9%	18.0%	(3.1)pp
Net Debt non-IFRS16 (£m)	37.9	55.1	£17.2m
Net Debt Leverage non-IFRS16 (x)	1.0x	1.0x	0.0x
Net Debt Leverage IFRS16 (x)	1.5x	1.6x	0.1x

- Solid revenue growth ahead of market<sup>4</sup> despite seasonal product weakness<sup>5</sup> and demand softness in certain end markets
- Targeted efficiencies creating operational leverage, more than off-setting:
  - HSS ProService technology spend, capex to opex switch as platform matures (£0.8m)
  - Non-recurring back dated rent reviews (£0.7m)
- Excluding seasonal performance, Adjusted EBITDA and EBITA broadly in line with H1 23
- ROCE remains ahead of Group's cost of capital; reduction due to seasonal performance
- Robust balance sheet, material reduction in net debt following sale of Power businesses
- Interim dividend maintained at 0.18p reflecting the Board's confidence in the robust balance sheet despite the reduction in EPS compared to H1 23

1. Operating profit stated before interest, tax, depreciation and amortisation ("EBITDA") and before exceptional items  
 2. Adjusted EBITDA less depreciation  
 3. Profit before tax excluding amortisation of brand and customer lists and exceptional items  
 4. European Rental Association 2024 forecast +2.7%  
 5. Seasonal products include Heating and Air-conditioning

# HSS ProService / H1 24

## Revenue growth ahead of market<sup>1</sup>

26 weeks ended 29 June / 1 July

	H1 24	H1 23	Change
Revenue	156.8	151.6	3.4%
Adjusted EBITDA <sup>2</sup>	9.2	9.7	(0.5)
Adjusted EBITA <sup>3</sup>	8.3	8.9	(0.6)

- Resilient revenue performance in challenging market:
  - Double digit Services<sup>4</sup> growth with margins expanding
  - New product verticals (building materials and equipment sales) sales doubling
 offset by:
  - Seasonal product weakness
- EBITA performance reflects change in mix and additional technology costs (including £0.8m switch from capex to opex)

## Marketplace strategy momentum



- HSS ProService marketplace v2.0 launched in December 2023
- Adoption of the marketplace has accelerated post launch, now with over 2,200 buyers, more than doubling over 5 months
  - c 400 active buyers and c 500 active users in any week
- Average revenue growth of 38% from buyers on platform
- 26% of contracts in H1 24 originated through our self-serve technology platforms (15% in H1 23)
- Extensive network of c 1000 sellers
- Fourth vertical, fuel, launched in September



# HSS Operations UK / H1 24

## Seasonal weakness materially impacting performance

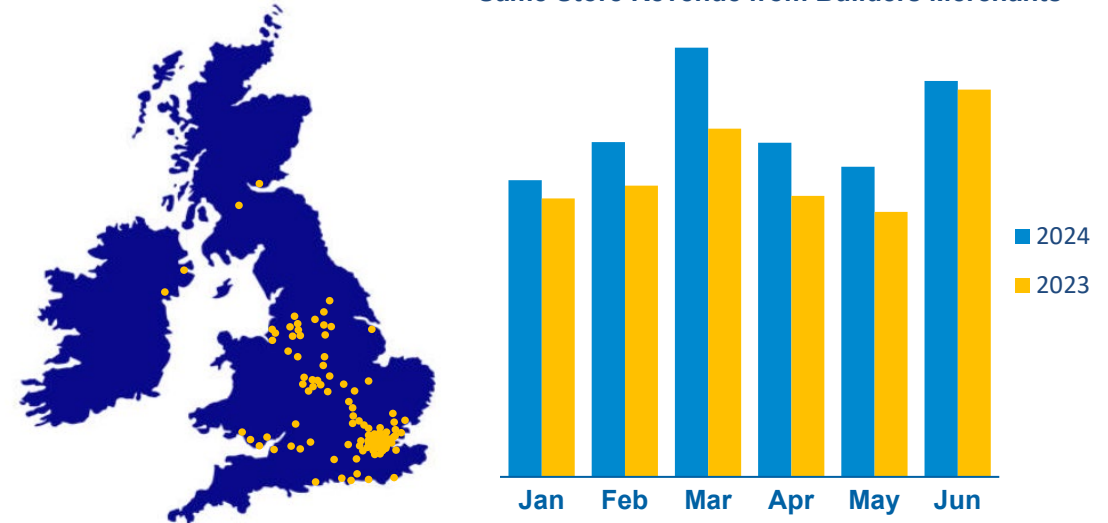
26 weeks ended 29 June / 1 July

	H1 24	H1 23	Change
Revenue	49.3	54.0	(8.7%)
Adjusted EBITDA <sup>1</sup>	22.0	24.3	(2.3)
Adjusted EBITA <sup>2</sup>	5.2	8.5	(3.3)

