



Hargreaves Services plc

Six months ended 30 November 2024

Wednesday 29th January 2025

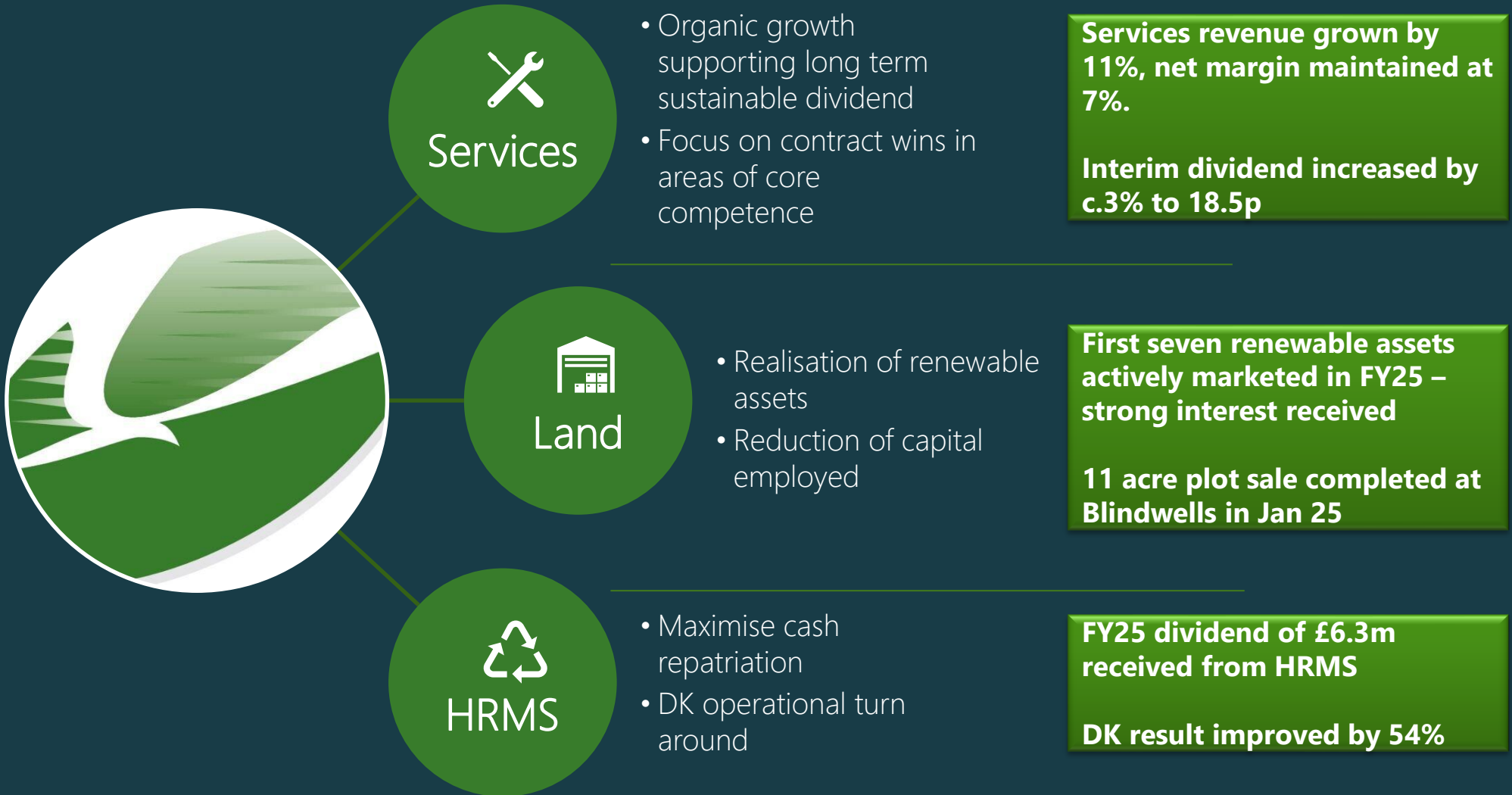


Delivering on Strategic Commitments

Gordon Banham
Chief Executive



Delivering on Commitments



Financial Review

Stephen Craigen
Chief Financial
Officer



Financial Review – Income Statement



Six months ended

| | Nov 2024 | Nov 2023 | | | |
|--|--------------|-------------|--------|-----|--------|
| | £m | £m | | | |
| <i>Revenue – Services</i> | 121.2 | 109.5 | +10.7% | | |
| <i>Revenue – Hargreaves Land</i> | 4.1 | 0.7 | +486% | | |
| Group Revenue | 125.3 | 110.2 | +13.7% | | |
| <i>PBT - Services</i> | 7.3% | 8.8 | 7.1% | 7.8 | +12.8% |
| <i>LBT – Hargreaves Land</i> | (1.4) | (1.0) | -40.0% | | |
| <i>Profit /(loss) after Tax – HRMS</i> | 0.1 | (1.9) | +105% | | |
| <i>Corporate Costs & Interest</i> | (2.2) | (2.2) | 0% | | |
| Profit before tax | 5.3 | 2.7 | +96.3% | | |
| Taxation | (1.3) | (1.0) | | | |
| Profit for the period | 4.0 | 1.7 | +135% | | |
| EPS | 12.2p | 5.2p | +135% | | |
| Dividend Per Share | 18.5p | 18.0p | +2.8% | | |
| EBITDA | 14.9 | 12.3 | +21.1% | | |

Services – Top line growth due to additional earthmoving activity with margin maintained

Land – Realisations anticipated in H2

HRMS – Turn around in performance following normalisation of commodity pricing

Strong growth in EBITDA

Financial Review – Balance Sheet



Renewables: £7.6m
Other: £8.6m

Including £48.1m for
Blindwells

