

Capital Markets Day

Wednesday 11 May 2022



Hargreaves



Strategic Value Proposition

Roger McDowell
Chair





Aims

Hargreaves Services plc ***Capital Markets Day***

- ✓ Provide a clear overview of the strategy of the business
- ✓ Provide a better understanding of the German Joint Venture (HRMS)
- ✓ Provide greater clarity over the longer term prospects for the Blindwells and Unity developments in Hargreaves Land
- ✓ Highlight the unrecognised value in Hargreaves Land renewable portfolio
- ✓ Emphasise the resilience of the Services business
- ✓ Illustrate some of the ESG initiatives and opportunities



Hargreaves

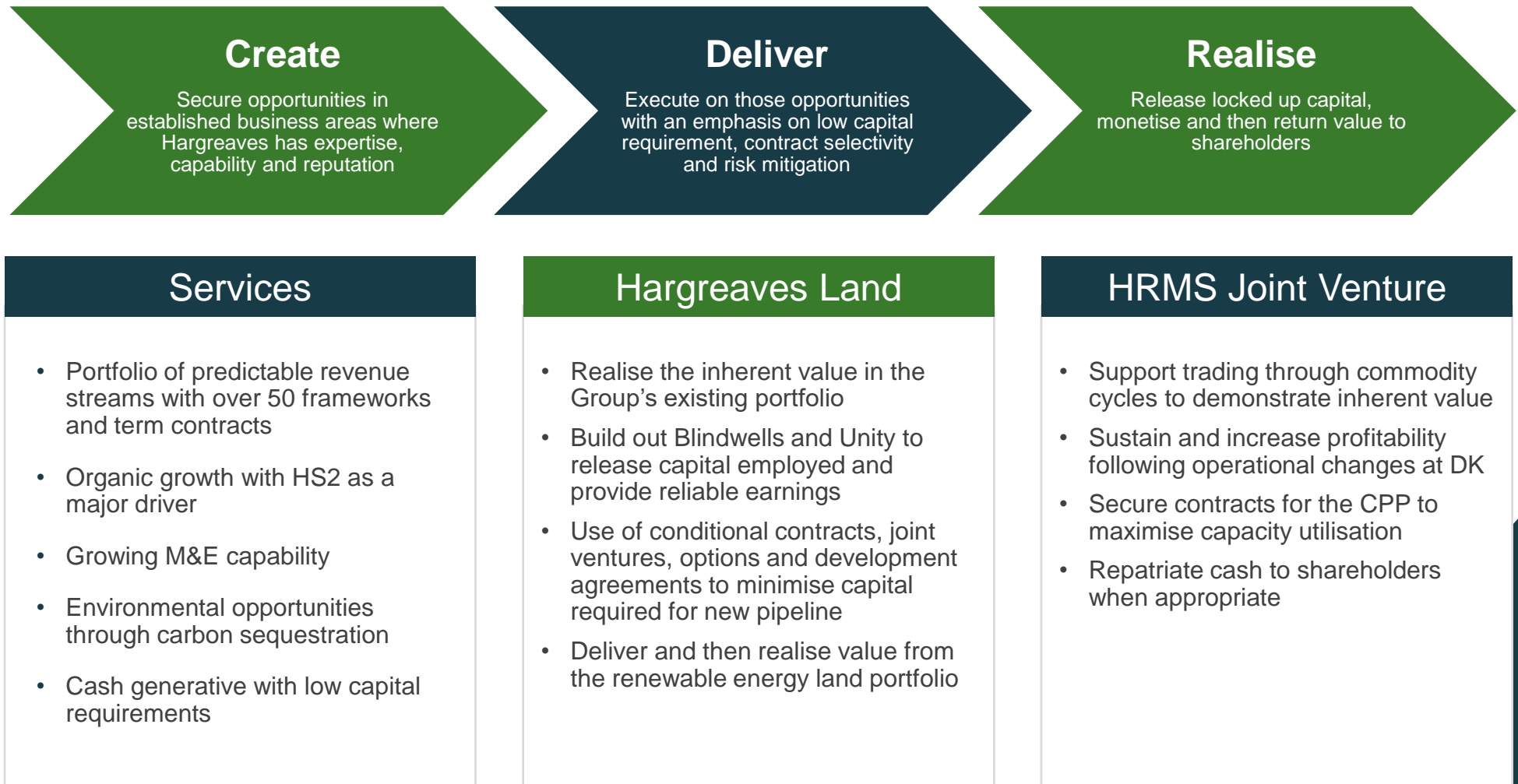


Agenda

- ✓ **Hargreaves Strategic Value Proposition – Roger McDowell, Chair**
- ✓ **Hargreaves Raw Material Services GmbH – Gordon Banham, Chief Executive**
 - HRMS Trading
 - Carbon Pulverisation Plant
 - DK Recycling und Roheisen GmbH
- ✓ **Hargreaves Land – David Anderson, Group Property Director**
 - Blindwells
 - Unity JV
 - Renewable Energy Land Portfolio
 - Westfield
 - Wind Farm Sites
- ✓ **Hargreaves Services – John Samuel, Group Finance Director**
 - Quality & resilience
 - Growth opportunities
- ✓ **Hargreaves Group – John Samuel, Group Finance Director**
 - Hot Topics
 - Consensus Forecasts
- ✓ **Summary & Investment Proposition - Roger McDowell, Chair**



