HSS Hire Group plc

H1 23 RESULTS

SEPTEMBER 2023

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H1 23 AGENDA

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H1 23 Highlights

STEVE ASHMORE

CHIEF EXECUTIVE OFFICER

HSS Hire

Continued strategic progress

FINANCIALS
Strong underlying returns maintained

- Revenue growth 6% up vs H1 22, ahead of market[1]
- EBITDA and EBITA margins (excluding strategic opex) broadly in line with prior year
- High returns maintained, ROCE at 20%
- Strong balance sheet maintained; net debt leverage non-IFRS16 basis 1.0x
- Interim dividend of 0.18p per share proposed, 6% increase vs 2022

STRATEGY
Continuing to invest for future growth

- Strategic opex and capex investment in central sales, self-serve and new verticals; all showing good early results
- Accelerating migration of remaining HSS branches to low-cost builders merchant model, delivering £1m annualised savings
- 2040 Net Zero action plan and targets validated by SBTi; ISO27001 accredited

MARKET
Challenging market, trading softening

- A mixed picture: demand softening in certain buyer segments, particularly in housing, RMI and fit-out
- Stronger demand in infrastructure supporting growth in larger equipment
- Challenging short term sentiment due to weakening construction forecasts

OUTLOOK
Balancing short term profit with longer term opportunity

- H2 trading to date shows continued Services growth of 14%, but Rental decline of 4%, reflecting mixed market conditions, albeit with significant week on week volatility
- Pro-active cost action to offset market conditions, targeting H2 benefits of c£6m
- Strategic investment continuing in line with plan; opex £6.5m and capex £6m
- Expect full year adjusted EBITA to be in range of £23m to £30m

1. Compared to European Rental Association forecast for UK Equipment Rental market 2023

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H1 23 Financial Review

PAUL QUESTED

CHIEF FINANCIAL OFFICER

HSS Hire

Financial summary / H1 23

26 weeks ended 1 July / 2 July

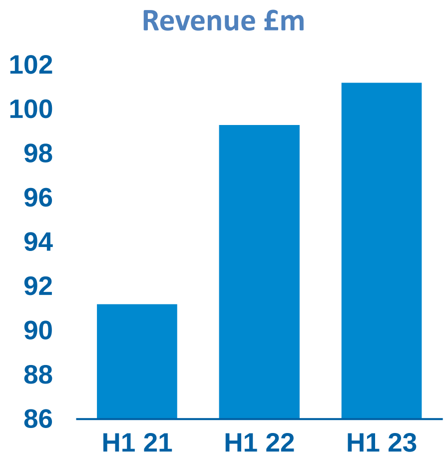
	H1 23	H1 22	Change	Excl strategic investment
Revenue	**170.1**	159.9	6.3%	6.3%
Adjusted EBITDA[1]	**32.1**	32.9	(2.6)%	4.1%
Adjusted EBITA[2]	**11.8**	13.6	(12.9)%	3.5%
Adjusted Profit Before Tax[3]	**5.9**	8.4	£(2.5)m	£(0.3)m
Adjusted basic EPS	**0.66p**	0.96p	(0.30)p	(0.06)p
Interim Dividend Per Share	**0.18p**	0.17p	5.9%	
ROCE	**20.0%**	23.8%	(3.8)pp	(2.3)pp
Net Debt non-IFRS16 (£m)	**55.0**	49.3	£(5.7)m	
Net Debt Leverage non-IFRS16 (x)	**1.0x**	0.9x	(0.1)x	
Net Debt Leverage IFRS16 (x)	**1.6x**	1.5x	(0.1)x	