| 30 Nov 24 (£'m) | Services | Land | HRMS | Unallocated | Nov 24 | May 24 |
|----------------------------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Tangible FA's (incl. ROU assets) | 50.3 | 16.2 | - | 0.6 | 67.1 | 64.9 |
| Goodwill | 6.0 | - | - | - | 6.0 | 6.0 |
| Investments in JCEs | - | 5.8 | 48.5 | - | 54.3 | 62.0 |
| Inventory | 1.2 | 52.9 | - | - | 54.1 | 49.3 |
| Other working capital | 7.1 | 10.2 | 14.2 | 4.9 | 36.4 | 28.6 |
| Operating provisions | (20.9) | (0.3) | - | (0.4) | (21.6) | (19.8) |
| Finance lease debt | (33.5) | (0.2) | - | (0.5) | (34.2) | (34.2) |
| Pension scheme | - | - | - | 1.3 | 1.3 | 1.3 |
| Deferred tax asset | - | - | - | 9.8 | 9.8 | 11.3 |
| Net cash | - | - | - | 15.7 | 15.7 | 22.7 |
| Total Capital Employed | 10.2 | 84.6 | 62.7 | 31.4 | 188.9 | 192.1 |
| 31 May 24 | Services | Land | HRMS | Unallocated | Total | |
| Total Capital Employed | 5.1 | 79.4 | 70.2 | 37.4 | 192.1 | |

Capital employed in Services remains low

Capital increase in Land due to investment at Blindwells, realisations expected in H2

Decrease in HRMS capital employed helped by dividend receipt

Deferred tax asset reflects the value of tax losses to be offset against future profits

Valuation Considerations



Services*

| | |
|------------------------|-----------------|
| REVENUE | £208m |
| EBIT | £12.3m |
| EBITDA | £27.3m |
| Equity Employed | £8m-£15m |

*Source – All figures are consensus analyst estimates for FY25 and exclude £4.4m of unallocated central EBIT

