



Hargreaves Services plc

Year ended 31 May 2024

Tuesday 6th August 2024



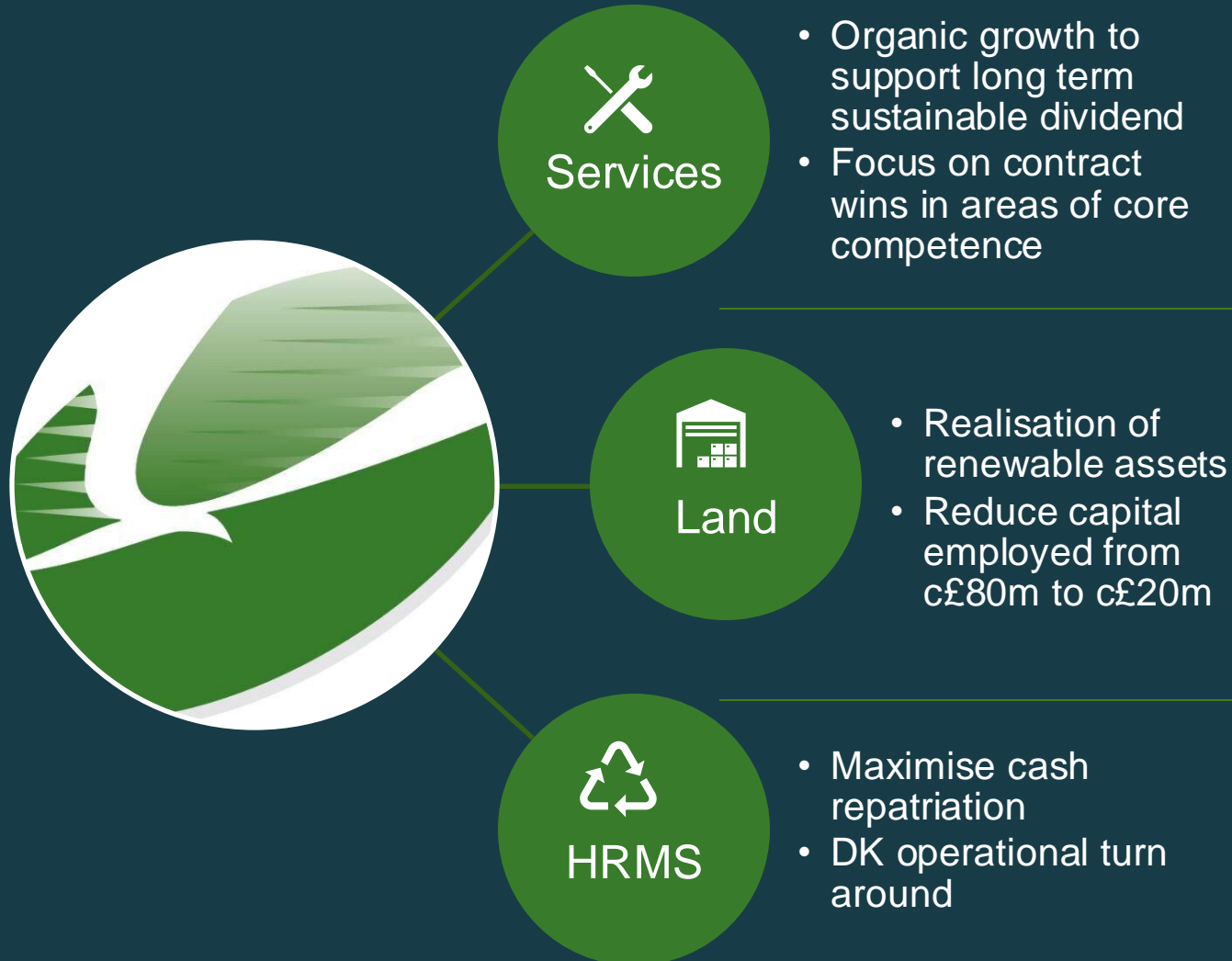


Strategic Value Proposition

Gordon Banham
Chief Executive



Strategic Overview



FY24 Results Overview



Services

- Significant wins grow term and framework contracts to 65+, including:
 - Five-year framework for materials handling services for Yorkshire Water.
 - Preparatory works on Sizewell C Nuclear Power Station.
 - Three-year framework for transport services to Stirling Council.