Hargreaves Services plc - Strategic Value Proposition

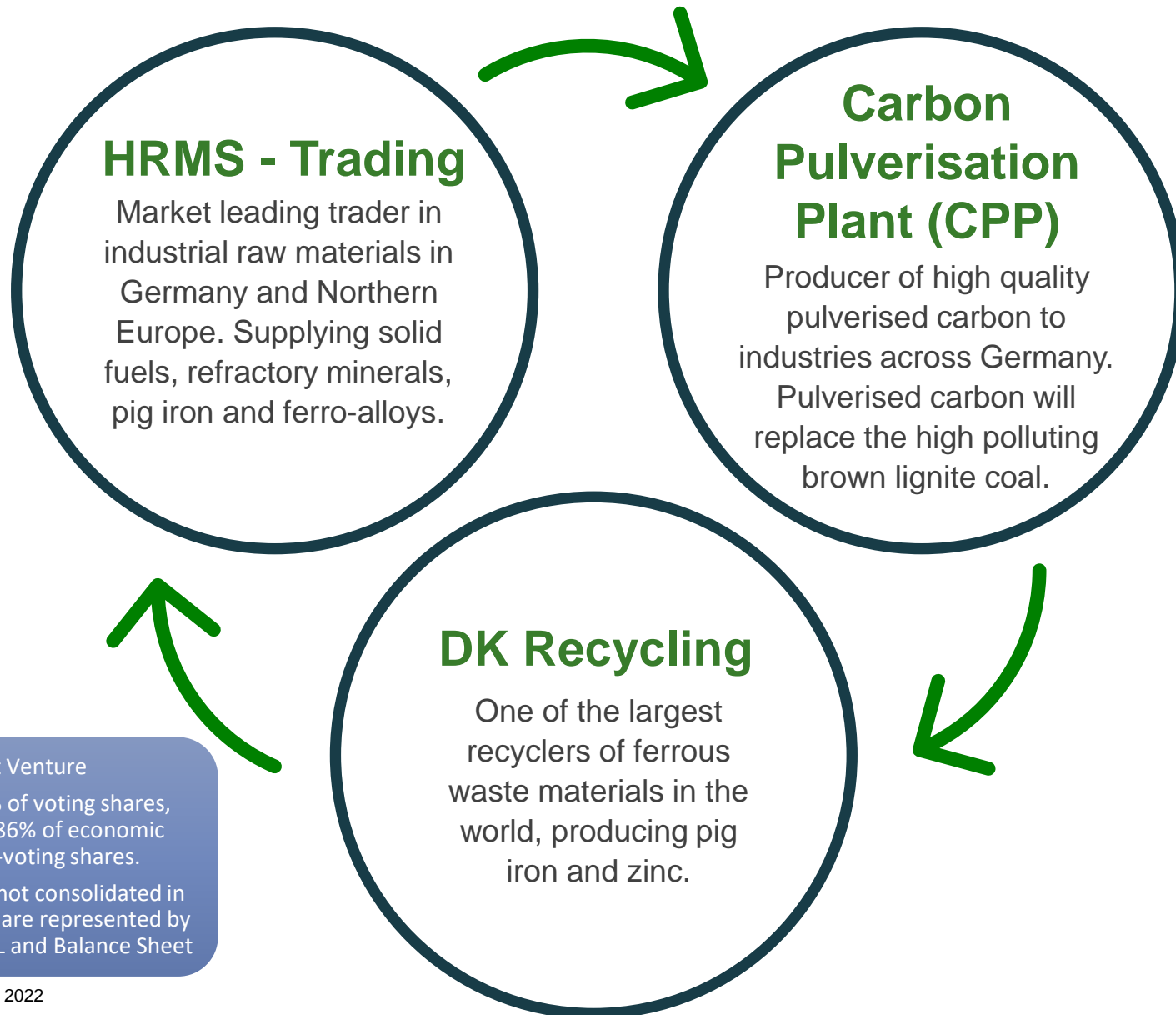




Hargreaves Raw Material Services GmbH

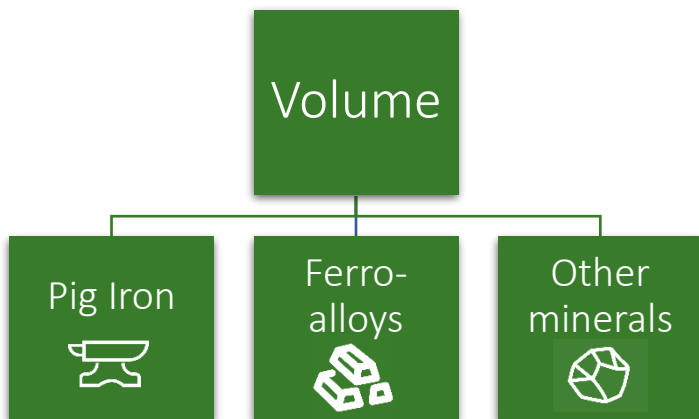
Gordon Banham
Chief Executive





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 item in the P&L and Balance Sheet

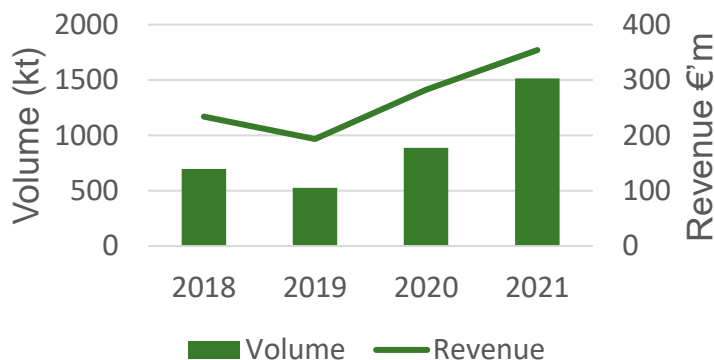
Hargreaves Raw Materials GmbH - Trading



Volume X Margin



PBT margin is typically between 2%-6%



Limited overhead – 16 trading staff

Low risk profile – 94% of purchased stock is forward sold

Funding provided by inventory backed, flexible borrowing base facility

Key Customers



STEMCOR



thyssenkrupp

OUTOKUMPU

SAINT-GOBAIN



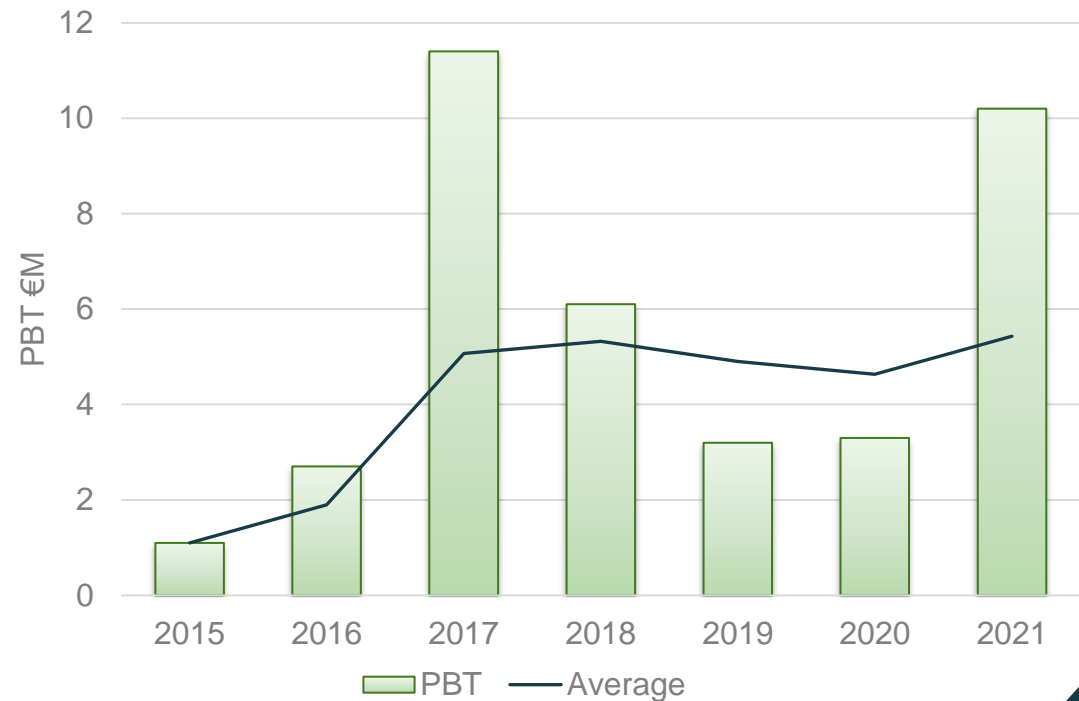
Profit has always been variable, as the appetite for risk within the trading team is limited. The trading team does not take principal positions on material.