Land

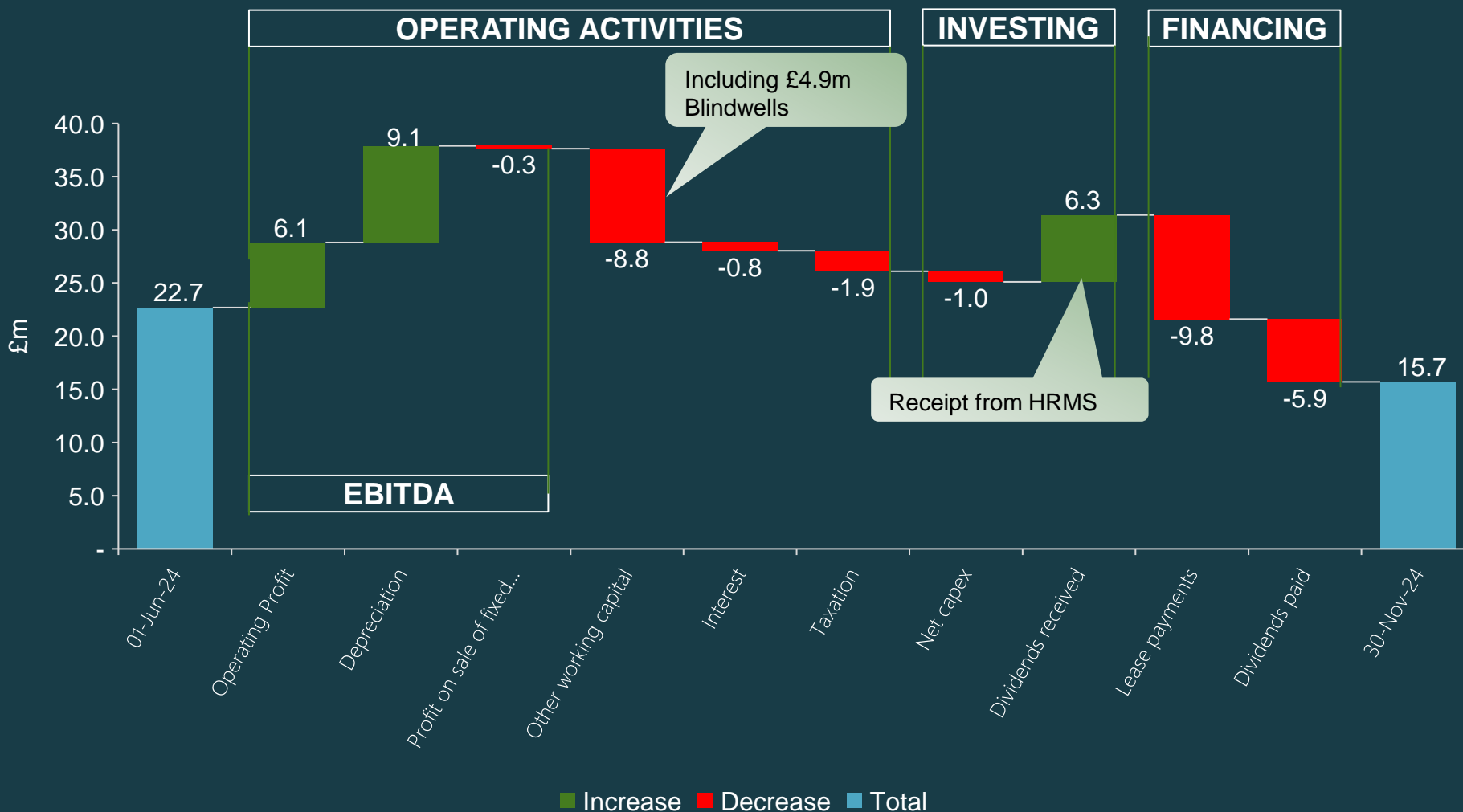
| | |
|--------------------------|------------------|
| BOOK VALUE (Cost) | c£80m |
| RENEWABLE UPLIFT | >£20m |
| Timescale | 5-7 years |

Moving to a lower capital model, utilising c£20m of capital employed to deliver minimum 15% return

HRMS (Joint Venture)

| | |
|----------------------------|------------------|
| BOOK VALUE (Cost) | £70m |
| ANNUAL CASH RECEIPT | £7m |
| Timescale | 5-7 years |

Finance Review – Cash flow



Finance Review – HRMS Summary

Consolidated financials



Income statement

| £'m | Nov 24 | | Nov 23 | |
|---------------------------------|--------------|-------|--------------|-------|
| Revenue – HRMS | 109.3 | | 137.7 | |
| Revenue – DK | 47.8 | | 65.6 | |
| Revenue | 157.1 | | 203.3 | |
| PBT – HRMS | 4.3% | 4.7 | 4.1% | 5.7 |
| LBT - DK | -9.6% | (4.6) | -15.1% | (9.9) |
| Profit/(loss) before tax | 0.1 | | (4.2) | |
| Taxation | - | | 2.0 | |
| Profit/(loss) after tax | 0.1 | | (2.2) | |
| Hargreaves share at 86% | 0.1 | | (1.9) | |

Total Group Exposure to HRMS:

| £'m | Nov 24 | May 24 |
|----------------------------|-------------|-------------|
| Share of retained earnings | 48.5 | 56.0 |
| Total loans | 11.3 | 11.3 |
| Dividend receivable | 2.9 | 2.9 |
| Total exposure | 62.7 | 70.2 |