Hargreaves Land

- Sale of Westfield EfW generated £7.6m of cash proceeds in December 2023.
- Completion of 28-acre site at Maltby, Rotherham, for the sale of 185 residential plots generating gross proceeds of £4.9m.
- First tranche of renewable energy land assets to be brought to market post year end.

HRMS

- HRMS trading down as volumes impacted by wider German economy.
- Performance of DK impacted by low Pig Iron and Zinc pricing as well as high coke costs.
- Improved second half performance in DK gives confidence going into new financial year.

Group

- Full year dividend doubled to 36.0p per share (FY23: 21.0p).
- Pension scheme successfully bought in for a cash payment of £3.7m.
- The Group holds no borrowings, other than specific leasing debt with cash of £22.7m at the year end (FY23: £21.9m).

Underlying Profit
before tax

£16.9m

(May 23: £27.3m)

Dividend per share

36.0p

(May 23: 21.0p)

EBITDA

£26.1m

(May 23: £21.8m)

Cash in hand

£22.7m

(May 23: £21.9m)



Financial Review

Stephen Craigen
Chief Financial Officer



Financial Review – Income Statement



Services – Substantial margin improvement due to improved plant utilisation rates in earthmoving activities

Land – Record year for PBT, driven by disposal of interest in EfW at Westfield

HRMS – Difficult trading conditions in H1, improvement within DK in H2

Strong growth in EBITDA

Year ended 31 May

	2024	2023	
	Margin	Margin	
	£m	£m	
Revenue – Services	204.1	200.9	+1.6%
Revenue – Hargreaves Land	7.0	10.6	-34.0%
Group Revenue	211.1	211.5	-0.2%
Underlying PBT - Services	5.6%	4.5%	+25.3%
Asset disposals	-	3.2	
PBT – Hargreaves Land	8.2	3.9	+110%
Profit after Tax – HRMS	1.3	15.5	-91.6%
Corporate Costs & Interest	(4.0)	(4.4)	+9.1%
Underlying Profit before tax	16.9	27.3	
Amortisation	(0.2)	(0.2)	
Taxation	(4.5)	0.8	
Profit for the period	12.2	27.9	-56.2%
EPS	38.2p	86.3p	-55.7%
Dividend Per Share	36.0p	21.0p	+71.4%
EBITDA	26.1	21.8	+19.7%

Financial Review – Balance Sheet



Renewables: £7.4m
Other: £8.5m

Including £44.6m for
Blindwells

31 May 24 (£'m)	Services	Land	HRMS	Unallocated	May 24	May 23
Tangible FA's (incl. ROU assets)	48.6	15.9	-	0.4	64.9	64.8
Goodwill	6.0	-	-	-	6.0	5.7
Investments in JCEs	-	6.0	56.0	-	62.0	74.3
Inventory	1.2	48.1	-	-	49.3	39.3
Other working capital	(16.7)	9.6	14.2	1.7	8.8	11.6
Finance lease debt	(34.0)	(0.2)	-	-	(34.2)	(36.4)
Pension scheme	-	-	-	1.3	1.3	8.5
Deferred tax asset	-	-	-	11.3	11.3	11.3
Net cash	-	-	-	22.7	22.7	21.9
Total Capital Employed	5.1	79.4	70.2	37.4	192.1	201.0
31 May 23	Services	Land	HRMS	Unallocated	Total	
Total Capital Employed	9.1	73.0	75.8	43.1	201.0	

Capital employed in Services remains low

Increase in capital employed in Hargreaves Land due to investment at Blindwells

Decrease in HRMS capital employed helped by £7.8m cash receipt

Pension buy in has reduced net assets. Remaining £1.3m to fund ongoing scheme costs until buy out secured