- HSS Operations revenue heavily impacted by:
  - Demand softness in certain end markets, particularly housing, RMI and fit-out
  - Seasonal product weakness, down 23%
- Utilisation maintained at 56% through efficient fleet management
- Targeted cost action taken to mitigate profit impact; strategic efficiency projects on track (e.g. barcoding)
- Non-recurring back-dated property rent reviews adversely impacting EBITA by £0.7m

## Expanding low-cost builders merchant model

Same Store Revenue from Builders Merchants



- Total network of 104 merchant locations across 22 partners with 13 new locations opened since December 23
  - H1 24 growth of 13% on a same store<sup>3</sup> basis
  - Further 10 locations approved and in the pipeline for opening in H2 24

# Ireland / H1 24

## Resilient performance, momentum building

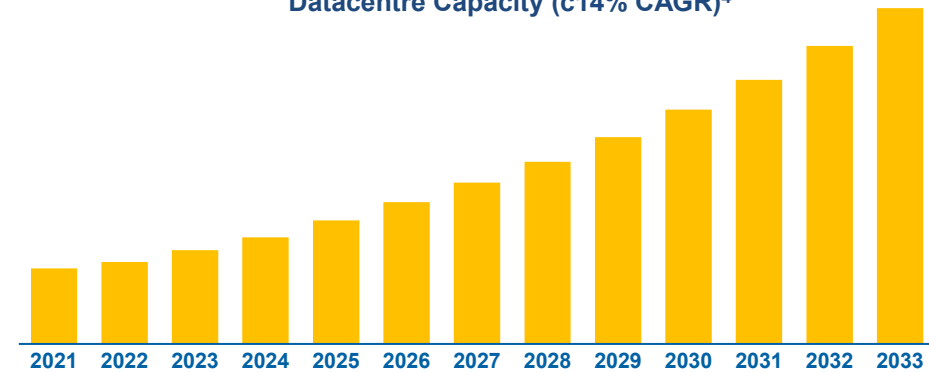
26 weeks ended 29 June / 1 July

	H1 24	H1 23 <sup>1</sup>	Change <sup>1</sup>
Revenue	13.4	13.2	1.1%
Adjusted EBITDA <sup>2</sup>	3.6	3.6	-
Adjusted EBITA <sup>3</sup>	1.9	2.3	(0.4)

- Hire income generated from owned and third-party assets grew 5%, offset by lower equipment resale
- Strong growth delivered via large contractor relationships with momentum building through the period
- Depreciation £0.3m higher due to targeted investment to exploit market growth opportunities and commercial decision to renew and upgrade the distribution fleet

## Spotlight on key growth sector

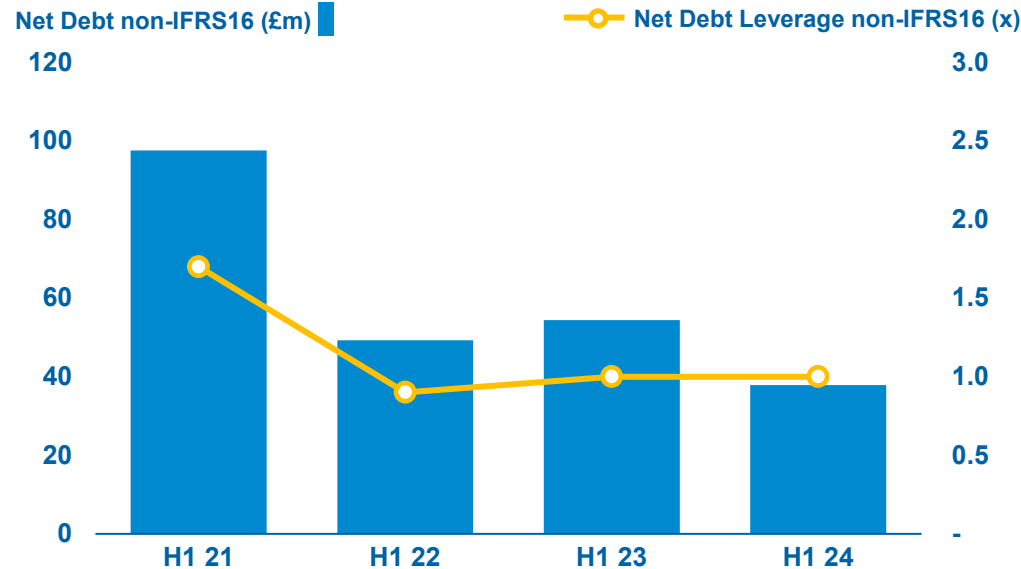
Forecast Strong Growth in European  
Datacentre Capacity (c14% CAGR)<sup>4</sup>