Revenue decline

Volumes in HRMS trading broadly consistent at 389kt (2023: 390kt), however, commodity pricing is lower impacting on the revenue

Margin

HRMS margin maintained despite drop in top line revenue. DK substantial improvement on prior year, with better fuel supply pricing

Balance sheet

| £'m | Nov 24 | May 24 |
|----------------------------|-------------|-------------|
| Tangible fixed assets | 60.3 | 64.9 |
| Inventories | 77.1 | 86.4 |
| Borrowing base | (47.3) | (51.1) |
| Other working capital | (3.9) | (6.9) |
| Capital employed | 86.2 | 93.3 |
| <i>Funded by:</i> | | |
| Amounts owed to Hargreaves | (11.3) | (11.3) |
| Net (bank debt)/cash | (0.4) | 4.5 |
| Pension scheme | (12.2) | (12.3) |
| Third party loans | (4.5) | (5.3) |
| Equity | 57.8 | 68.9 |

Operating Review Services

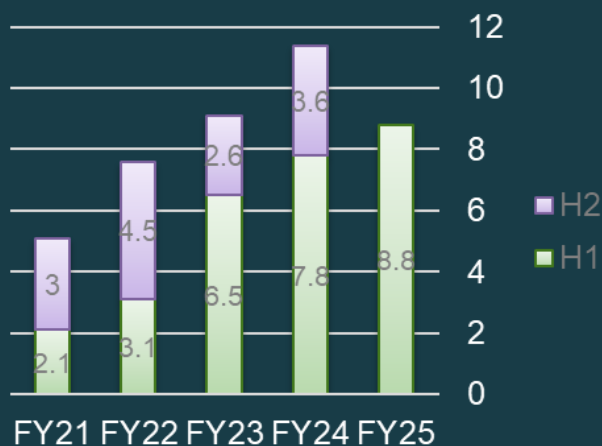
Gordon Banham
Chief Executive



Services - Resilience and quality



Services – PBT Growth £m



65+

Frameworks and term contracts

c.90%

Secured orders as 30 Nov 24

5%+

Typical operating margins

Major Customers



Inflation resistant

Many contracts are defined cost plus a margin with built in inflation and escalation factors to protect margin.

Credit exposure

No over reliance on a single customer; largest debtor represents 9% of total book.

Revenue resilience

Services operates across four core market sectors, limiting the risk of over exposure to one particular market

Board appointment

Appointment of Simon Hicks as Chief Operating Officer (“COO”) starting 1 June 2025

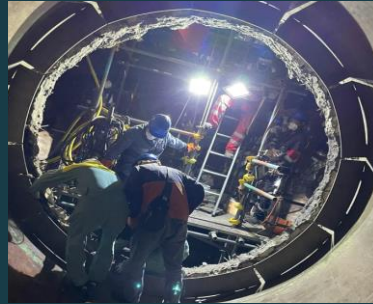
Services – Market focus



Major Earthmoving



Bulk Logistics



Specialist M&E



Turnkey Engineering



Land Remediation



Quarrying and Aggregate Services



Bulk Materials Handling



Waste Management Solutions

Core Services

Major infrastructure projects



HS2
A further two seasons at current levels at least remaining



Sizewell C
substantial enabling works secured in the first half



Lower Thames Crossing
preferred partner to Balfour Beatty



Tungsten West
strong contractual position with TW awaiting funding

Contract Successes



Secured a five-year contract with FCC for transportation services



New position providing Management Services for Enfinium EfW



Secured two-year position with Yorwaste providing recycling transfer services

Hargreaves

Land

David Anderson

Group Property Director



Key Events - Transactions



- ✓ Two sales, totalling 483 plots completed to Avant and Places for People.
- ✓ Second sale now exchanged with Bellway for 217 plots, completion expected mid 2025.

Blindwells

- ✓ Financial close completed on 500MW Broken Cross battery storage making it one of the largest such schemes in Europe. Lease granted and construction about to commence.

Renewables



Unity

- ✓ Planning permissions secured for McDonalds and Starbucks. £1.2m plot sales expected to complete mid 2025.



Planning promotion

- ✓ A further 219 acres now contracted and being promoted through the plan process.
- ✓ Targeting the delivery of a further 1,100 residential plots and 1m sq ft of commercial space.