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

Valuation Considerations



Services*

REVENUE	£208m
EBIT	£12.3m
EBITDA	£26.1m
Equity Employed	£8m-£15m

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

Land

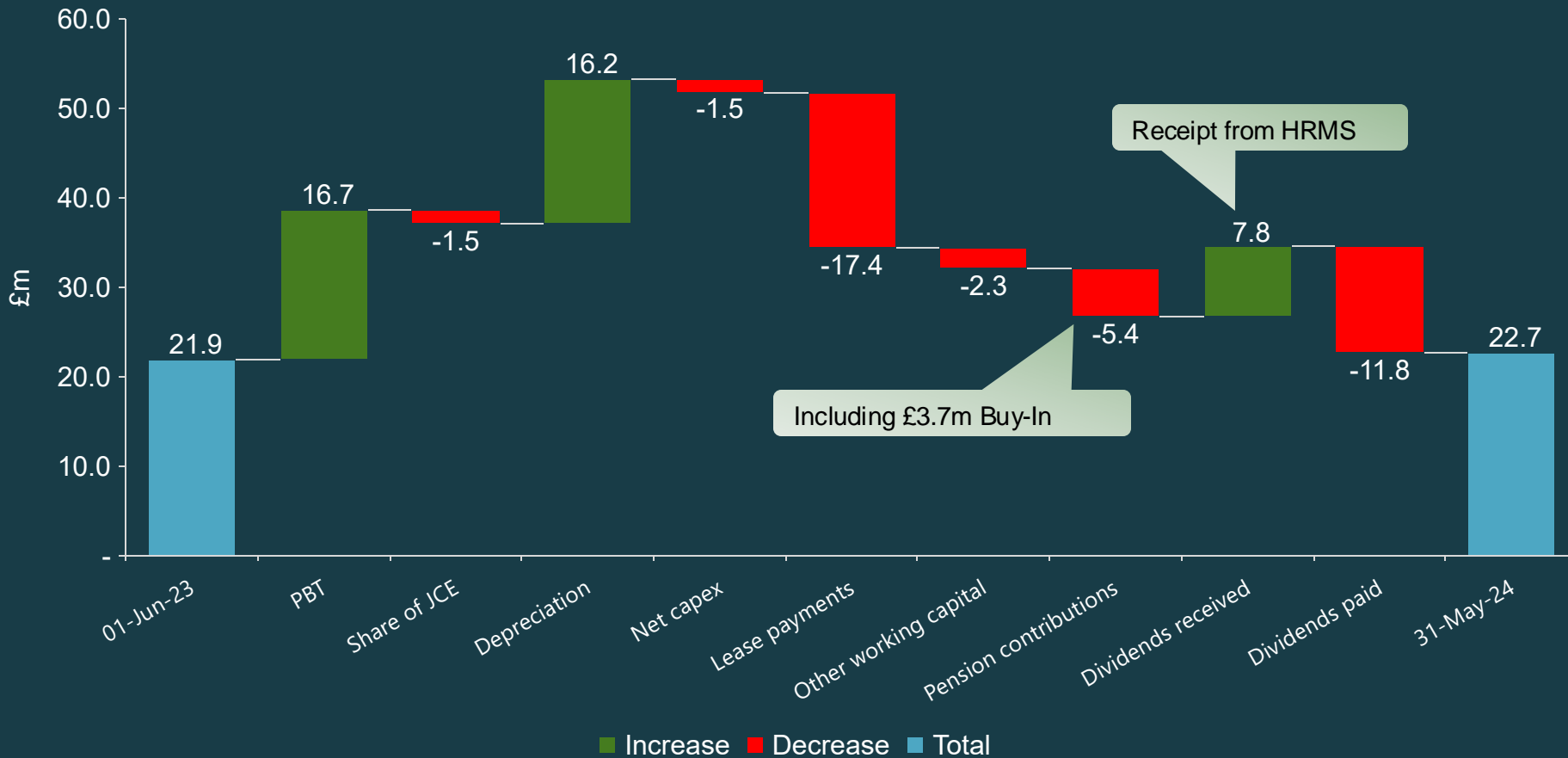
BOOK VALUE (Cost)	c£80m
RENEWABLE UPLIFT	>£20m
Timescale	5-7 years