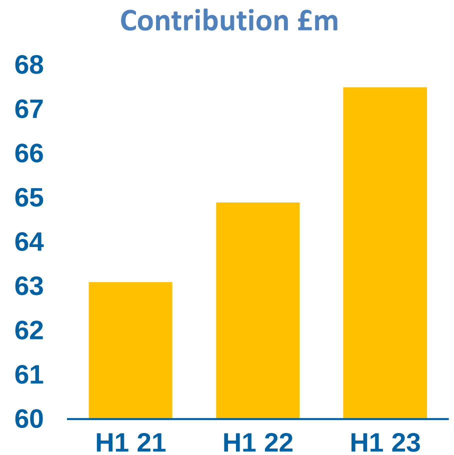
- Solid revenue growth ahead of market[4] with double digit increase in capital-light Services segment
- Strategic investment in H1 23 to support future growth plans: £2.2m opex investment (including new central sales team) and £2.4m Brenda software development capex
- Excluding strategic investment, EBITDA and EBITA margins broadly in line with prior year
- Adjusted PBT impacted by £1.2m increase in interest costs
- ROCE in line with Group target; reduction due to investment and impact of materially larger deferred tax asset
- Robust balance sheet, 6% increase in interim dividend

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

Historical segments / H1 23

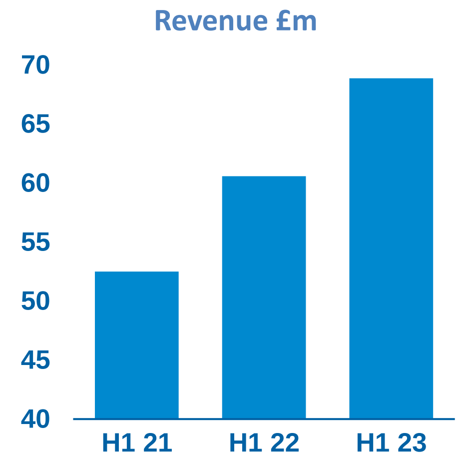
Rental – steady growth, contribution margin improved

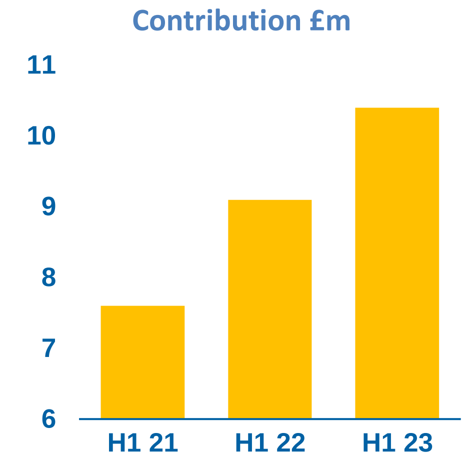




- Steady 2% growth
- Expanded low-cost builders merchant network to 67 (Jun 22: 54). Like-for-like[1] revenue up 23%. Accelerating migration of remaining branches to this model; 16 closed in H2 23 delivering £1m annualised cost saving
- Targeted fleet investment enabling growth, utilisation maintained at 56%
- Rental contribution margins increased 1.4pp to 66.7%, supported by increased operational efficiency

Services – double digit growth, margins maintained





- Revenue growth of 14%, continued buyer demand for one-stop-shop
- Data-driven central sales team delivering 25% revenue growth on their targeted customer portfolios in H1 23
- Seller network increased by c10%
- Delivery of technology roadmap continuing to enhance buyer and seller experience
- Training revenue 18% ahead of H1 22, record profit levels
- Services contribution margins maintained at 15.1%

1. Merchant stores open for comparable period in both H123 and H122
2. H1 21 figures exclude additional trading week

New segments / H1 23

26 weeks ended 1 July / Pro-forma for period ended 2 July

£m	ProService	Operations[2]	Ireland	Central[3]	Group
Revenue					
H1 23	**151.6**	**68.4**	**13.5**	**(63.4)**	**170.1**
H1 22	142.1	66.1	12.9	(61.2)	159.9
Variance	6.7%	3.4%	5.0%		6.3%
EBITDA					
H1 23	**9.7**	**27.5**	**3.7**	**(8.8)**	**32.1**
H1 22	11.5	25.6	4.0	(8.2)	32.9
Variance	(1.8)	1.9	(0.3)	(0.6)	(0.8)
EBITA					
H1 23	**8.9**	**9.5**	**2.3**	**(8.9)**	**11.8**
H1 22	10.6	8.5	2.8	(8.3)	13.6
Variance	(1.7)	1.0	(0.5)	(0.6)	(1.8)