Hargreaves Land – Renewables portfolio



| Status | | Nov 24 | Book Value | Independent Valuation |
|--------------------------|--|----------------|--------------|-----------------------|
| OPERATIONAL | 2 Windfarms | 206MW | | |
| | 2 Access Agreements | | | |
| UNDER CONSTRUCTION | 1 Windfarm | 300MW | £7.4m | £27m-£29m |
| | 3 Access Agreements | | | |
| PRE-CONSTRUCTION | 1 Windfarm | 892MW | | |
| | 2 Access Agreements | | | |
| | 1 Battery Storage | | | |
| 11 Schemes | | 1,398MW | | |
| CONTRACTED, Pre-Planning | 1 Access Agreement | 505 MW | Negligible | n/a |
| | 1 Wind Farm | | | |
| | 1 Battery Storage | | | |
| Non-contracted pipeline | 4 schemes | 561MW | Negligible | n/a |
| BROUGHT TO MARKET | 2 Windfarms 5 Access Agreements | 466MW | £4.1m | £12.6m |

- First tranche of 7 renewables assets brought to market with good interest received
- Renewables rental income increased by 126% to £385k (Nov 23 £170k).



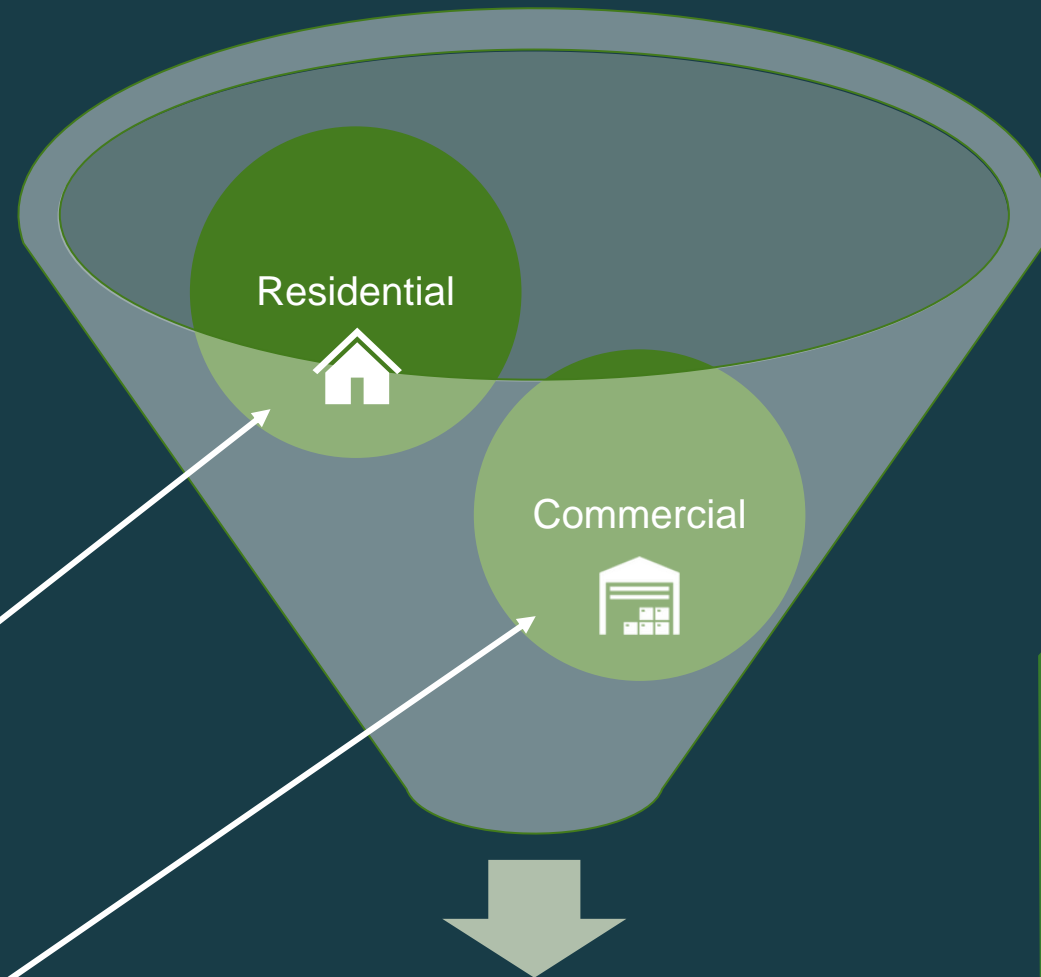
Project Pipeline

Strategy

Build a long-term capital light development pipeline, using conditional contracts, development agreements, promotion agreements and options.