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	May 24		May 23	
Revenue – HRMS	222.8		378.3	
Revenue - DK	115.9		132.6	
Revenue	338.7		510.9	
PBT – HRMS	4.5%	10.0	6.4%	24.5
(LBT)/PBT – DK	-5.8%	(7.4)	4.0%	5.3
Profit before tax	0.8%	2.6	5.8%	29.8
Taxation		(1.3)		(11.8)
Profit after tax		1.3		18.0

Total Group Exposure to HRMS:

£'m	May 24	May 23
Share of retained earnings	56.0	68.6
Total loans	11.3	7.2
Dividend receivable	2.9	-
€10m Guarantee	-	8.6
Total exposure	70.2	84.4

Revenue decline

Due to volume reduction (746kt vs 1,020kt) impacted by German recession as well as a reduction in margin per tonne due to commodity price reductions.

Margin

HRMS margin, although reduced from highs in 2023, remains resilient at 4.5%

DK heavily impacted by Pig Iron and Coke pricing – improvement seen in

Balance sheet

£'m	May 24	May 23
Tangible fixed assets	64.9	64.2
Inventories	86.4	135.9
Borrowing base	(51.1)	(59.5)
Pension scheme	(12.3)	(12.9)
Other working capital	(6.9)	(20.1)
Capital employed	81.0	107.6
<i>Funded by:</i>		
Amounts owed by/(owed to) Hargreaves	(11.3)	(11.2)
Net cash/(bank debt)	4.5	(13.0)
Third party loans	(5.3)	
Equity	68.9	83.4



Operating Review - Services

Gordon Banham
Chief Executive



Services – Resilience and quality



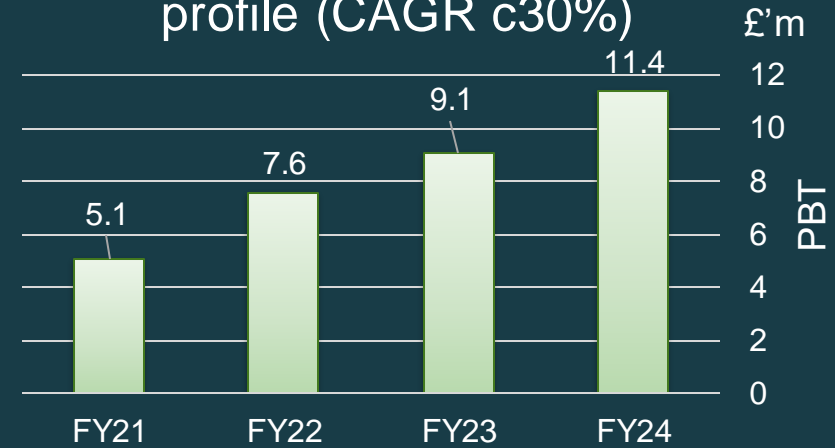
Major Customers

Frameworks and term contracts
65+

Secured orders as 31 May 24
c.70%

Typical operating margins
5%+

Services – PBT Growth profile (CAGR c30%)



