

# Hercules Site Services



## AGM reflects on a year of substantial progress

11th March 2024

Today's AGM update reiterates management's confidence in the outlook for the current financial year, whilst reflecting on the substantial progress of the past 12 months. Having delivered c.70% revenue growth and c.80% EBITDA growth in FY'23, Hercules has made further strategic progress in the early months of FY'24 through the acquisition of Future Build Recruitment and the launch of its Construction Academy.

In our view, Hercules' share price performance does not yet reflect recent progress. We reiterate our Fair Value/ share estimate of 55p, representing an FY'25 EV/EBITDA rating of c.11.5x. Next news will be interim results during the week commencing 3<sup>rd</sup> June.

### A year of significant growth and strategic progress

Hercules' AGM update reflects on the successes of FY'23, the Group's first full year as a listed company. To recap, FY'23 results were comfortably ahead of our expectations, showing revenue growth of over 70% to £84.7m and adjusted EBITDA growth of nearly 80% to £4.1m. Our detailed full year results note is available [to download here](#).

### Current year developments underpin growth trajectory

A busy start to FY'24 saw the Group's first acquisition - of Future Build Recruitment Limited (consideration of £1.25m for 60% of the company), a specialist white-collar recruitment company operating in the UK construction sector. This was followed by the launch of the Hercules Construction Academy, where activity is beginning to ramp up. The success of these initiatives supports the Board's confidence in the current year outlook.

### Confidence in outlook supported by robust infrastructure spending

Hercules is a leading supplier of labour to the infrastructure sector, which remains well supported by committed investment in rail, water, roads and energy over coming years. Infrastructure activity has been a rare bright spot in UK construction recently, set against a more difficult economic backdrop.

In our view, the rating of Hercules' shares is yet to reflect the Group's growth momentum. Hercules is trading on an FY25 P/E rating of c.19x and a dividend yield of c.6% with scope for good earnings growth over the medium term.

Our Fair Value / share estimate remains 55p, representing a FY25 EV/EBITDA rating of c.11.5x

#### Company Data

EPIC	HERC.L
Price (last close)	30p
52 weeks Hi/Lo	41p/24p
Market cap	£19m
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.

#### 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	20.0x	17.6x	33.3x	19.2x
EV/EBITDA	16.7x	11.7x	16.5x	10.2x	9.5x	8.2x
EV/Sales	1.0x	0.9x	0.8x	0.5x	0.4x	0.4x
Dividend yield	N/A	N/A	5.8%	5.8%	5.8%	5.8%

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

#### James Tetley (Analyst)

0207 065 2690

[james.tetley@equitydevelopment.co.uk](mailto:james.tetley@equitydevelopment.co.uk)

#### Andy Edmond

0207 065 2691

[andy@equitydevelopment.co.uk](mailto:andy@equitydevelopment.co.uk)



## Contacts

### Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

[andy@equitydevelopment.co.uk](mailto:andy@equitydevelopment.co.uk)

### Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

[hannah@equitydevelopment.co.uk](mailto: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](http://www.equitydevelopment.co.uk)

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

Contact: [info@equitydevelopment.co.uk](mailto:info@equitydevelopment.co.uk) | 020 7065 2690