Levels of profit achieved have been linked to the size of the addressable market.

In order to maintain profit at consistent levels, the team would need to increase their risk appetite related to the deals they enter into.

The acquisition of DK and the construction of the CPP has given the trading team greater synergies to increase the base level of volumes they can trade, and therefore improve the sustainable profit levels. Although the variability will remain due to their low risk appetite.

Historic performance of the Trading business



Hargreaves Raw Materials GmbH - CPP



Total production capacity of 400,000t per annum



Product will displace the highly polluting brown lignite coal dust which is expected to be phased out by the German government;



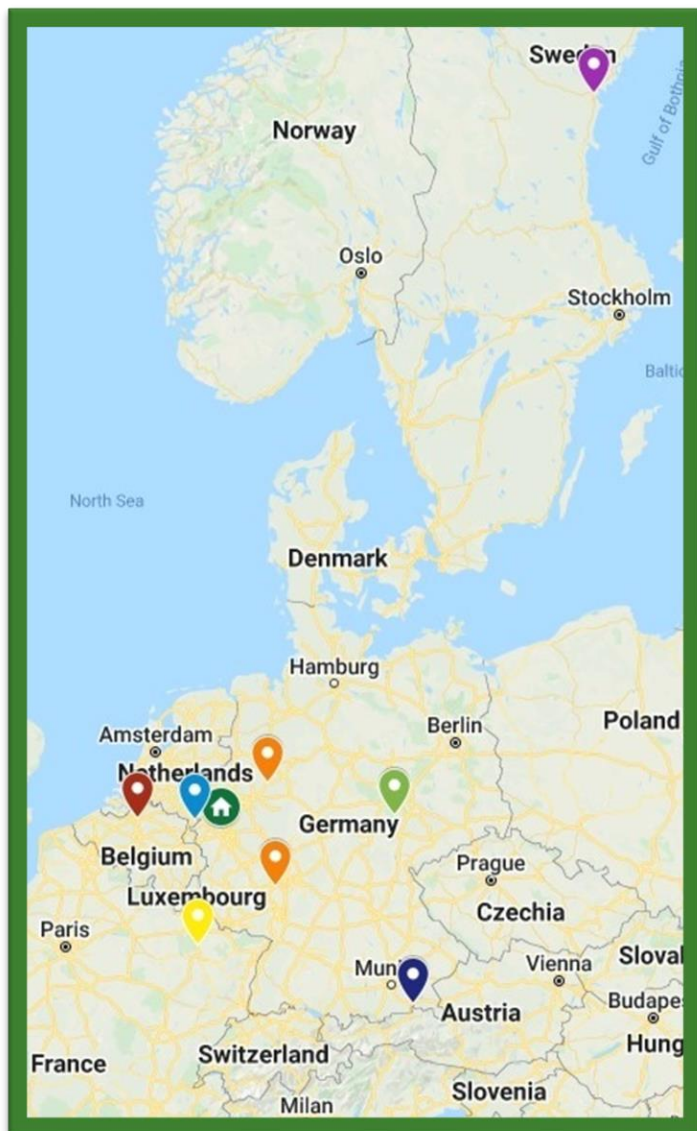
Accessible market is 2million tonnes



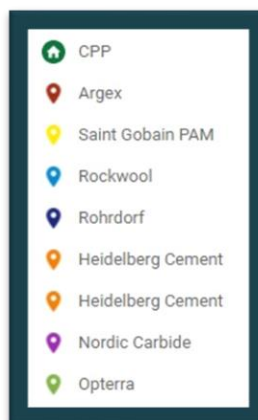
Currently producing 100kt, delivering a break even result



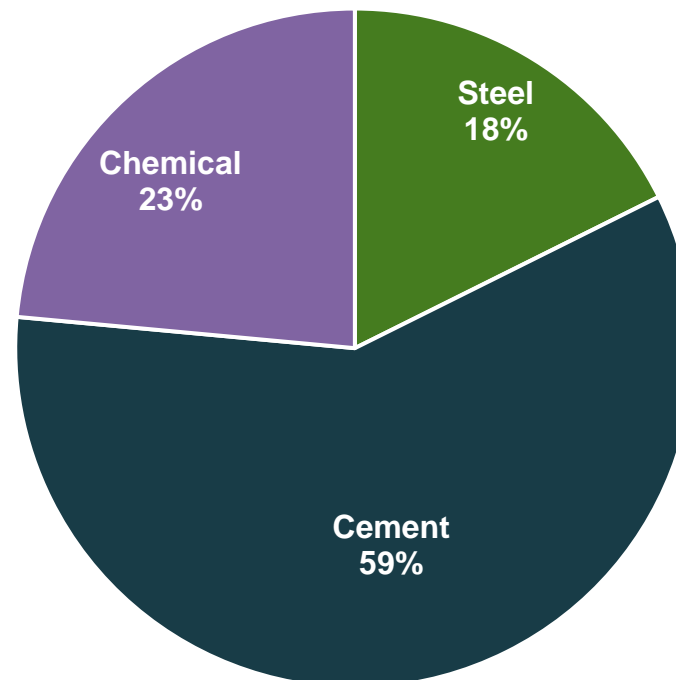
Hargreaves Raw Materials GmbH – CPP Customers