Revenue resilience

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

Credit exposure

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

Inflation resistant

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

Services – Market focus



Core services

Bulk Materials Handling

Specialist Engineering and Maintenance

Land Remediation

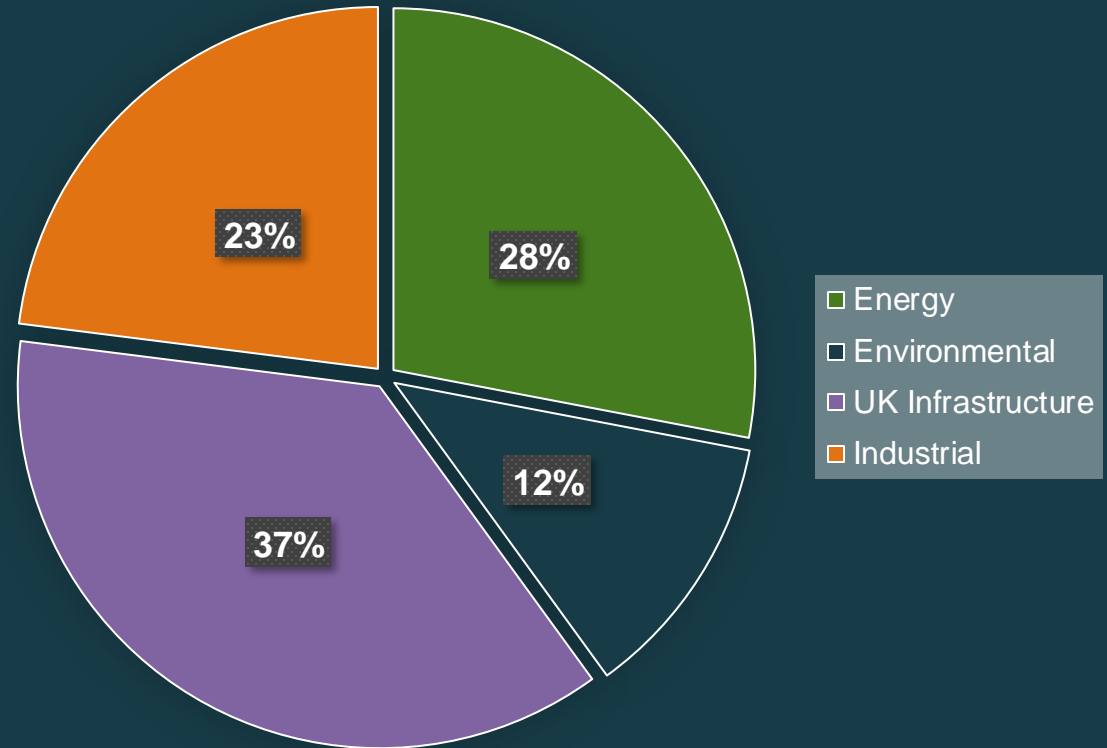
Bulk Logistics

Waste Management Solutions

Major Earthmoving

Quarrying and Aggregate Services

Industry Sector



Major infrastructure projects



HS2 –
A further two
years work at
least remaining



Sizewell C –
enabling
projects
underway



Lower Thames
Crossing –
preferred
partner to
Balfour Beatty



Tungsten West –
strong
contractual
position with TW
awaiting
funding

Contract successes



Secured three-
year position
with Stirling
Council on
transportation
services



Renewal of five-
year NEC
position in Hong
Kong for CLP
Power Ltd



Materials handling
contract secured
for five years for
Yorkshire Water



Operating Review – Hargreaves Land

David Anderson
Group Property Director



Hargreaves Land – Key Events FY24



Sale of Westfield EFW Ground Lease Investment

- 50-year ground lease investment
- Net consideration £7.6m
- Investment yield 5.3%



Sale of Residential site Maltby, Rotherham

- Planning permission secured for 185 plots
- Net consideration £4.9m



Continued Development of Renewables Asset Portfolio

- Renewables rental income rose to £798k p.a. (FY23 £230k)
- Three further renewables agreements exchanged (510MW) in FY24



Market Conditions

- H1 FY23 residential and commercial markets were markedly subdued with only a limited number of house builders and few commercial operators genuinely active.
- H2 FY23 saw an increasing number of house builders re-enter the market and renewed interest from a range of commercial operators although values remained below the peaks seen in FY22.

Hargreaves Land – Multi Phase Development Projects



- **Unity, Doncaster** – 3,100 residential plots/ 2.4m sq ft commercial space
- 79 acres sold to TJ Morris for regional logistics hub
- 191,000 sq ft logistics unit forward sold and delivered
- £1.2m of restaurant plot sales contracted with planning applications submitted.



- **Blindwells, East Lothian** – 1,600 residential plots
- 260 homes now occupied
- 343 plot sale under contract
- 356 plots subject to agreed sale terms and with solicitors
- Further allocation of 1,500 homes plus being progressed through the local plan review process.