- 6 new sites contracted in H1 FY25.
- Potential to deliver over 1,100 residential plots across 159 acres with a GDV of £57m.
- 5,043 residential plots (869 acres) allocated. GDV £145m. 30% owned freehold. HL share 70%.
- 4,175 residential plots now being promoted across 11 sites covering over 450 acres. GDV £185m (FY24 3,075 plots, 299 acres, £128m GDV).
- A further 8 sites subject to agreed terms for the promotion of 1,300 residential plots across 200 acres. GDV £54m

5.3m sq ft of commercial space covering over 500 acres allocated. GDV £800m.



Total development pipeline £1.175 bn

Operating

Review

HRMS

Gordon Banham

Chief Executive



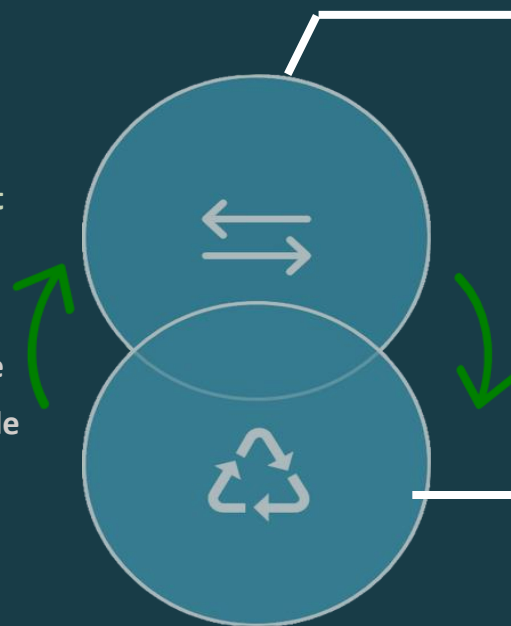
Hargreaves

Hargreaves Raw Materials GmbH – JV

HRMS is a Joint Venture

Hargreaves owns 49.9% of voting shares, however, is entitled to 86% of economic benefit through non-voting shares.

The results of HRMS are not consolidated in the Group accounts, they are represented by a single line in the P&L and Balance Sheet



HRMS - Trading

Market leading trader in industrial raw materials in Germany and Northern Europe. Supplying solid fuels, refractory minerals, pig iron and ferro-alloys.

DK Recycling

One of the largest recyclers of ferrous waste materials in the world, producing pig iron and zinc. DK includes the Carbon Pulverisation Plant