ProService

- UK capital-light technology-led marketplace focussed on customer acquisition and enquiry conversion
- Double digit Services segment growth driving performance
- Gross margins[4] maintained
- EBITDA lower due to strategic opex investment for future growth

Operations

- Asset owning UK businesses focussed on fulfilment, service and safety
- Solid Rental segment growth
- Operational efficiencies offsetting inflationary pressures
- Insight-led targeted fleet investment in H2 22 and H1 23 increasing depreciation, utilisation remains high at 56%

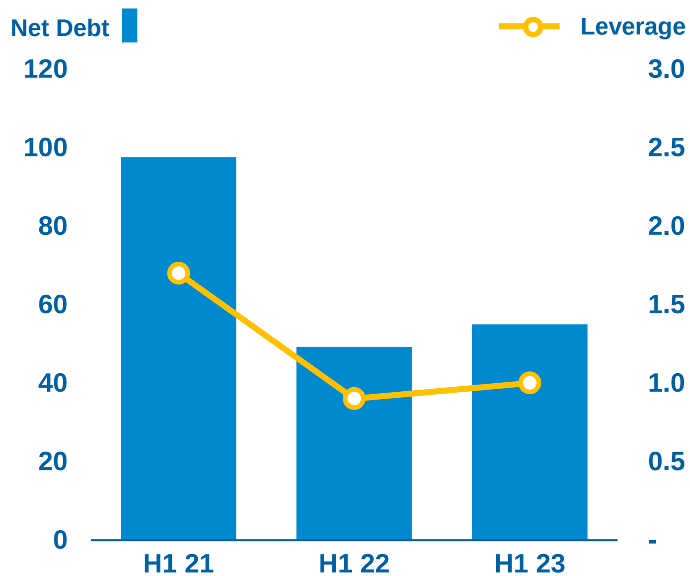
Ireland

- Sales and Operations in Republic of Ireland
- Continued growth
- Customer and product mix impacting EBITDA margin
- Targeted fleet investment to support larger projects, increasing depreciation

1. H1 22 Proforma results based on carve out assumptions
2. HSS Hire in England, Wales, Scotland and Northern Ireland and the Group's Power division
3. Central includes eliminations of intragroup trading and costs that support the whole Group
4. Gross margins defined as Revenue less variable Costs of Good Sold as a percentage of Revenue

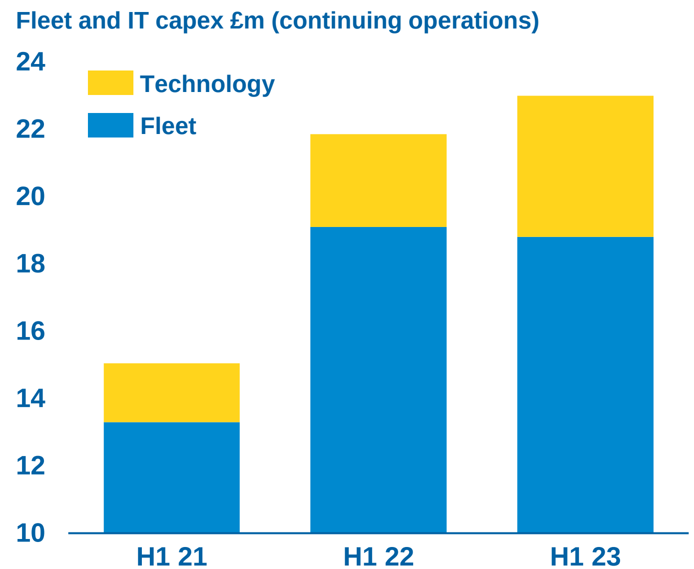
Strong balance sheet and consistently high returns