Hargreaves Land – Renewables portfolio



Status			Book Value	Independent Valuation
OPERATIONAL	2 Windfarms	216 MW		
	2 Access Agreements			
UNDER CONSTRUCTION	1 Windfarm	230 MW	£7.4m	£27m-£29m
	2 Access Agreements			
PRE-CONSTRUCTION	1 Windfarm	952MW		
	2 Access Agreements			
	1 Battery Storage			
	11 Schemes	1,398MW		
CONTRACTED, Pre-Planning	1 Access Agreement 1 Wind Farm 1 Battery Storage	510 MW	Negligible	n/a
Non-contracted pipeline	7 schemes	1,185MW	Negligible	n/a



First tranche of renewables assets to be taken to market with an estimated valuation of **£10m +**

Renewables rental income increased to **£0.8m p.a.** (FY23 £0.2m).

Hargreaves Land – Development pipeline & outlook



Residential Markets

House builder confidence remains fragile with below average sales rates and weak consumer demand. Values remain below their 2022 peak and whilst most house builders are active buyers there remains considerable caution in the market at the present time.



Renewables Projects

Continued growth in the pipeline of potential renewables assets over the medium term together with a broadening of investor interest in this type of green index linked investment class as an alternative to more traditional property investment sectors.



Commercial Markets

Construction cost inflation has moderated to normal industry levels, but investment and freehold values remain somewhat off the 2022 peaks with investors yet to reenter the market in numbers and owner occupiers returning to the market, but only slowly, reflecting the wider perceived fragility of the UK economy.

Commercial

- 530+ acres
- GDV £769m

Residential (pre-planning)

- 3,075
- 290+ acres
- GDV £128m

Land Development Pipeline

Residential (planning allocated)

- 5,560 plots
- 760+ acres
- GDV £197m



Operating Review
– HRMS

Gordon Banham
Chief Executive

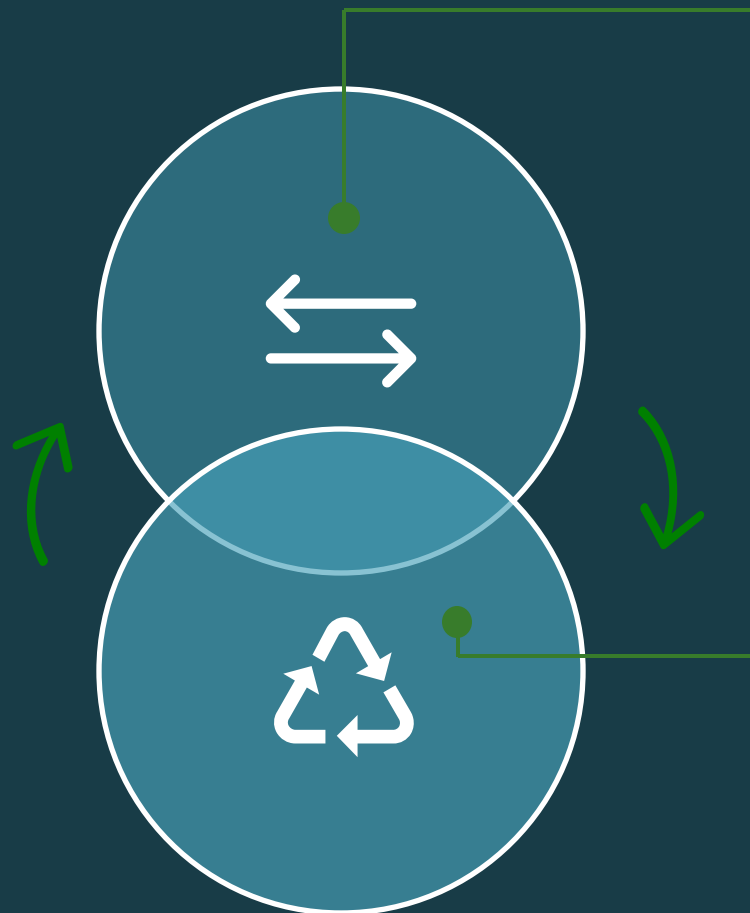


Hargreaves Raw Materials GmbH – JV



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 the 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.