Hargreaves Raw Materials GmbH - trading

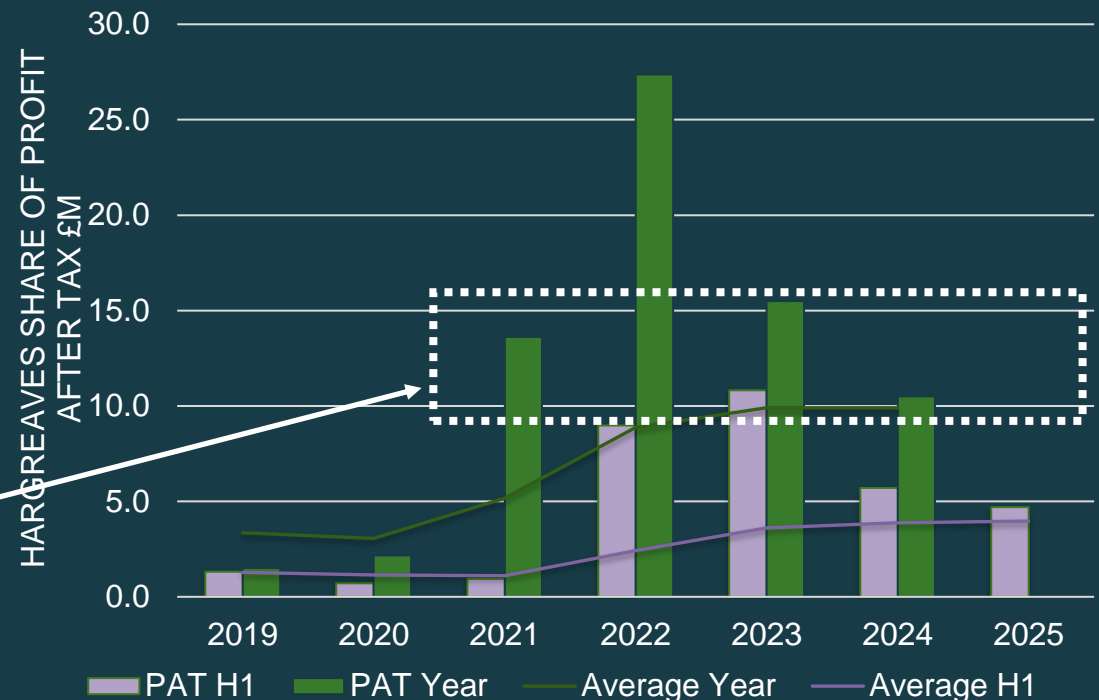


Profits from trading in HRMS have been variable over the period of ownership, given dependency on commodity cycles and market pricing.

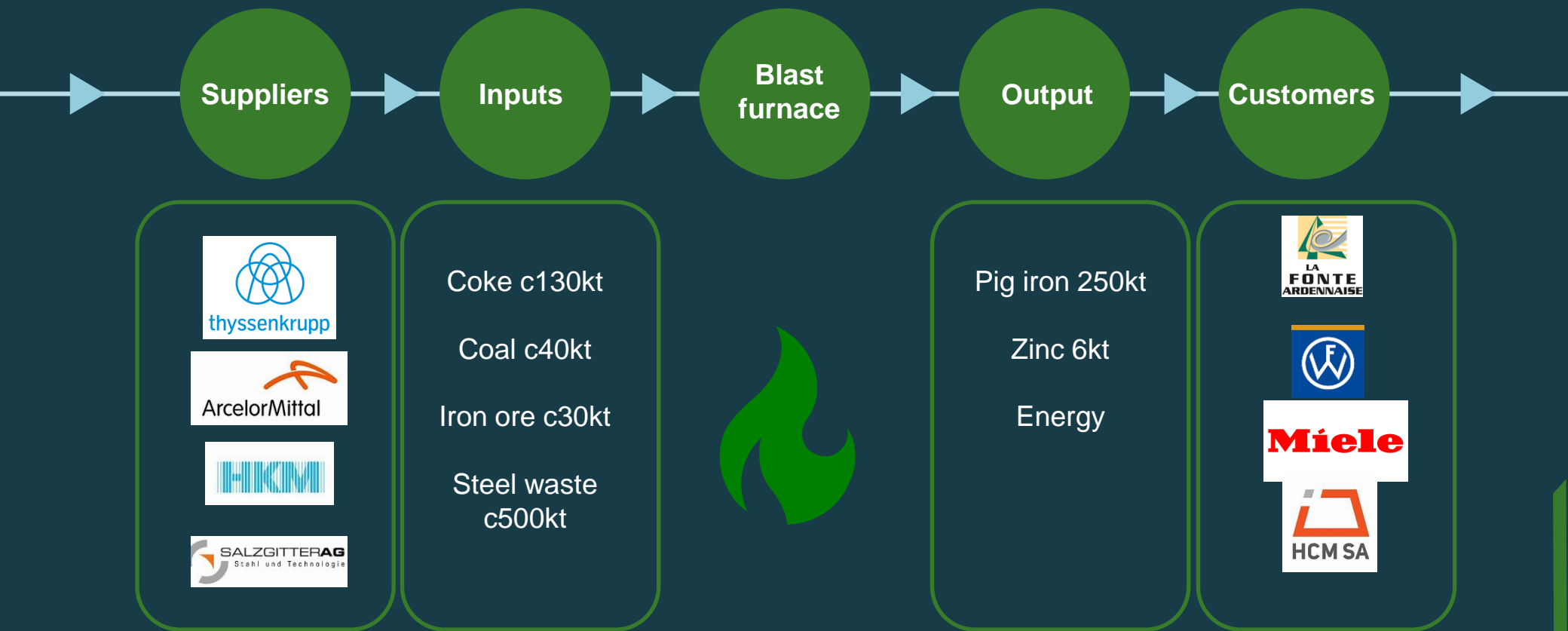
DK acquisition in December 2019 provides greater synergies to trade on higher volumes

Normalised trading levels expected to deliver between £8m and £16m higher than prior to the acquisition