- Well-positioned to benefit from growth in data centres, driven by emergence of AI
- 21 centres are currently under construction with investment of circa €5.6bn including Amazon, Microsoft and Echelon
- HSS has preferred supplier status with the main contractors on each of these projects and has presence on sites
- High quality owned fleet, extensive rehire supply chain and technical knowledge ensuring HSS Ireland well placed for future growth

# Strong Group balance sheet and consistently high returns

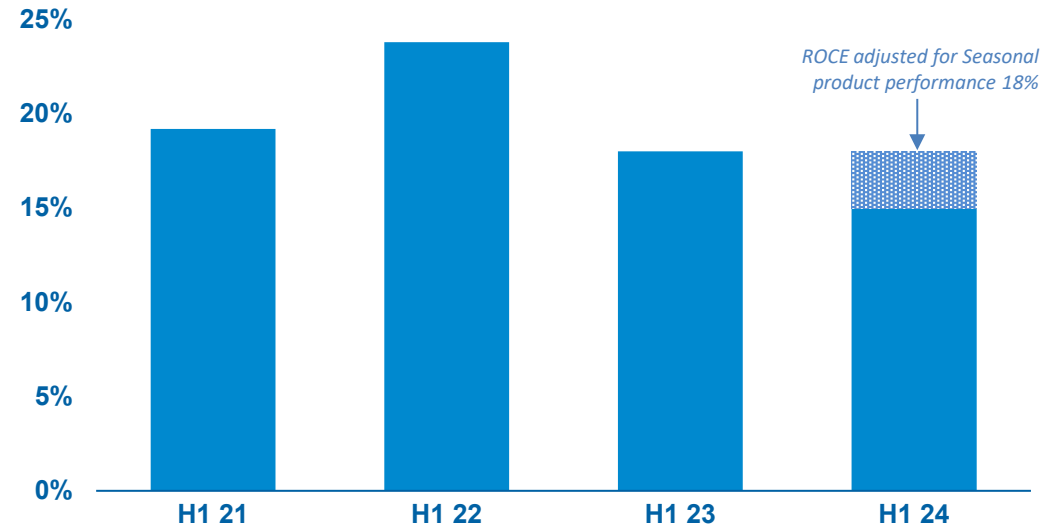
## Net debt £17m lower, leverage maintained at 1.0x



- Net debt reduced to £37.9m
- £20m realised through sale of Power businesses, £12.5m prepaid off senior debt facility
- Underlying cash conversion above 100% through effective working capital management
- Material liquidity headroom of £75m to support ongoing strategy

## Delivering consistently high returns

Return on Capital Employed (IFRS16 basis) %



- Continue to deliver strong returns ahead of cost of capital
- Supported by HSS ProService marketplace business growth
- H1 24 impacted by seasonal product weakness