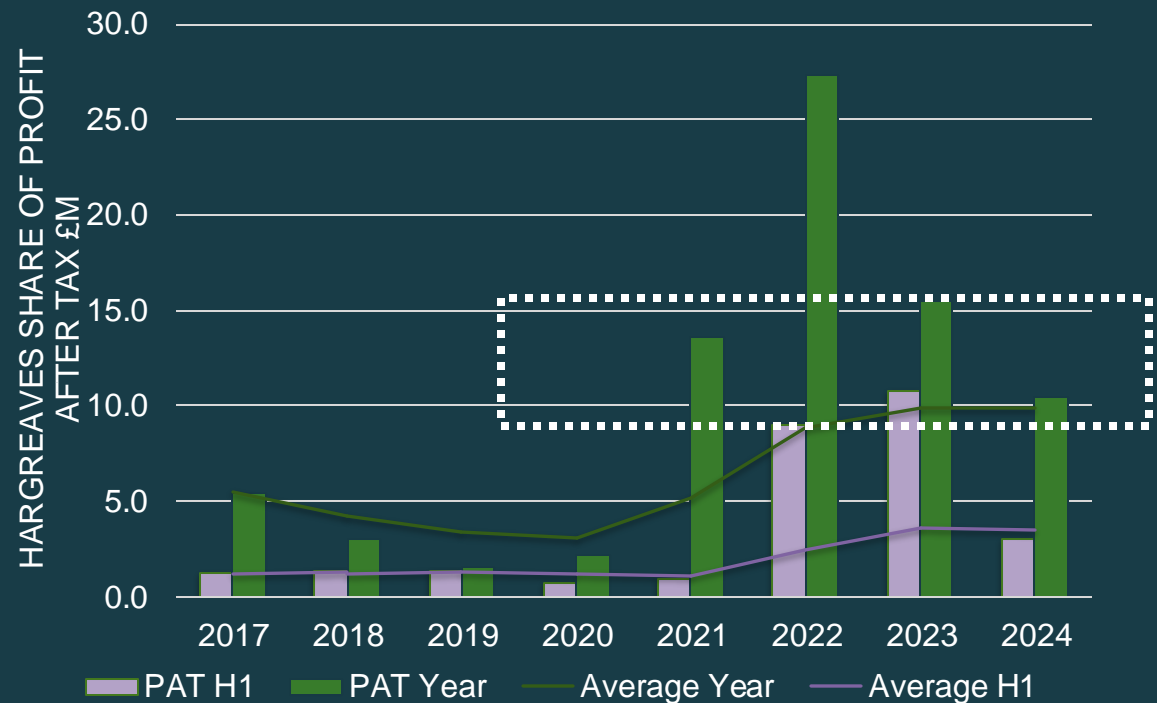
DK includes the Carbon Pulverisation Plant