Historic performance of the trading business

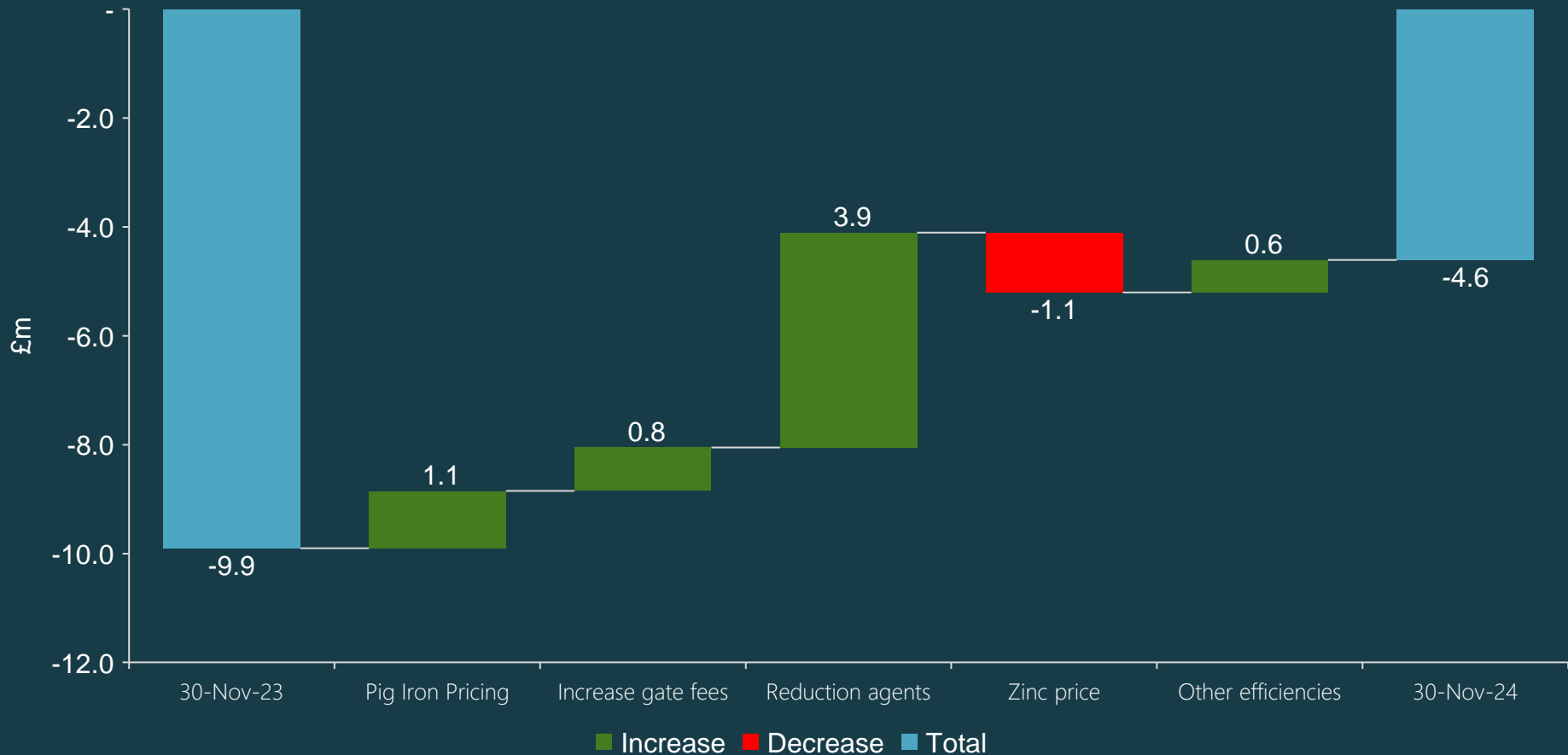


DK Recycling und Roheisen GmbH – Operating model



DK is a net energy generator with surplus output being sold back to the German grid

Drivers for DK Improvement





Group Outlook

- Strong trading outlook for FY25 and beyond led by Services.
- **Significant progress made on strategic goals.**
- FY25 Group performance anticipated to be in line with expectations.
- Sustainable full year dividend increased to 37p.



Services

- 90% of FY25 revenue secured giving excellent visibility.
- Improved revenue and profitability expected in the current and future years due to earthmoving pipeline.



Land

- First tranche of renewable energy land assets currently marketed.
- Technical planning delay means an expected sale is now unlikely to complete until FY26.
- Growing pipeline of development opportunities.



HRMS

- Improvement in DK expected to continue into the full year.
- Focus remains on cash returns from the joint venture.

Hargreaves Services plc – Investment Proposition



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