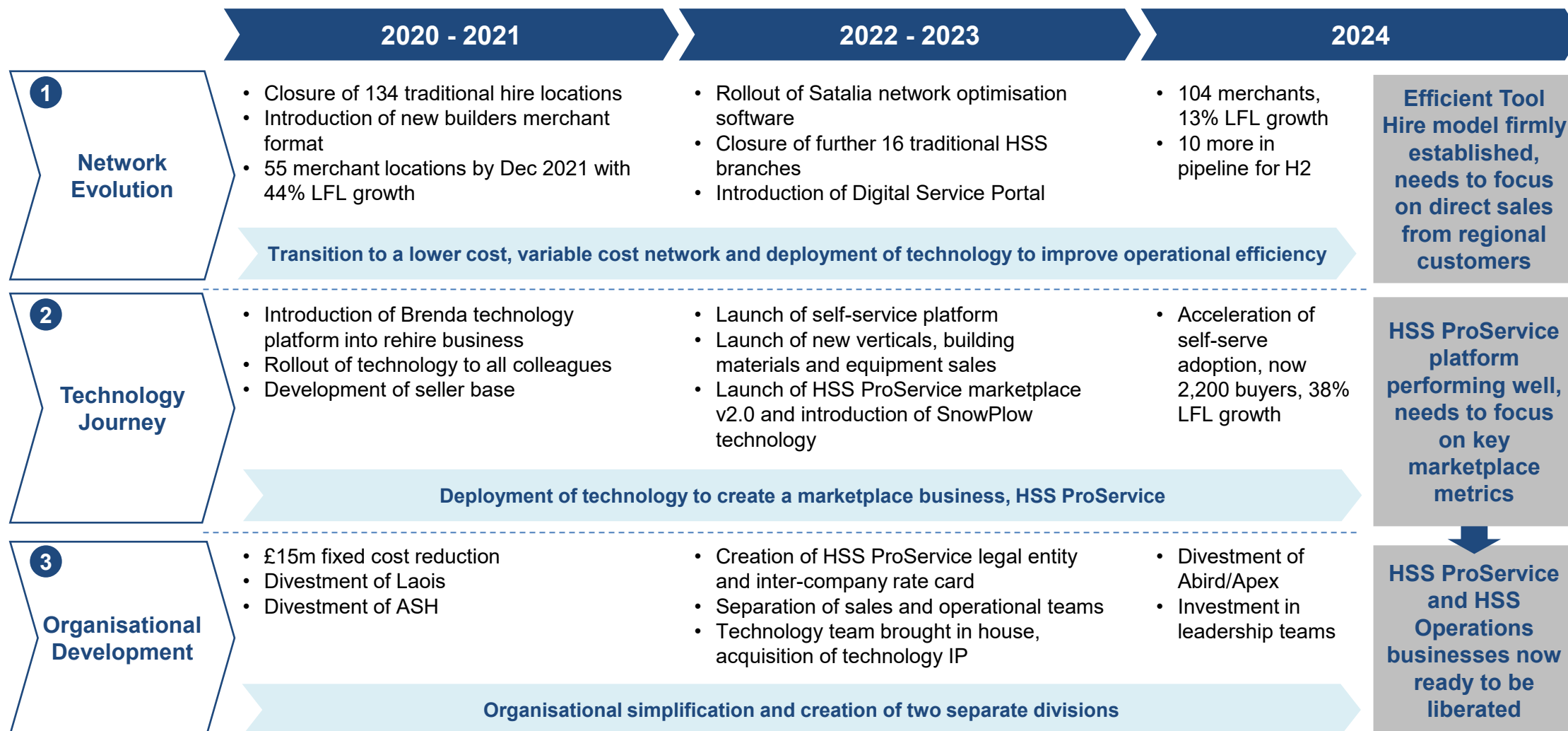
## H1 24 Strategic Review

# STEVE ASHMORE

CHIEF EXECUTIVE OFFICER



# Strategic journey nearing completion. Launching next phase



**Following the legal separation of HSS ProService and HSS Operations in 2022 and the progress made since, the final step is the new Group structure ...**

# New Group structure from October 2024

## PLC Board

**Steve Ashmore,**  
Executive Chair, HSS ProService

**Tom Shorten, CEO**

CFO CRO CCO CTO HRD MD Training

**HSS ProService**

*c700 colleagues*



Digital marketplace business focussed on buyer and seller acquisition. Technology driven, scalable and uniquely differentiated. Wide range of building services, including hire, resale, materials, training and more.