Customers

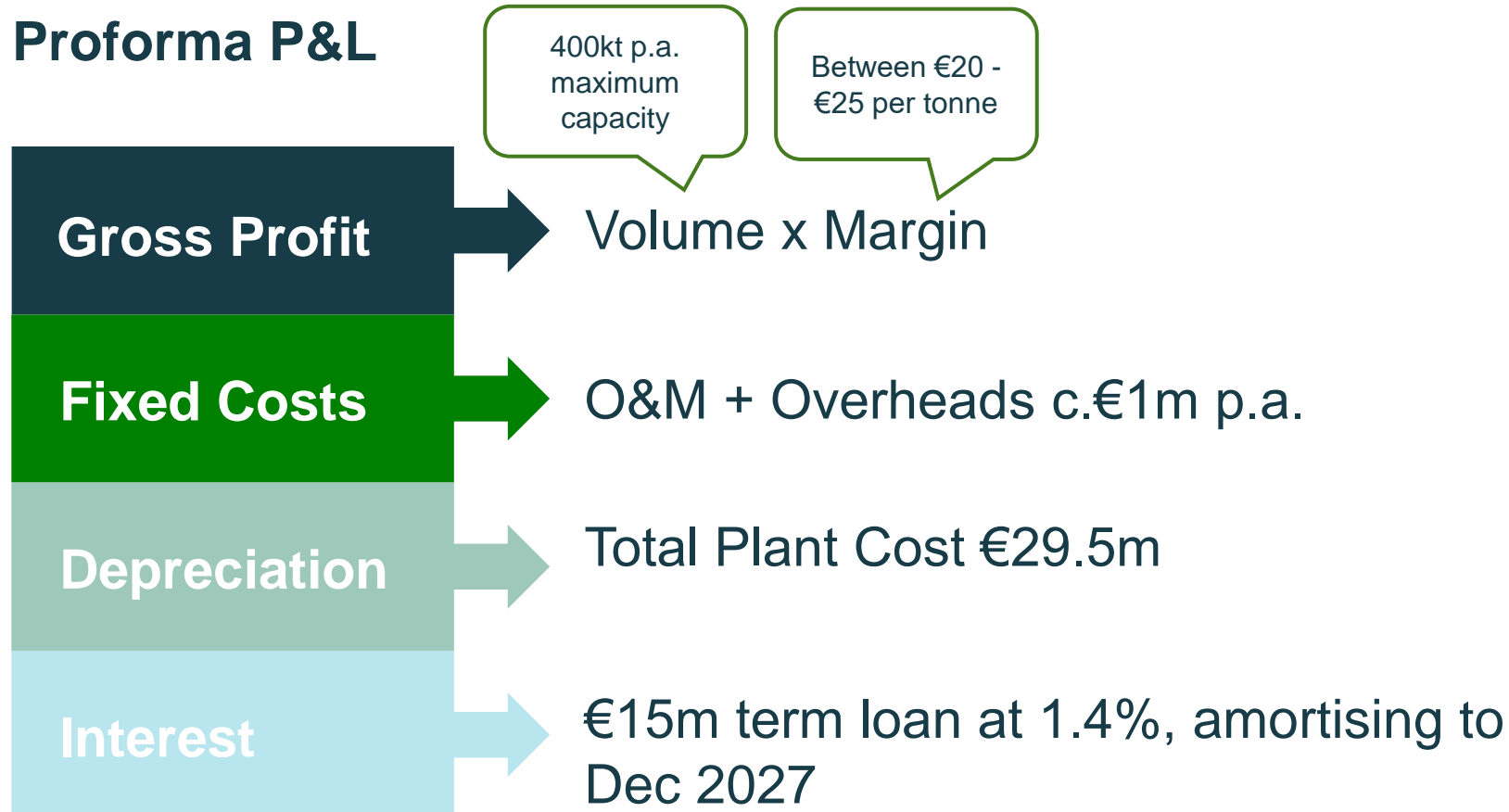


Split of 2mt potential market*



**Management estimate based on knowledge of local market and interactions to date*

Proforma P&L



Hargreaves Raw Materials GmbH – CPP potential materials



Sewage sludge granulate
admixture up to 20%

95% dry

regionally available in
larger quantities

high heating value

Economic



Biomass products & other future options
admixture up to 20%

CO2 neutral fuel

easy to mill

better heating value than
wood

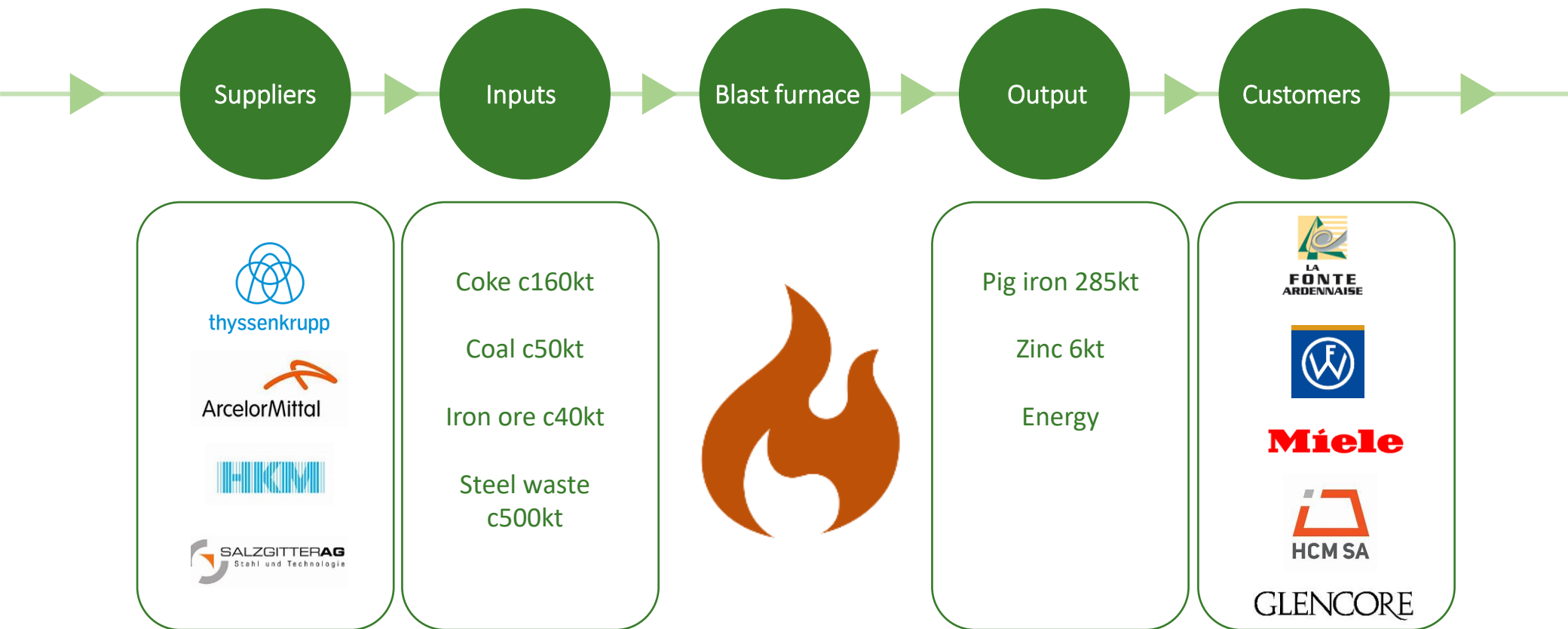
Homogenous

The CPP has a programme to investigate the use of alternative materials to reduce its carbon footprint.

