

Focused on delivery

24th June 2024

Headline FY24 results were behind the prior year as expected but the underlying core hire and services performance was solid in a tough market. There is more to come from the Velocity strategy but material new business wins, enhanced financial control and the company's growing position in clean energy equipment all augur well for future progress. Management expectations are unchanged and Speedy is trading ahead of FY24 in the first two months of FY25.

Robust core hire and services performance in FY24 results. Lower fuel pass through effects explained over 60% of FY24's 4.3% yoy revenue reduction with Hire (-1.7%) and Service (-1.6%) both down more modestly. Lower Regional customer volumes accounted for these falls as National customers in aggregate traded in-line with the prior year. Cost management actions effectively covered staff cost inflation and higher (non-itemised asset) depreciation, though lower overall volumes and a c.£3m adverse swing on asset disposals drove a lower EBIT outturn. A normalised JV contribution after an exceptionally strong FY23 and higher interest costs (the c.£20m acquisition of Green Power Hire pushed up average net debt alongside higher prevailing interest rates) resulted in a c.50% (£16m) adjusted PBT reduction. Underlying free cash flow performance was positive particularly with regard to receivables in H2 despite well-publicised challenges in the construction/contractor space. Net debt (pre IFRS16) ended the year at £101m, up c.£9m yoy but slightly below guidance. Speedy held its full year dividend at the same level as the prior year.

Greater stability and optimism at the start of FY25. Notably, Regional demand stabilised in Q424 against a relatively firm Q423 and revenues are said to be ahead in the first two months of FY25. Management expectations for the year are unchanged, signalling FY24 as the earnings trough. In the near term, progress is more likely to come from some firming of hire rates in our view. As the year progresses, mobilising new business won on multi-year contracts (including AMEY announced post results on 20 June) – and partly serviced by an increase in capex – infers that the usual seasonal business bias will be amplified in FY25 to reflect the ramp up and run rate of this work. The general tone appears to be one of cautious optimism, with indications of project demand rising. Confirmation of post-election economic policy priorities, an initial reduction in interest rates and further progress in industry project newsflow would all be beneficial for sentiment and trading.

Velocity is one year into its five-year strategic plan. This is still very much an enabling phase – though the capacity for growth already exists – and investment in operational and customer-facing workstreams are evident and planned. This holistic approach is intuitively appealing and seeks to build on Speedy's very strong technology position. The execution appears to be on plan and delivering improvements in margins and returns will be the measure of progress in due course.

Company Data

EPIC	SDY
Price (last close)	34.0p
52 weeks Hi/Lo	38.95p/22.50p
Market cap	£151m
FY24 net cash/(debt)*	£(101)m
*Pre IFRS16 basis	
Avg. daily volume	1.4m

Share Price, p



Source: ADVFN

Description

Speedy Hire is the UK and Ireland's leading provider of tools, specialist equipment and services operating from a nationwide network of c.180 depots. Its activities comprise:

Hire (60% FY24 revenue); generated from a broad range of plant, equipment and tool assets as well as transportation & repair income),
Services (39%); includes third party asset re-hire, training, testing and the sale of fuel & other consumables, and
Other (c.1%); asset disposals.

During FY24, Speedy transitioned its trade/retail presence with B&Q to a digital fulfilment model.

Summary financials

Year to March (£m)	2022	2023	2024	2025E	2026E
Revenue £m	386.8	440.6	421.5	441.2	461.4
EBIT £m	32.1	32.7	24.5	32.6	38.8
PTP adjusted £m	29.6	30.7	14.7	23.0	30.2
EPS adjusted p*	4.12	4.92	2.35	4.0	5.0
DPS p*	2.20	2.60	2.60	2.6	2.6
P/E (x)	8.3	6.9	14.5	8.5	6.8
Dividend yield (%)	6.5%	7.6%	7.6%	7.6%	7.6%

Source: Company Annual Reports, Consensus estimates: Koyfin; *EPS, DPS rounded

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