**Alan Peterson,**  
Non-Exec Chair, HSS Operations & Ireland

**Jon Overman, CEO**

CFO CRO COO HRD Branch Director IT Director

**HSS Operations**

*c1100 colleagues*



Fulfilment business, focussed on service delivery, health & safety and quality, with comprehensive coverage across a wide range of tools, low-level powered access and site equipment

**Michael Killeen, MD**

Management Team

**HSS Ireland**

*c110 colleagues*



# Distinct and complementary objectives



## Marketplace for Building Services

### Vision

- To be the marketplace leader for building services in the UK and Europe, aggregating buyers and sellers across a broad range of products and services

### Focus

- Increasing the number of buyers who are using the HSS ProService marketplace
- Expanding the products and services verticals available for buyers, driving total revenue
- Developing and implementing its own ERP systems such that it can run independently of the Group's legacy finance systems



## Independent Tool Hire Businesses

- To be the most efficient, high quality rental operator in the UK

- Building its own direct salesforce
- Focus on winning local customers who value the nearby presence of our merchant network
- Optimising fleet utilisation and service efficiency

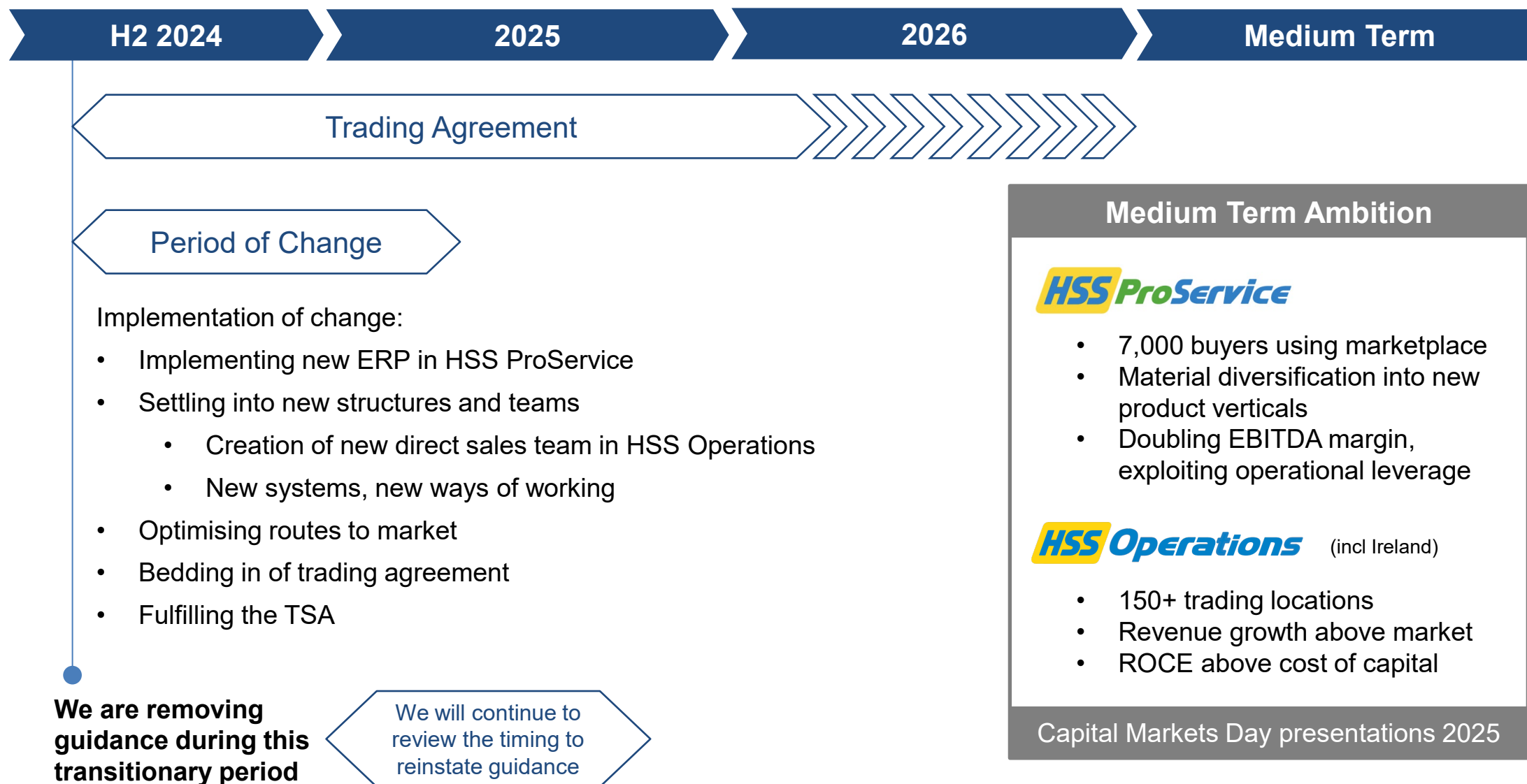


- To be the most efficient, high quality rental operator in Ireland

- Exploit emerging growth opportunity in datacentre expansion
- Continue to develop its market-leading proposition and reputation in Ireland