DK Recycling und Roheisen GmbH – Video



DK Recycling und Roheisen GmbH – Operating model



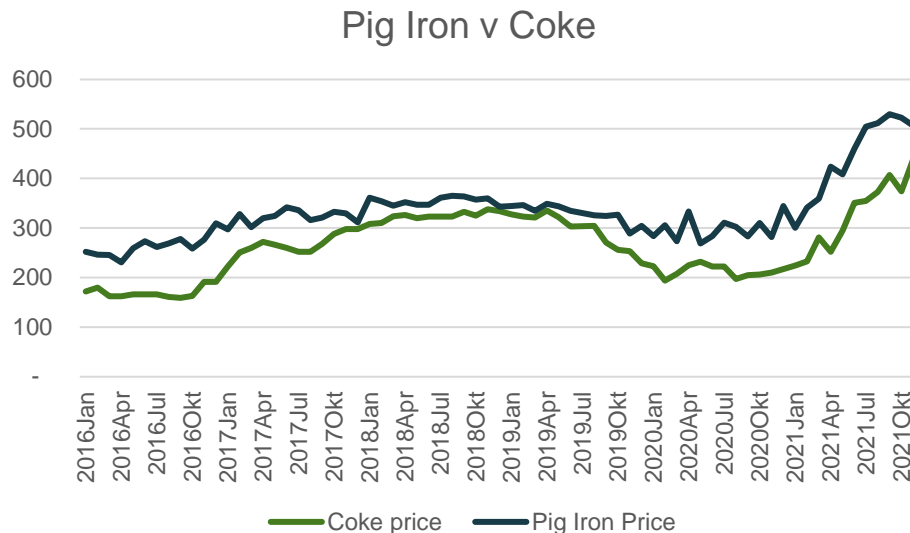
DK is a net energy generator with surplus output being sold back to the German grid.

Fixed Cost Base	€'m
Labour	20
Maintenance and Servicing	10
Overhead and admin	4
Depreciation	4
TOTAL	39

DK Recycling und Roheisen GmbH – Material outputs



Pig Iron and Coke

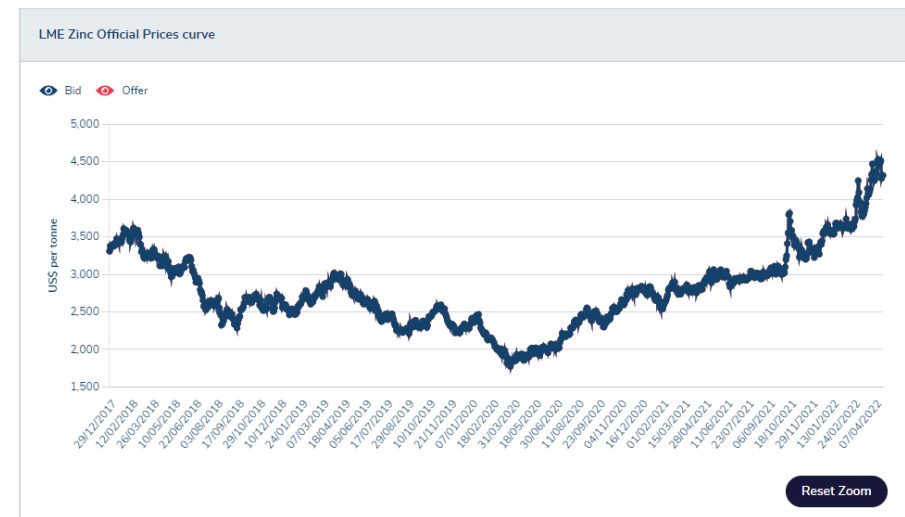


Pig Iron and Coke prices have historically been highly matched, with a 94% correlation coefficient. Recently, the correlation has changed, with pig iron increasing at a greater rate than coke, aided by the improved sales strategy following acquisition by HRMS.

Zinc

Zinc sales are 40% hedged at \$3,600 through to the end of December 2022, zinc prices have increased over the past 24 months from \$1,800 to over \$4,000, with no associated increase in production costs for DK.

Chart below shows the zinc commodity levels over the last 6 years.



DK - Sustainable improvements since acquisition

€2.0m
Process
improvements,
reducing iron ore
usage

1

€1.0m
Replacement
of major
subcontractor

2

€1.0m
Personnel
savings

3

€2.0m
Coke
procurement

4



€1.0m
General
procurement

5

€2.0m
Sales mix

6

€1.0m
Zinc treatment
savings

7

€0.5m
Waste disposal
cost reduction

8

ANY QUESTIONS?

Hargreaves Land

David Anderson
Group Property Director



Hargreaves Land – Business model



Multi Phase Master Developer

- Blindwells
- Unity
- Westfield

Renewable Energy

- Windfarms
- Solar
- Energy from Waste
- Others

Bespoke Commercial

- Industrial & Logistics
- Retail Warehousing

Strategic Land

- Residential & Commercial

Maintain broad range of project types: Sectors and Geography

De risk projects ahead of implementation: Planning and Funding

Minimise direct capital investment needs: Size and Timing

Target Returns on direct capital employed of 15% +

Areas of activity: Midlands, North of England, Scotland

Active Development Projects: £375m GDV targeting 15%+ margin



Hargreaves Land - Blindwells, Edinburgh

Defined Plot Sales Programme Underway

FY21	Plot 1 & 2 - 14.7 acres (Bellway and Cruden)
FY22	Plot 3 – 12.9 acres (Persimmon)
FY23	Plot 5 & 11 – 24.9 acres (Ogilvie and tbc)
FY24	Plot 4 - 7.2 acres
FY25	Plot 6A – 8.9 acres
FY26	Plot 6B & 7 – 18.5 acres
FY27	Plot 8 – 20 acres
FY29	Plot 9 - 12.6 acres
FY30	Plot 10 – 14.6 acres
FY31	Plot 12 – 13 acres

Current sales value £900,000 to £950,000 per acre inclusive of affordable housing.

