

Hercules Site Services



Fundraising to support growth ambitions

9th September 2024

Hercules has announced a placing and subscription to raise gross proceeds of £8m, strengthening the balance sheet and supporting future growth ambitions. The funds have been raised from two successful entrepreneurs as well as existing institutional investors. Hercules has an excellent track record of revenue growth set against an uncertain and, at times, challenging economic backdrop. With a strengthened balance sheet, the Group looks well positioned to capitalise on improving market conditions with ambitions to accelerate growth via selective M&A. We have updated our forecasts to reflect the fundraising (16.2m new shares and £7.5m net proceeds) but make no other changes to our model. We retain a high level of conviction in Hercules' ongoing growth potential and strategic direction and increase our Fair Value estimate to 60p per share (from 55p).

£8m fundraising materially strengthens balance sheet

Hercules has announced a placing, subscription and secondary sale. An aggregate of 12.2m new shares have been placed at 49.5p per share alongside a subscription for a further 4.0m new shares to raise gross proceeds of approximately £8m. This materially strengthens the balance sheet; before this announcement, our forecasts showed net debt of c.£9m (exc. leases). Via the secondary sale, 6.1m shares have also been sold by Hercules Real Estate Limited (HRE), a company controlled by Brusk Korkmaz (Hercules' CEO) and his wife. Following completion of the placing and subscription, HRE will still be the largest shareholder with 45% of the issued share capital (ISC).

Backed by entrepreneurs and institutional investors

The fundraising has been supported by two successful entrepreneurs, Martin Tedham, majority shareholder of Wasdell Packaging Limited (a £75m revenue business) and Ged Mason OBE, who has decades of experience in the recruitment sector as CEO of Morson Group. Ged Mason will own 9.5% of Hercules' enlarged ISC on completion. Martin Tedham will have an interest in 12.7% of the enlarged ISC and will join the Board as a Non-Executive Director. Premier Miton Group, a substantial shareholder, is subscribing for 485k new ordinary shares in the placing.

Recent trading update highlighted excellent contract momentum

The recent trading update (25th July) highlighted notable contract successes and encouraging signs in terms of the new government's housing and infrastructure plans. We have updated our forecasts for the fundraise within this note and look forward to a year-end trading update in October.

Company Data

EPIC	HERC.L
Price (last close)	49.5p
52 weeks Hi/Lo	51p/24p
Market cap (post placing)	£39m
ED Fair Value / share	60p
Proforma net cash/ (Debt) post placing	(£13.3m)
Avg. daily volume	39,600

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.

Next news: Trading update post September year-end

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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	1.2
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	-17.2	-13.3
Net Cash/(Debt)**	1.7	-1.7	-5.3	-5.8	-3.3	-1.6
Net Debt**/EBITDA	N/A	0.7x	2.4x	1.4x	0.7x	0.3x
P/E	N/A	N/A	33.1x	29.2x	55.6x	39.9x
EV/EBITDA	31.5x	20.2x	25.6x	15.2x	12.9x	10.9x
EV/Sales	1.9x	1.5x	1.2x	0.7x	0.6x	0.5x
Dividend yield	N/A	N/A	3.5%	3.5%	3.5%	3.5%

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



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