Strong Balance Sheet



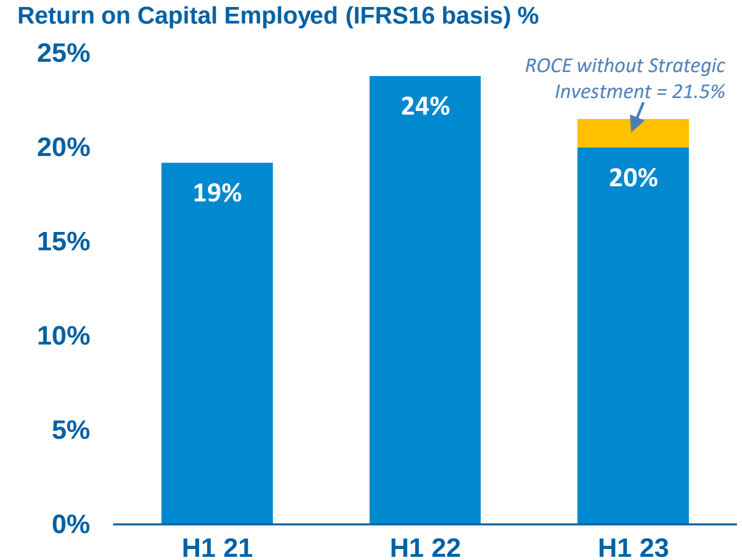
- Medium term target for leverage to be between 1.0x and 1.5x
- Material liquidity headroom to support ongoing strategy investment
- Strong focus on working capital management

Enabling targeted investment



- Continued investment in technology (c£6m in FY23); ongoing run-rate between £3-£4m
- Fleet investment informed through insight tools, identifying demand and maximising returns
- FY23 total capex guidance lowered to £30-£35m

Delivering consistently high returns



- Continued to deliver ROCE above our medium-term target
- Double digit capital-light Services segment growth enabling high returns
- Strategic investment for future growth and material increase in deferred tax asset reducing H1 23 by c2.5pp

Latest trading and outlook

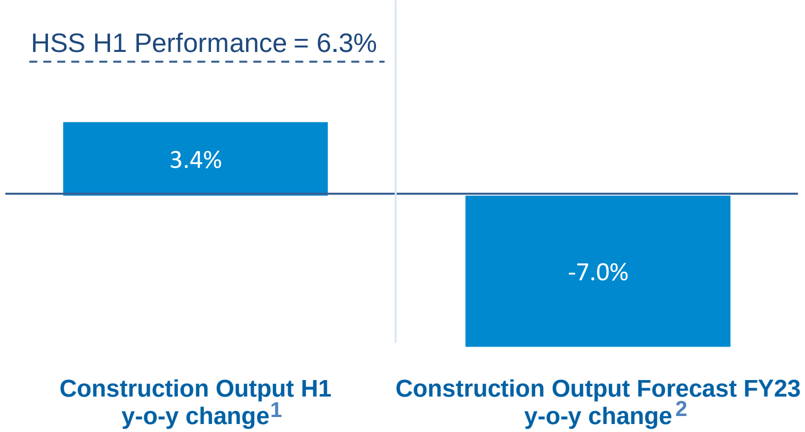
Slower growth in recent trading

Y-o-y Growth Rate

	H1	Jul	Aug	Sept	Q3
Rental	2%	(4%)	(6%)	(3%)	(4%)
Services	14%	11%	16%	14%	14%
Total	**6%**	**2%**	**2%**	**4%**	**2%**

- Rental revenues face a mixed but challenging market:
  - Seasonal equipment rental (Cooling) down
  - Demand softening across certain buyer segments, particularly in housing, RMI and fit-out
  - Targeted action to minimise costs, expected to deliver c£6m in H2 23
  - Exacerbated by notable week on week volatility
- Services continues to grow:
  - Stronger demand in infrastructure supporting growth in larger equipment
  - Strategic initiatives delivering share of wallet gains and driving growth in new verticals and training
  - Continue strategic investment as planned: £6.5m opex and £6m capex

