

Hercules Site Services



Strategic update – focusing on core activities

6 January 2025

Ahead of full year results next week, Hercules has provided a strategic update this morning. The Group plans to divest its suction excavator business, which is now deemed a non-core activity. The proposed divestment, when completed, will materially reduce Hercules' debt levels and improve free cash flow. It is also expected to contribute to higher profit before tax and EPS, plus enhanced returns for shareholders.

In our view, this looks like a sensible strategic decision, which will support the transition to a capital-light model and enable the Group to maximise opportunities in the core labour supply business. We will await further details before refreshing our forecasts after next week's results.

A strategic move

Hercules has announced its intention to divest its non-core suction excavator business, a move which will materially reduce the Group's debt levels and enable the Group to focus on high growth opportunities within the labour supply business.

In the 12 months to 30th September 2024, the suction excavator business accounted for less than 5% of Group revenue but 88% of consolidated debt excluding invoice discounting.

No terms have yet been disclosed for the proposed divestment.

Notice of FY24 results - 13th January 2025

Hercules has also confirmed that the Group will report results for the year to 30th September 2024 next Monday, 13th January.

As a reminder from October's year-end trading update, Hercules is set to report **another record year**. Revenue is expected to be over £105m, an increase of 24% year on year and comfortably above our original expectations.

Following today's announcement, the FY24 results will present the suction excavators business within discontinued operations.

Forecasts to be updated post results

We shall update our model post results to reflect the new Group structure and will await further details on the terms of the proposed divestment before fully updating our cashflow and balance sheet forecasts.

Company Data

EPIC	HERC.L
Price (last close)	42p
52 weeks Hi/Lo	51p/24p
Market cap	£33m
ED Fair Value/share	70p
Proforma net cash/ (debt)	(£15.3m)
Avg. daily volume	39,600

Share Price, p



Source: ADVFN

Description

Hercules Site Services ('Hercules') 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

Full year results 13th January 2025

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