**Trading Agreement**  
(plus TSA)

# Timeline, implications and medium-term ambition





H1 24 Summary

STEVE ASHMORE

CHIEF EXECUTIVE OFFICER





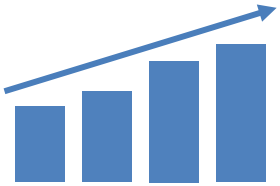
# Summary

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## Solid performance in challenging markets

- Revenue growth ahead of market, consistently high returns
- Strong balance sheet, 0.18p dividend recommended
- Somewhat encouraged by lead macroeconomic indicators, well positioned for recovery



## Strategic momentum in both businesses

- HSS ProService marketplace attracting buyers
- HSS Operations low-cost merchant model delivering growth
- HSS Ireland well positioned to benefit from key growth sectors



## Launching next phase of strategy

- HSS ProService and HSS Operations to be fully separated from end of September
- Distinct growth strategies and individually focussed teams
- Capital markets day for each business in 2025



## Greater optionality to unlock and maximise shareholder value



# H1 24 Results

# Q&A

SEPTEMBER 2024





H1 24 Results

# APPENDICES

SEPTEMBER 2024





# Balance sheet

As at 29 June / 30 December

£m	H1 24	FY 23
Intangible assets	147.4	153.0
PPE	83.4	93.2
Right of use assets	47.9	51.8
Deferred tax asset	2.0	2.0
Net current assets / (liabilities) <sup>1</sup>	(4.4)	7.8
Other net liabilities <sup>2</sup>	(10.7)	(13.9)
Net debt (excl accrued interest) <sup>3</sup>	(36.6)	(55.9)
IFRS16 liabilities	(50.4)	(54.1)
Accrued interest	(0.6)	(0.7)
<b>Net assets</b>	<b>178.0</b>	<b>183.2</b>

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 and cashflow

## Net debt materially reduced

As at 29 June / 30 December / 1 July

£m	H1 24	FY 23	H1 23
Cash	38.2	31.9	36.6
Hire purchase arrangements	(18.0)	(18.7)	(21.0)
Senior Finance Facility <sup>1</sup>	(57.5)	(70.0)	(70.0)
Accrued interest	(0.6)	(0.7)	(0.7)
<b>Net debt (excl IFRS16)</b>	<b>(37.9)</b>	<b>(57.5)</b>	<b>(55.1)</b>
IFRS16 liabilities	(50.4)	(54.1)	(56.5)
<b>Reported net debt</b>	<b>(88.3)</b>	<b>(111.6)</b>	<b>(111.6)</b>

- Reflects third-party borrowings
- Senior Finance Facility at SONIA +2.75-3.50%
- Leverage:
  - Non-IFRS 16 basis 1.0x (H1 23: 1.0x)
  - IFRS16 basis 1.5x (H1 23: 1.6x)

## Cash conversion greater than 100%

£m	H1 24	H1 23
<b>EBITDA pre-exceptional items</b>	<b>26.9</b>	<b>28.9</b>
<i>Cash conversion</i> <sup>1</sup>	124%	126%
<b>Operating cashflow pre-exceptional items</b>	<b>33.3</b>	<b>36.6</b>
Capex – cash settled	(14.2)	(19.0)
Interest paid	(4.8)	(4.5)
Tax received / (paid)	0.8	(0.6)
Lease and hire purchase payments	(12.6)	(12.6)
<b>Cashflow pre-exceptional items</b>	<b>2.5</b>	<b>(0.1)</b>
Exceptional / non-recurring items <sup>2</sup>	(3.8)	(10.9)
Net proceeds from sale of Power businesses	20.3	-
IFRS16 / Hire Purchase liability movement	4.3	(6.2)
<b>Reduction / (increase) in net debt</b>	<b>23.3</b>	<b>(17.2)</b>

1. Operating cash inflow pre-exceptional items as a percentage of Adjusted EBITDA
2. Includes payments under onerous contract, FY22 exceptional costs paid in Q123 and payments under non-recurring ESA

HSS Hire Group plc

**MANY THANKS**

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