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

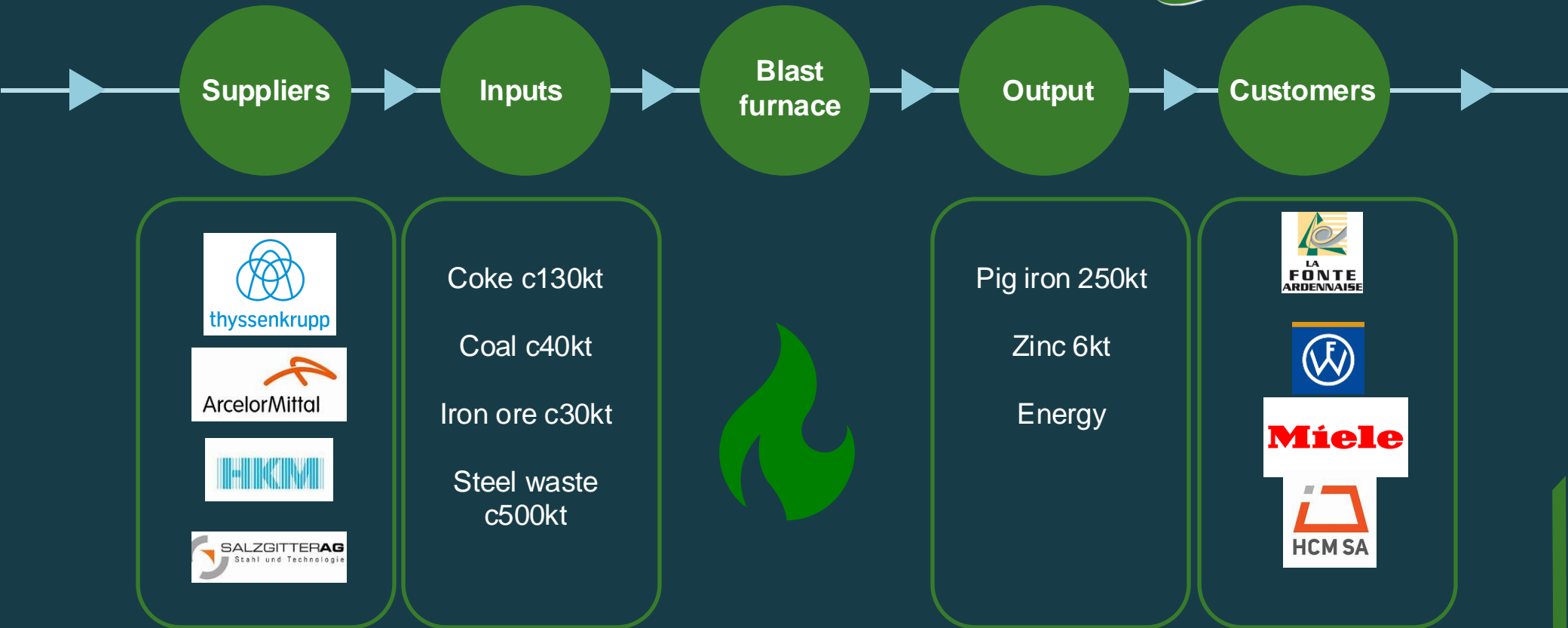
DK acquisition in December 2019 provides greater synergies to trade on higher volumes

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.

Variables in FY24

Pig Iron sales price – 28% reduction
Coke purchase price – 25% reduction
3% squeeze on margin – impacted by inequitable sanctions on imports

Efficiency improvements

- Lower cost coke sourcing in place for the coming year
- EU phased embargo expected to have positive impact on pig iron

Other initiatives

- Renegotiated gate fees for steel waste dusts

Zinc

Recovery in zinc pricing in second half of the year.

90% of zinc output now hedged for coming year.

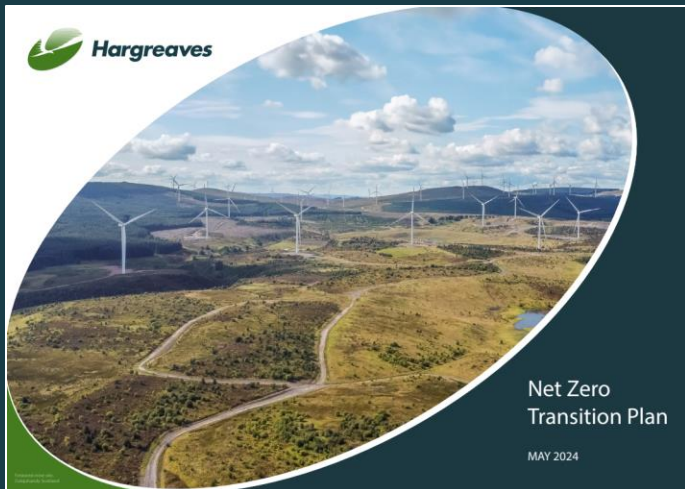


Hargreaves Services plc – ESG



✓ Net Zero published, targeting phased reduction to zero carbon by 2050

✓ Over 170,000 trees planted on land owned by the Group



✓ Achieved Supply Chain Sustainability School Silver rating

✓ Targeting Gold in FY25

Services

- Over 70% of revenues secured under contract for new financial year providing confidence in the continued delivery of sustainable and reliable profits into the future

Land

- First tranche of renewable energy land assets going to market in FY25
- Growing pipeline of development opportunities

HRMS

- Second half DK improvement gives confidence for the new financial year
- Focus remains on cash returns from the joint venture

Group Outlook

- Trading outlook for FY25 is strong led by Services and Hargreaves Land
- Free from bank debt and pension liability
- **Sustainable full year dividend increased to 36p**

Hargreaves Services plc – Investment Proposition



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