Challenging market outlook



- Modest growth in construction output in H1, with infrastructure and industrial sectors the main growth drivers
- Construction output forecasts are now predicting full year contraction, with very poor outlook for the housing sector, both new build and RMI
- Mixed sentiment. Construction Sector Purchasing Managers Index August 50.8, including Civil Engineering 52.4 and House Building 40.7

FY23 EBITA expected to be £23-£30m, 2nd highest PBT in Group's listed history

1. Source: Office for National Statistics, published 11th August, Great Britain Construction Output Jan – June 2023
2. Source: Construction Products Association Summer Report, published 24th July 2023, forecasts for Construction Output

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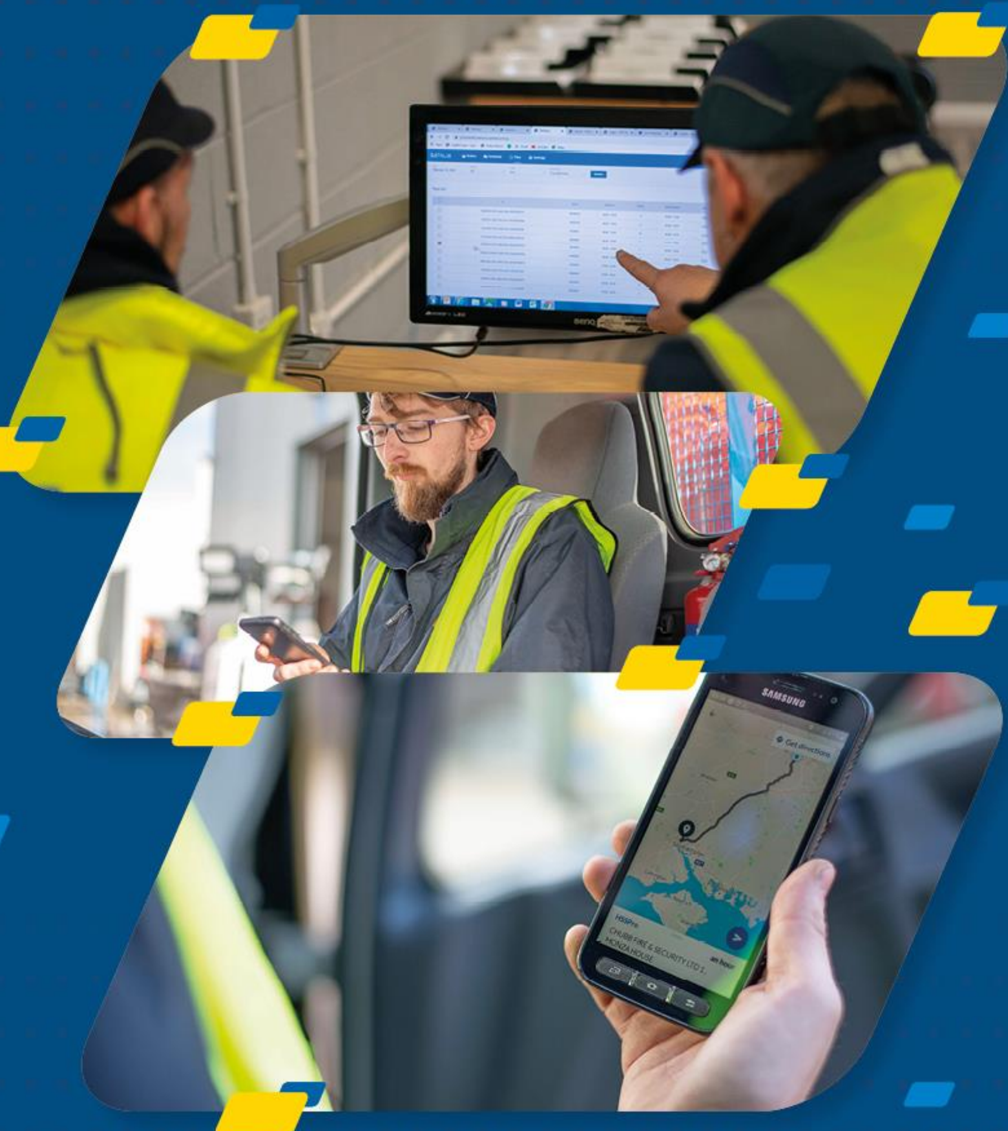
H1 23 Focus for H2

