

Hercules Site Services



13th May 2024

Further good growth in H1, in line with expectations

Hercules' H1 trading update confirms another period of strong growth, in line with expectations. Revenue in H1'24 is expected to be over £47m, an increase of c.27% over H1'23. This represents c.50% of our FY'24 forecast (£94.7m), suggesting the Group is well on track at the half year stage. All income streams grew, underpinned by substantial demand from the infrastructure sector, as well as the Group's own growth initiatives. Contract momentum remains positive, and we note an encouraging trend in recent industry data. We look forward to further details in the interims on 3rd June and retain our Fair Value / share estimate of 55p.

Positive H1 update ahead of June interims

Hercules' H1 update strikes a positive tone. Revenue for the six months to 31st March is expected to be over £47m, growth of c.27% year on year and in line with our expectations. The CEO's statement points to recent contract successes, including over £5m in civil projects and the significant new framework agreement with Costain. The integration of Future Build is said to be progressing well and the Hercules Construction Academy is already developing a reputation for first class training.

Company Data

EPIC	HERC.L
Price (last close)	33.7p
52 weeks Hi/Lo	37p/24p
Market cap	£21.3m
ED Fair Value / share	55p
Proforma net cash/ (debt)	(£22.8m)
Avg. daily volume	32,000

Share Price, p

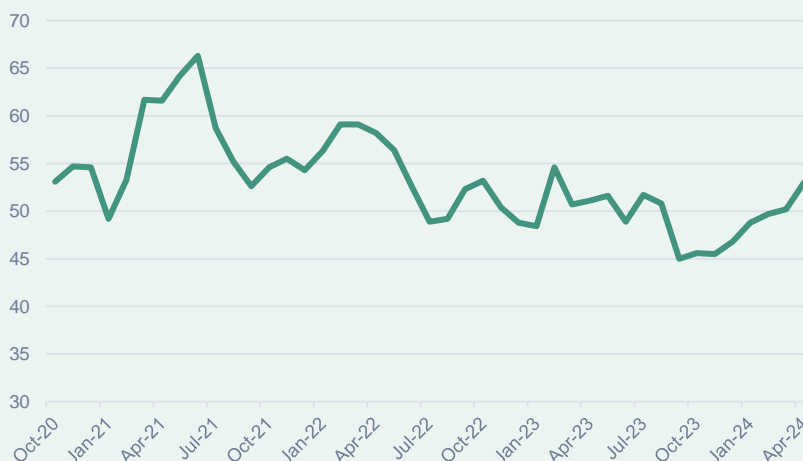


Source: ADVFN

Description

Hercules Site Services is a leading supplier of labour to the Construction industry in the UK. The business was founded in 2008 by CEO Brusk Korkmaz, and has achieved significant growth since then, reporting revenue of £84.7m in FY23. The business floated on AIM in 2022 to provide access to capital to support the next stage in the Group's growth plans.

UK Construction PMI shows strong improvement in April



Source: S&P/CIPS UK Construction PMI

UK Construction industry data (PMI) was positive in April for the second month running with the strongest pace of expansion since February 2023, suggesting a more supportive environment overall.

Key Financials & Valuation metrics

Year-end Sept, £m	2020A	2021A	2022A	2023A	2024E	2025E
Sales	23.0	32.8	49.5	84.7	94.7	100.1
Adjusted EBITDA	1.4	2.4	2.3	4.1	4.4	4.8
Adjusted PBT	1.0	1.4	0.7	0.9	0.7	1.1
FD Adj. EPS (p)	N/A	N/A	1.5	1.7	0.9	1.6
DPS (p)	N/A	N/A	1.7	1.7	1.7	1.7
Net Cash/(Debt)*	-4.0	-9.2	-18.2	-22.8	-22.8	-20.9
Net Cash/(Debt)**	1.7	-1.7	-5.3	-5.8	-8.9	-9.2
P/E	N/A	N/A	22.5x	19.8x	37.4x	21.1x
EV/EBITDA	17.4x	12.1x	17.0x	10.5x	9.8x	8.4x
EV/Sales	1.0x	0.9x	0.8x	0.5x	0.5x	0.4x
Dividend yield	N/A	N/A	5.0%	5.0%	5.0%	5.0%

Source: ED analysis, all numbers IFRS 16 basis * including leases ** excluding leases

James Tetley (Analyst)

0207 065 2690

james.tetley@equitydevelopment.co.uk

Andy Edmond

0207 065 2691

andy@equitydevelopment.co.uk



Contacts

Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

andy@equitydevelopment.co.uk

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

Equity Development Limited is regulated by the Financial Conduct Authority

Disclaimer

Equity Development Limited ('ED') is retained to act as financial adviser for its corporate clients, some or all of whom may now or in the future have an interest in the contents of this document. ED produces and distributes research for these corporate clients to persons who are not clients of ED. In the preparation of this report ED has taken professional efforts to ensure that the facts stated herein are clear, fair and not misleading, but makes no guarantee as to the accuracy or completeness of the information or opinions contained herein.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom ('FSMA'). Any reader of this research should not act or rely on this document or any of its contents. This report is being provided by ED to provide background information about the subject of the research to relevant persons, as defined by the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

Research produced and distributed by ED on its client companies is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent as defined by the FCA, but is 'objective' in that the authors are stating their own opinions. This document is prepared for clients under UK law. In the UK, companies quoted on AIM are subject to lighter due diligence than shares quoted on the main market and are therefore more likely to carry a higher degree of risk than main market companies.

ED may in the future provide, or may have in the past provided, investment banking services to the subject of this report. ED, its Directors or persons connected may at some time in the future have, or have had in the past, a material investment in the Company. ED, its affiliates, officers, directors and employees, will not be liable for any loss or damage arising from any use of this document to the maximum extent that the law permits.

More information is available on our website www.equitydevelopment.co.uk

Equity Development, 2nd Floor, Park House, 16-18 Finsbury Circus, London, EC2M 7EB

Contact: info@equitydevelopment.co.uk | 020 7065 2690