

Investment Profile

1. Experienced board of directors who own c.10% of equity
2. Considerable earnings upgrade momentum
3. Entrepreneurial business strategy
4. Dividend payment and additional dividend
5. Strong growth potential across all businesses
6. No bank debt/strong balance sheet

Share Information

Ticker	HSP
Share Price	564.00p
Shares in issue	32m
Market Cap	£180.94m
12m Hi/Low	580/192.53p

(Source: The London Stock Exchange, August 2021)

12-Month Share Price



(Source: The London Stock Exchange, August 2021)

Major Shareholders (as of August 2021)

Name	%
Harwood Capital	28.50
Canaccord Genuity Group	10.06
GB Holdings Limited	8.20
Downing	7.00
Schroder Investment Management	6.03
Axxion S.A	4.96
NFU Mutual	4.21

(Source: company website)

Company Overview

Hargreaves Services plc (AIM:HSP) is a diversified group delivering services to the industrial and property sectors, supporting key industries within the UK and South East Asia. The Company's three business segments are:

- **Services**
- **Hargreaves Land**
- **German joint venture, Hargreaves Raw Materials Services GmbH (HRMS)**

Services provides critical support in several core markets including Energy, Environmental, UK Infrastructure and certain key manufacturing industries through the provision of materials handling, mechanical and electrical contracting services, logistics and major earthworks.

Hargreaves Land is focused on the sustainable development of brownfield sites for both residential and commercial purposes.

HRMS trades in specialist commodity markets and owns DK Recycling, a specialist recycler of steel waste material. Hargreaves is headquartered in County Durham and operates across the UK, as well as in Hong Kong, with HRMS based in Duisburg, Germany.

End of Coal (major transformational step)

Following the Group ceasing its coal mining and trading activities in 2020 the Group's balance sheet has been transformed, with no bank debt and a strong net cash position.



Strategy and Outlook

Recent months have seen several material upgrades for the Group as it develops **three strong pillars to create, deliver and realise shareholder value:**

1. **Services:** continue to deliver reliable and growing profits, focusing on improved visibility from frameworks, sustainable margins and growing organically by expanding service provision for existing customers.
2. **Hargreaves Land:** realising inherent value from the Group's existing portfolio – not requiring substantial additional capital to be allocated.
3. **HRMS:** the Board is considering strategic options with its professional advisors over the next several months to realise value for investors.

The Group's balance sheet provides a strong and resilient platform for growth and this momentum is set to continue into FY22 and beyond.

Click [here](#) to watch the latest CEO update

Hargreaves Land (Property Development Business)

Hargreaves' focus is on adding value to strategically identified land through promotion, successful planning permissions and, where appropriate, commercial land development and implementation of site infrastructure. In most cases, the Company employs a **low-risk approach of straight sale post-development**. The Company has two main sites; Unity (a joint venture) near Doncaster and Blindwells near Edinburgh.

Unity, Doncaster (held in a 50:50 joint venture)

- **Two million sq ft** logistics space/**3,100 homes**
- **£25m sale of 79-acre logistics site** to a major retailer **completed in FY21**
- **£9.2m independent funding secured** for the next phase of infrastructure with a **targeted completion date in FY22**
- Sale contracts exchanged with first housebuilder for **232 plots**



Blindwells, Edinburgh

- **1,600 residential plots**
- Completed first sale of land to Bellway Homes in January 2021: **£7.7m gross sales receipts** with £4.2m received and £3.5m minimum payable via two instalments by Jan 2023
- Completed **sale of 2.9 acres to Cruden Homes**, which will provide 60 affordable homes; the **initial sale is worth £0.5m**



Investment in German Joint Venture

Hargreaves Raw Materials Services GmbH (HRMS) is a joint venture based in Duisburg, Germany, which has consistently delivered profits. HRMS is 49% owned by the Company, but **Hargreaves is entitled to 86% of the economic benefit**.

HRMS, historically a trading operation dealing in specialist industrial minerals, has recently invested in a **Carbon Pulverisation Plant (CPP)** and acquired a steel waste recycling business, **DK Recycling und Roheisen GmbH (DK)**. The CPP is now producing material for its customers which provides the opportunity to displace brown lignite coal, a highly polluting form of coal used in many German industries, with a cleaner alternative. DK, which has annual revenue capacity in excess of €100m, is one of the world's largest recyclers of ferrous waste materials from the steel industry.

HRMS is an integrated operation with **annual revenue of over €300m**. The JV has performed superbly over the last year contributing £13.6m to FY21 resulting in a series of earnings upgrades.

Key Newsflow

- Jul'22:** Full year results
- Jun'22:** Pre-close trading update
- Jan'22:** Interim results
- Dec'21:** Pre-close trading update
- Oct'21:** Annual general meeting
- Jul'21:** [Year end results](#)

Management Team

The experienced management team led by **Chairman Roger McDowell** has a track record of acquisitions, executing strategic growth and commercial property investment.

CEO Gordon Banham joined Hargreaves in 2001 and led a management buyout in 2004, with the Company's flotation on the LSE the following year.



John Samuel, Group Finance Director, has over 25 years' experience as Finance Director of publicly quoted companies. He spent 12 years with Renew Holdings, remodelling that Group from construction to engineering services.

David Anderson, Group Property Director, joined Hargreaves in 2018. He is a previous Managing Director of Henry Boot Developments, the property development subsidiary of Henry Boot plc.

Additionally, the Board comprises three other non-executive directors in **Nigel Halkes**, a retired senior partner at E&Y, **Christopher Jones**, an experienced property advisor and **Nicholas Mills**, employed by Harwood Capital LLP, the Group's largest shareholder.

Outstanding FY21 Results

FY21 was a transformative year for the Company, with Hargreaves delivering very strong results:

- PBT of £21.2m (2020: £4.9m)
- Net Cash of £16.5m (2020: £28.1m debt)
- Profit from JVs of £17.7m (2020: £2.1m)
- Proposed Final Dividend of 4.5p
- Proposed Additional Dividend of 12p

Forecasts (Source: Factset)

	FY'21 (Actual)	FY'22 (Est.)	FY'23 (Est.)	FY'24 (Est.)
Sales (£m)	204.8	166.7	196.5	201.0
EBITDA (£m)	11.3	11.8	20.6	21.1
PBT (£m)	21.2	14.4	13.4	13.6
FDEPS (p)	49.38	43.60	37.00	36.00