STEVE ASHMORE

CHIEF EXECUTIVE OFFICER



ProService marketplace continues to evolve

'Our Marketplace Business' p12 FY22 Results Presentation

1 Delivering Strategic Initiatives

- Self-serve and central sales
- Building materials and equipment sales
- Technology roadmap

2 Accelerating Merchant Strategy

- Attractive economics
- Reciprocal model for marketplace
- Next phase to be complete by financial year end

3 Continued Investment in Training Offering

- Leveraging demand for one-stop-shop solution
- Strengthening 'Training Plus' marketplace model
- Surfacing Training offering on ProService platforms

Full team in place … Data Officer, CTO, CPO…

1 Marketplace dynamics: emerging themes

Self-Serve

67 buyers onboarded
and growing

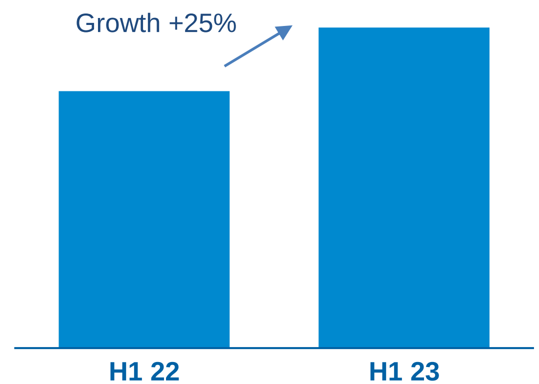
Revenue[1]
↑ 50%
Strongly outperforming analogue channels

Largest buyer onboarded
Migrated Q2

Digital and self-serve, c28% of contracts[2]

Central sales

Central Sales Portfolio - Revenue



- c100 colleagues in Manchester HQ
- Over 30,000 outbound calls per month
- Proactive cross-selling of all product verticals

Materials and Equipment Sales

- Leveraged existing merchant partnerships and new equipment sales provider, Toolbank
- Proposition surfaced on our technology platform
- Demand from wide range of buyers
- Last month £0.25m revenue across the new verticals

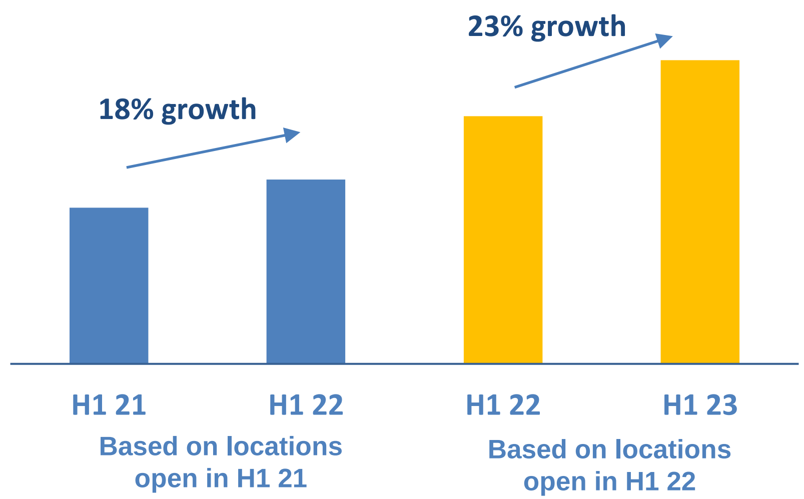
…investing to scale

1. Jan-Aug 2023 versus Jan-Aug 2022 for 67 buyers onboarded
2. Combination of hss.com transactions and HSS Pro self-serve platform, including largest buyer