Greater Blindwells

8,000 homes and 75 acres commercial uses on 1,000 acres.

Hargreaves Land share	25%
Planning Allocation	2026/27
Development commencements	2029/30
First occupations	2031/32

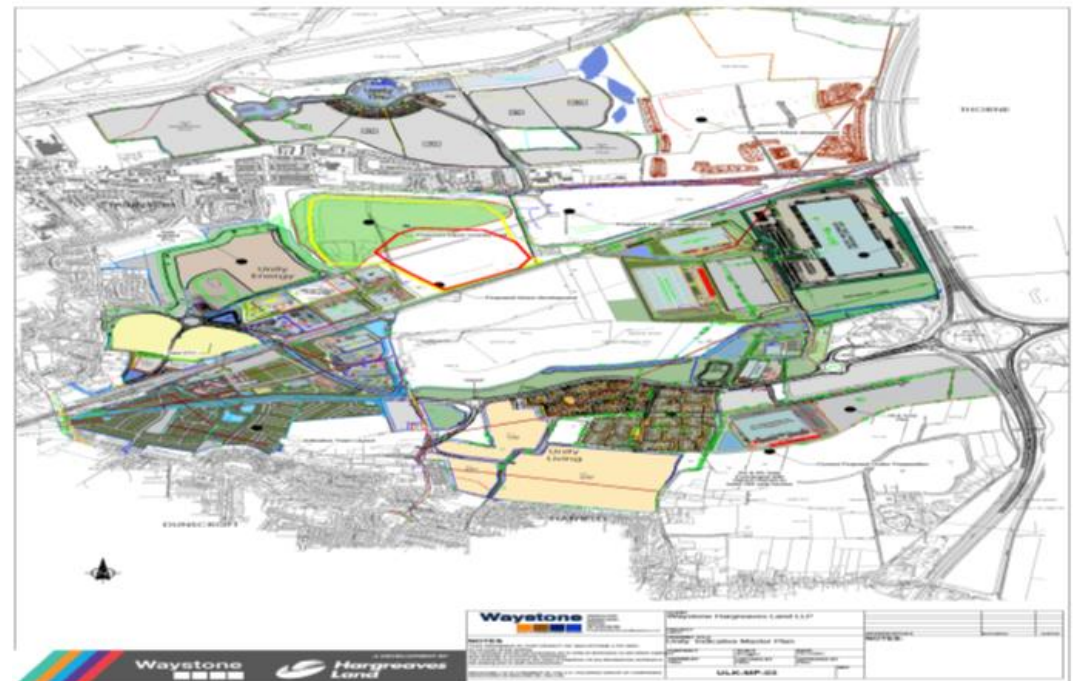


Hargreaves Land - Unity, Doncaster – 50:50 Joint Venture

FY22	79 acres sales completed (100% commercial)
FY23	29 acres/566,000 sq ft contracted (100% commercial)
FY24	19 acres sales contracted (100% residential)
FY25	30 acres sales forecast (70% commercial)
FY26	17 acres (50% residential)
FY27	20 acres (65% residential)
FY28	14 acres (80% residential)
FY29	15 acres (80% residential)
FY30	15 acres (100% residential)
FY31	15 acres (100% residential)
FY32	15 acres (100% residential)
FY33	15 acres (100% residential)
FY34	15 acres (100% residential)
FY35	15 acres (100% residential)

- Good forward visibility on both commercial and residential sales.
- 32 acres of phased residential sales and 566,000 sq ft of commercial floorspace on 29 acres contracted.
- Majority of future commercial plot sales expected to be tied to turnkey developments to enhance returns.

Current average sales value for residential and commercial land is £450,000 - £500,000 per acre excluding development returns from direct commercial developments.



Hargreaves Land - Westfield, Fife

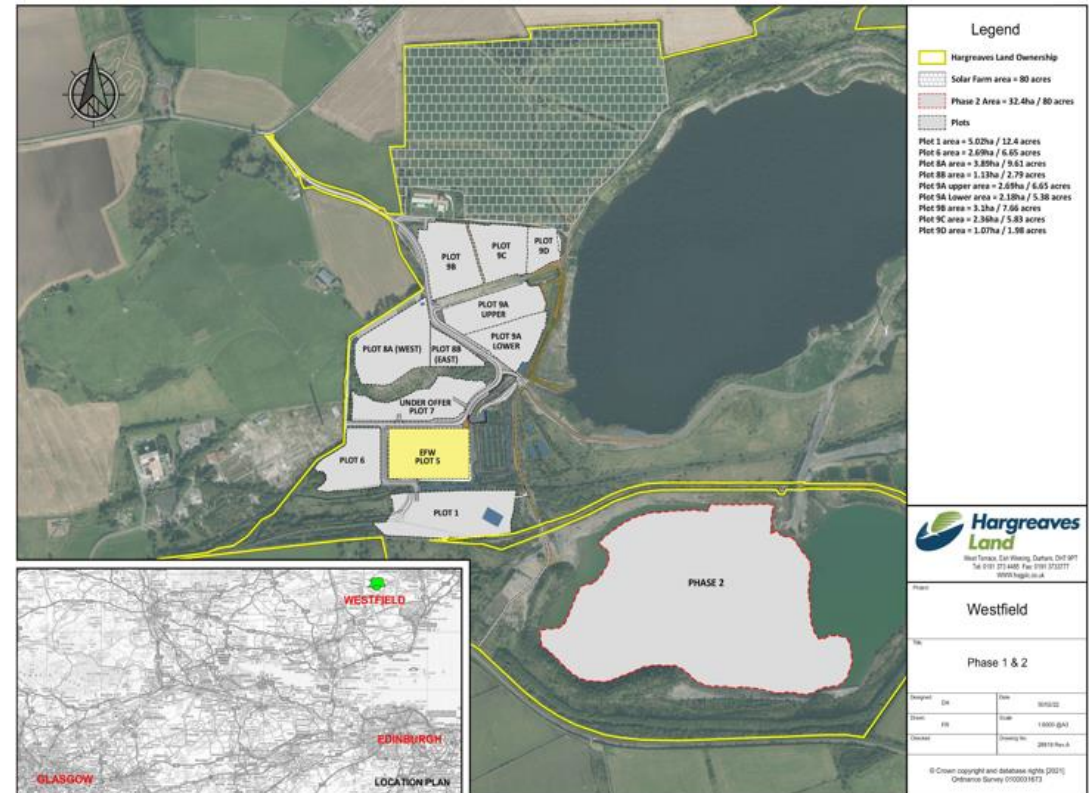
Construction by others of the 32 MW Energy from Waste facility commenced.

35 year minimum term lease (£420,000 p.a. Annual RPI reviews) in place.

£7m infrastructure investment underway to support the EfW plant which also delivers 50 acres of Employment Land.

Ability to deliver a 2nd 50 acre phase of development.

80 acre 30 MW Solar Farm & Battery Storage to be constructed by others, with a 28 year lease estimated to generate £100k p.a. rental income.



Hargreaves Land - Renewable Energy Portfolio

Asset Profile



Windfarm Ground Lease Investments

- 3 consented windfarm sites covering 2,930 acres accommodating 29 turbines with installed capacity of 130 MW.
- 1 lease granted, 2 options for lease.

Lease Profiles

- 28 year term certain
- 2% - 4% of gross generating income, dependent upon sales price per MWH achieved.
- Rising to 4% and 6% respectively after year 12.

Contractual position

- Hargreaves Land contracts with the operator directly.
- No construction is undertaken by the Group, the role of the business is as a landlord to the operator.

Access Agreements

- 7 agreements granting access to consented third party windfarm projects with total installed capacity of 450 MW.
- 2 granted, 5 options to grant.

Agreement Profiles

- 28 year term certain.
- indexed linked fixed rent per MW or 1% of gross income generated.



Hargreaves Land - Renewable Energy Portfolio

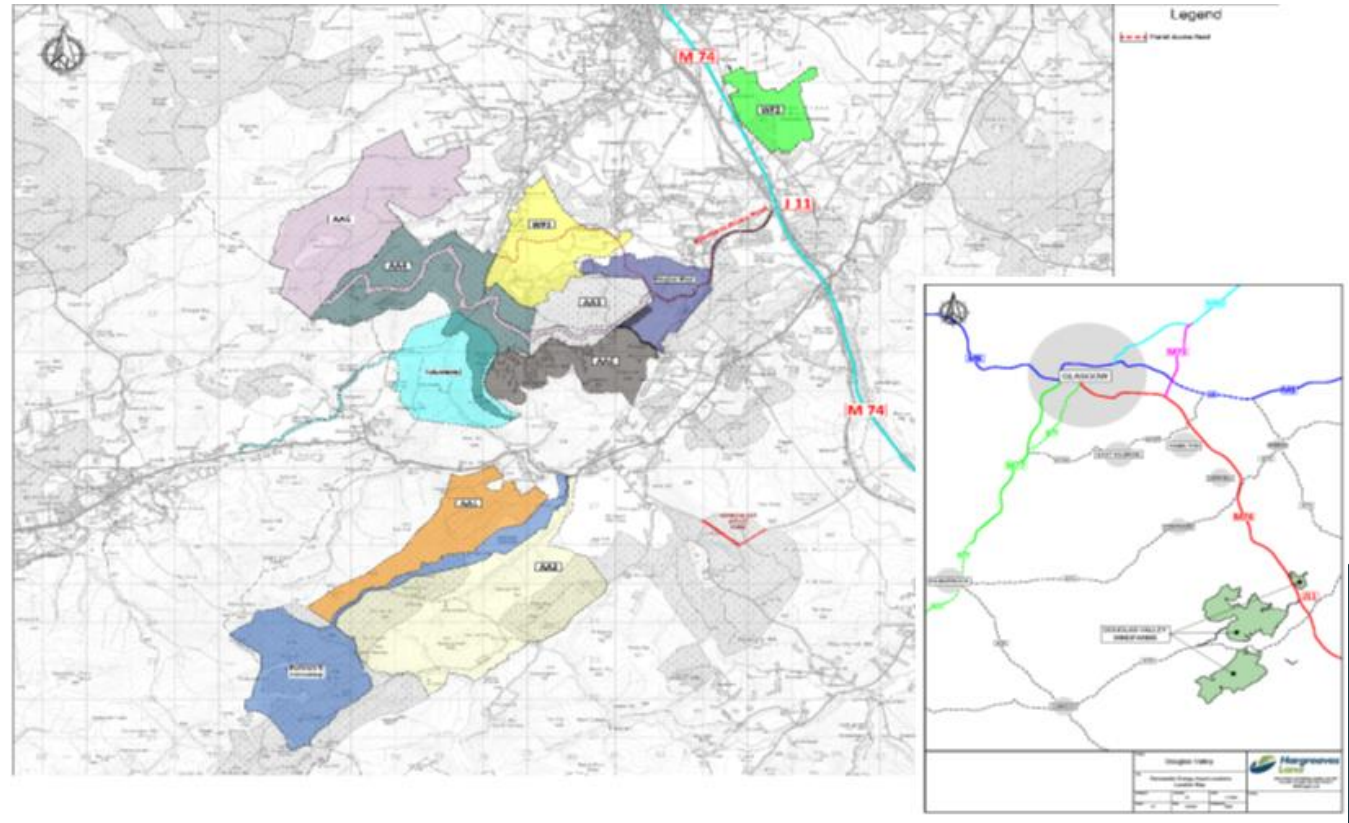
Asset Locations

Windfarms

1. Dalquandy
2. Broken Cross
3. North Kyle

Access Agreements

1. Kennoxhead (Phase 1)
2. Kennoxhead (phase 2)
3. Douglas West Extension
4. Cumberhead
5. Cumberhead West
6. Hagshaw Re-powering
7. Hagshaw Extension



Hargreaves Land - Renewable Energy Portfolio

Asset Delivery Programme*

Nov 2021	Kennoxhead AA Ph 1 (70 MW)
July 2022	Dalquandy WF (43MW)
Sept 2023	Broken Cross WF (48 MW)
Feb 2024	Kennoxhead AA Ph 2 (42MW)
April 2024	North Kyle WF (39 MW)
May 2024	Cumberhead AA (50MW)
May 2024	Hagshaw Re-powering AA (54MW)
May 2024	Hagshaw Extension AA (30MW)
July 2024	Douglas West Extension AA (78MW)
Nov 2024	Cumberhead West AA (126MW)

* Based on stated Grid connection dates.