2 Accelerating transition to our variable, low-cost merchant model

Builders merchant model, step forward in growth

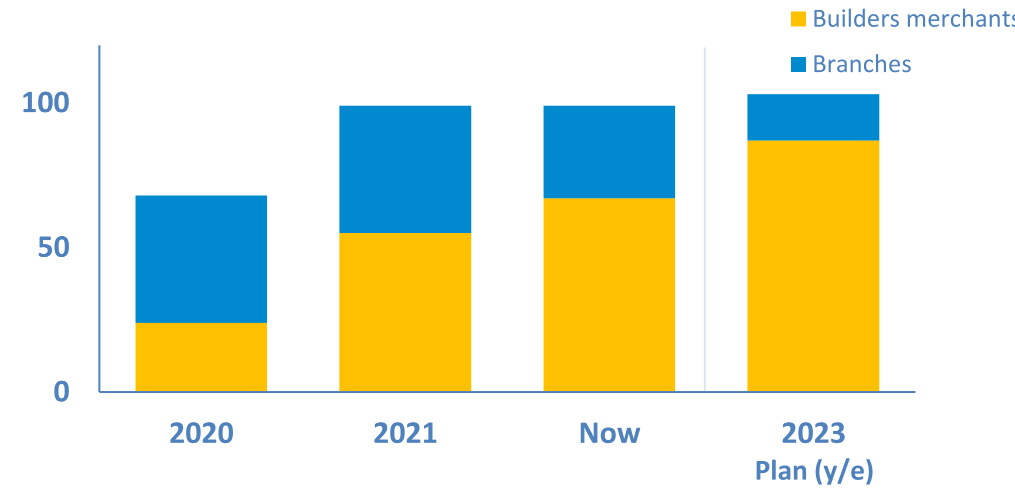
Strong like-for-like[1] revenue performance



- Attractive economics:
  - Lower, variable costs, with no lease liabilities
  - EBITDA margin-enhancing
  - Strong like-for-like growth profile
- Reciprocal model for marketplace

Plan to complete next phase by financial year end

UK branch network evolution[2]

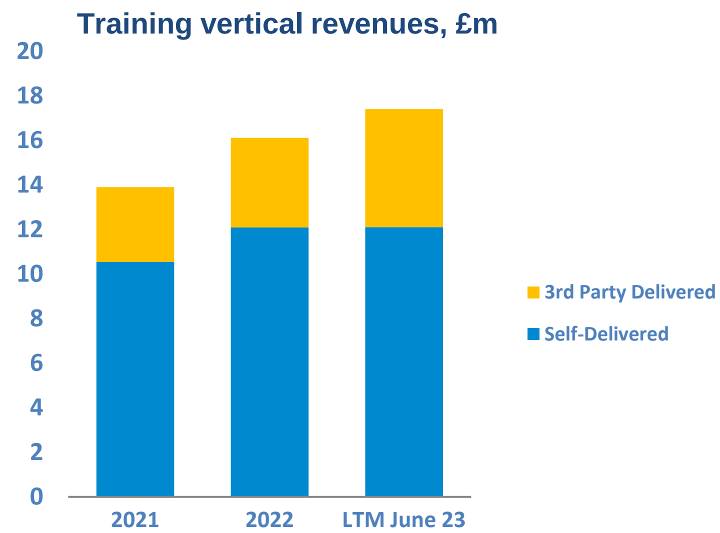


- Currently 67 locations across 19 builders merchant partners
- Transitioning 16 traditional branches to 20 new builders merchants in H2 2023. £1m cost saving per annum
- Targeting retention of all colleagues and further investment in team
- Exceptional costs of between £2.1-£2.4m; majority non-cash and asset impairment related

1. Based on total revenue and only including revenue from weeks where they were open in both periods
2. HSS locations excluding CDCs, on-sites and specialist depots (ABird, Apex)

3 Training vertical continues to outperform

18% growth In Training vertical year to date



- Consolidating large account training requirements
- Across a broad range of end markets (e.g. FM, construction and infrastructure)
- Through a combination of self and third-party (Training Plus) delivered channels
- 48% of training courses booked online