Income Forecast Formula – EG Cumberhead

Hours in a year	8,760 Hours
X Installed Capacity (MW)	X 50 MW
X Strike Price (£/MWH)	X £45
X Utilisation (%)	X 30%
X Share of Income (%)	X 1%
= Annual Income	= £59,130
Lease Term	23 Years
Typical yield	4%

NB: This example has been prepared using the lowest figures for each variable.



Variables

Strike Price - CfD auction, Spot Market Price or Power Purchase Agreements.
Typically ranging between £45 to £95 per MWH.

Utilisation – Forecast wind speed/frequency, typically 30 – 35%.

This windfarm asset portfolio offers the prospect of annuity rental streams, with current open market values for operational assets representing a running yield of 4% or better.

Confirmed Operators include

Orsted

BayWa


SCOTTISHPOWER
RENEWABLES


octopusenergy

Hargreaves Land - Renewable Energy Portfolio

Other Opportunities



Hydrogen – hydrogen production utilising off peak wind energy



Battery storage – off peak power to large scale battery storage



Hargreaves Land - Development Pipeline

Deal Structures aim to:

- Minimise Quantum and timing of direct expenditure.
- Derisk transactions – planning and forward sale commitments

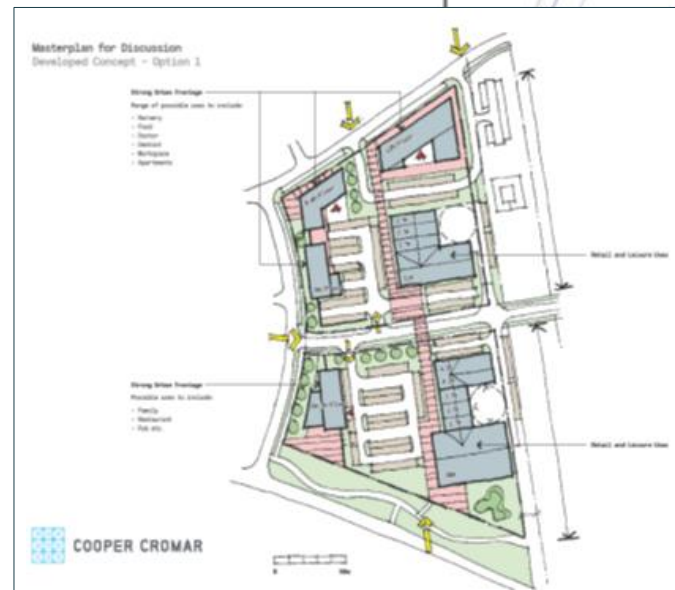
Contract Forms:

- Conditional Contracts
- Development Agreements
- Joint ventures
- Option and Promotion Agreements

Targeting:

- Residential
- Retail warehousing
- Industrial and logistics
- Roadside

**Current pipeline with GDV of
c£103m across 8 separate projects**



ANY QUESTIONS?



Services

John Samuel
Group Finance Director



Services – Resilience & quality

Major Customers



Frameworks
& term contracts

50+

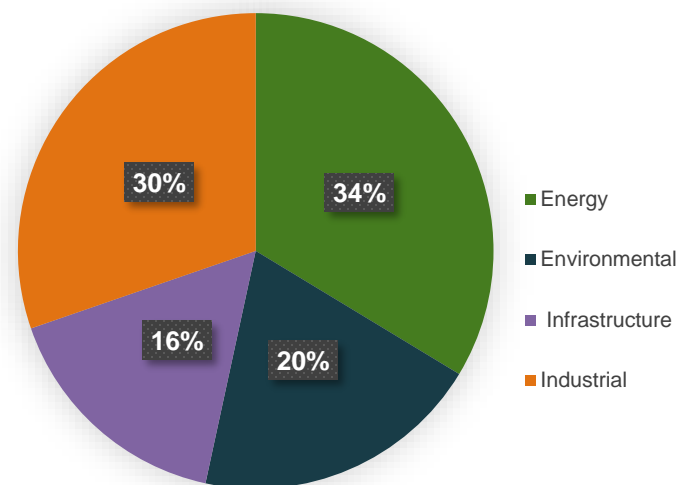
Target for secured orders
at start of year

c65%

Typical operating margins

5%+

Services revenue by market sector



- ✓ **Revenue resilience** – Services operates across 4 core market sectors, limiting the risk of over exposure to one particular market
- ✓ **Credit exposure** – No over reliance on a single customer, largest customer represents c10% of revenue

Emphasis is on organic growth



Carbon sequestration

- Carbon Capture through planting 1.7m trees on former surface mining sites in Scotland - carbon offset and asset value creation.



Mechanical & electrical engineering

- Utility frameworks – typically 5 year duration – potential value £5m-£10m per annum
- Specialist materials handling projects – potential value £5m to £10m per project



Major earthworks infrastructure projects in the South of England

- Lower Thames Crossing – potential value c£80m
- New nuclear - Sizewell – potential value c£90m

Hargreaves Services plc – Hot topics



COVID-19



Ukraine



Inflation



Interest rates



Supply chain



Energy costs



UK energy strategy



ESG

Hargreaves Services plc – Consensus forecasts



Consensus forecasts and a two page overview of Hargreaves are available at www.walbrookpr.com/investors/profile/hargreaves-services-plc

Y/e 31 May	2022		2023		2024
	£m		£m		£m
Revenue	167.3		197.1		209.0
Underlying PBT					
Services	6.6		7.4		7.4
Land	2.2		5.5		7.0
Corporate	(4.3)		(4.2)		(4.3)
Share of HRMS	24.8		15.7		12.5
Underlying PBT	29.3		24.4		22.6
Tax+MI	(1.6)		(2.0)		(2.0)
Underlying PAT	27.7		22.4		20.6
Underlying EPS	85.9		68.4		63.2
Dividend per share	20.4		21.0		21.6
Net Debt	(10.9)		(15.5)		(15.4)

Market capitalisation c£170m – 32.5m shares in issue

ANY QUESTIONS?

Summary and Conclusion

Roger McDowell
Chair



Summary

- **HRMS**

- Business model developed from trading to integrated manufacturing and supply
- Sustainable profits now being delivered by DK Recycling
- Growth opportunities as the Carbon Pulverisation Plant moves into full production

- **Land**

- Long term sustainable returns from both Blindwells and Unity
- Valuable 35 year lease at Westfield providing sustainable income
- Wind farm assets start to yield return from 2024

- **Services**

- Over 50 framework agreements in place
- Strong visibility and good profit resilience

Hargreaves Services plc – Investment Proposition



ANY MORE QUESTIONS?

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