Training Plus marketplace proposition enhanced

Seller network widened ↑ 48% y-o-y

Catalogue expanded. 750 unique courses available

Revenue ↑ 23% YTD

On track for another record profit year

HSS Operations and ESG plan continue to meet key milestones

HSS Operations continues to drive operational efficiency

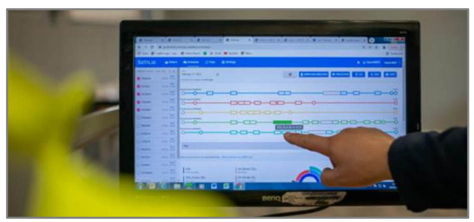
Fleet Bar-Coding
Operational efficiency benefits.
Quicker stock-picking, greater stock accuracy.
Planning underway for 2024 rollout

Zero Emissions
Continued investment in electric vehicles

2023

2024

Digital Service Portal
Device-prompted interactive servicing tool
Now fully rolled out
- Focus on equipment quality
- Enhanced information
- Improved damaged & dirty recovery



Customer Delivery Windows
Timeslots for customers at the point of order

Continued ESG progress

Progress:
- In H1 our Net Zero plan was validated by SBTi[1]
- Achieved ISO27001 cyber-security accreditation, May 2023
- Published 2nd edition of HSS ESG Impact Report

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

HSS ESG Impact Report 2nd Edition

Focus:
- Relentless drive for zero harm
- Enhanced customer carbon reporting to be rolled out to more customers
- New ESG colleague training and environmental engagement programme to be launched

Think Safe | Work Safe | Home Safe
ZERO HARM
HSS Hire

On target with our plans

1. Science Based Targets Initiative

H1 23 Summary

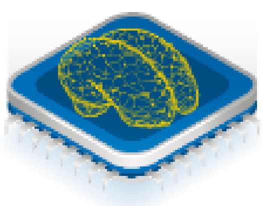
STEVE ASHMORE

CHIEF EXECUTIVE OFFICER

Summary

Strong underlying returns

- Revenue growth ahead of the market
- Good underlying margins and high returns
- Strong balance sheet, increasing interim dividend



Continuing to invest for future growth

- Encouraging early results
- Full team in place
- Investing to scale

Challenging market

- Slower since July, particularly in Rental
- Proactive action to minimise costs, offsetting market decline
- Marketplace model gives access to broader sectors; double-digit Services growth

Great shape to capitalise on market recovery

- Current conditions considered temporary
- Delivering strategic initiatives
- Well positioned for market recovery

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H1 23 Results

Q&A

SEPTEMBER 2023

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APPENDICES

SEPTEMBER 2023

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Balance sheet

As at 1 July / 31 December

£m	H1 23	FY 22
Intangible assets	151.2	147.9
PPE	93.4	87.8
Right of use assets	54.1	51.8
Deferred tax asset	8.0	7.5
Net current assets / (liabilities) [1]	7.1	(2.5)
Other net liabilities[2]	(15.6)	(17.2)
Net debt (excl accrued interest)[3]	(53.2)	(39.6)
IFRS16 liabilities	(56.5)	(52.7)
Accrued interest	(0.7)	(0.5)
Net assets	**187.7**	**182.5**

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.

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Net debt

As at 1 July / 31 December

£m	H1 23	FY 22
Cash	36.6	47.7
Hire purchase arrangements	(21.0)	(18.7)
Senior Finance Facility[1]	(70.0)	(70.0)
Net debt (excl accrued interest)	**(54.4)**	**(41.0)**
Accrued interest	(0.7)	(0.5)
Net debt (excl IFRS16)	**(55.1)**	**(41.5)**
IFRS16 liabilities	(56.5)	(52.8)
Reported net debt	**(111.6)**	**(94.3)**

- Reflects third-party borrowings
- Senior Finance Facility at SONIA +2.75-3.50%
- Leverage:
  - Non-IFRS 16 basis 1.0x (H1 22: 0.9x)
  - IFRS16 basis 1.6x (H1 22: 1.5x)

1. Shown gross of issue costs

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MANY THANKS

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