

Trading slower to pick up in Q4

4 February 2025

The material AMEY contract came on stream as planned but best expectations for H2 have been undone by a continuing weak macro-economic background. We have reduced our core hire estimates by c.8% at the EBITDA level for FY25E. This still infers progress versus H224 and is significantly above H125, albeit not with the momentum previously envisaged. Post the trading update, Speedy is trading on a 40% NAV discount and a c.13% dividend yield.

Favourable Q3 trends not sustained in Q4 to date

H225 started well and improved for Speedy (hire revenues +3% y-o-y in Oct/Nov and +5% in December) but Q4 saw a disappointing start in general hire and trade/retail build rates, driving most of our £10m (2.2%) FY25 revenue reduction and translating to 7.6% lower EBITDA FY25E. Allowing for a slower Speedy Zhodas JV project run rate and nudged up interest costs (see below), our FY25E EPS estimate is down c.45%. These effects are reflected in our following two years' estimates also, to a diminishing extent, trimming EBITDA by c.3-5% (amplified at the EPS level, down 17-28%). Nevertheless, we take our c.£53m H225E EBITDA contribution in a subdued period as a clear indicator of operational gearing potential to come in more favourable conditions.

Expected rate of net debt decline moderates

Current year hire fleet capex ahead of new business pushed up net debt (pre-IFRS16) to £112m at the H125 stage and the effects above now mean that we expect a similar end FY25 outturn. Our projections for broadly neutral net cash flow in the following two years are unchanged, resulting in higher expected interest costs in all three years. Clearly, less short-term investment would facilitate net debt reduction but the Velocity growth strategy is unlikely to change in our view. On our estimates, end FY25E gearing of 1.7x (net debt:EBITDA pre IFRS16, company basis), declines to 1.4x by end FY27. Factoring in our updated model, the current dividend yield and UK economic recovery uncertainties, we now run with a flat DPS profile across our estimate years.

Valuation: Material discount to NAV

Our end FY25E NAV is c.4% lower (at 32.4p per share) and the share price discount has widened significantly to c.40%. In addition, the dividend yield is now 13.3% (based on an unchanged FY25E DPS, noting that this is uncovered by FY25E earnings and free cash flow). For the record, our previously derived DCF valuation of 51.1p/per share is equivalent to long-term EBITDA generation of c.£130m; we will review all inputs with the FY25 results announcement in June.

Company Data

EPIC	SDY
Price (last close)	19.5p
52 weeks Hi/Lo	41.4p/19.5p
Market cap	£90m
ED Fair Value per share	51.1p
End FY25E net debt	£(112)m
Pre IFRS16 basis	

Share Price, p



Source: investing.com

Description

Speedy Hire (Speedy) is the UK and Ireland's leading provider of tools, specialist equipment and services operating from a nationwide network of 144 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 (included within Hire revenues). SDY also has two JV operations: Speedy Zhodas (in Kazakhstan, since 2013) and Speedy Hydrogen Services (UK, launched in H224).

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Summary financials

Year to March (£m)	2023	2024	2025E	2026E	2027E
Revenue £m	440.6	421.5	434.6	457.2	481.1
EBITDA £m	103.9	96.8	97.0	103.7	114.2
EBIT £m	32.7	24.5	25.6	31.0	40.2
PTP adjusted £m	30.7	14.7	12.0	17.7	27.4
EPS adjusted p	4.92	2.24	2.01	2.92	4.52
DPS p	2.60	2.60	2.60	2.60	2.60
P/E (x)	4.0	8.7	9.8	6.8	4.4
EV/EBITDA (x)	1.8	2.0	2.1	2.0	1.8
Dividend yield (%)	13.3%	13.3%	13.3%	13.3%	13.3%

Source: Company Annual Reports, Equity Development

Financial Summary

Speedy Hire: Income Statement										
Year End: March	£m	2019*	2020**	2021**	2022	2023	2024	2025E	2026E	2027E
		IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
Revenue		394.7	371.5	332.3	386.8	440.6	421.5	434.6	457.2	481.1
Gross Profit		214.4	214.3	184.9	221.1	239.4	230.0	238.4	253.6	269.7
EBITDA - SDY norm		103.6	103.4	90.6	100.1	103.9	96.8	97.0	103.7	114.2
EBIT - SDY norm		36.7	33.4	21.7	32.1	32.7	24.5	25.6	31.0	40.3
Net Bank Interest		(2.9)	(3.0)	(2.6)	(2.6)	(4.4)	(7.4)	(9.0)	(8.5)	(8.2)
IFRS16 Interest		(3.5)	(2.8)	(2.4)	(2.5)	(3.5)	(5.0)	(5.0)	(5.0)	(5.0)
Other financial		(0.8)	(0.4)	(0.4)	(0.6)	(0.7)	(0.3)	(0.6)	(0.6)	(0.6)
Associates/JVs		1.9	2.8	1.2	3.2	6.6	2.9	1.0	0.7	1.0
Profit Before Tax (SDY norm)		31.4	30.0	17.5	29.6	30.7	14.7	12.0	17.7	27.4
Intangible Amortisation		(0.7)	(1.3)	(0.8)	(0.5)	(0.4)	(0.6)	(0.6)	(0.6)	(0.6)
Other Non-Underlying Items		(2.0)	(12.6)	(8.4)	0.0	(28.5)	(9.0)	(5.0)	(5.0)	0.0
Profit Before Tax (reported)		28.7	16.1	8.3	29.1	1.8	5.1	6.4	12.1	26.8
Tax		(5.5)	(3.9)	(2.2)	(7.7)	(0.6)	(2.4)	(1.5)	(3.0)	(6.6)
Other		0.0	4.6	3.4	0.2	0.0	0.0	0.0	0.0	0.0
Profit After Tax (reported)		23.2	16.8	9.5	21.6	1.2	2.7	4.9	9.1	20.2
EPS FD - SDY norm (p)		4.9	4.5	2.6	4.1	4.9	2.2	2.0	2.9	4.5
EPS FD - reported (p)		4.4	2.3	1.2	4.0	0.2	0.6	1.1	2.0	4.3
Dividend per share (p)		2.0	0.7	1.4	2.2	2.6	2.6	2.6	2.6	2.6
Shares - Basic Weighted Avge (m)		518.5	520.0	522.4	523.3	488.0	460.4	460.4	460.4	460.4
Shares - Period End (m)		525.3	526.8	528.2	518.2	517.0	517.0	517.0	517.0	517.0
Margins (%)										
Gross Profit		54.3	57.7	55.6	57.2	54.3	54.6	54.9	55.5	56.1
EBITDA - SDY norm		26.2	27.8	27.3	25.9	23.6	23.0	22.3	22.7	23.7
EBIT SDY norm		9.3	9.0	6.5	8.3	7.4	5.8	5.9	6.8	8.4

Source: Company, Equity Development. *includes International, ** continuing operations only

Speedy Hire: Cash Flow Statement

Year End: March	£m	2019*	2020*	2021*	2022	2023	2024	2025E	2026E	2027E
		IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
EBITDA - SDY norm		103.6	103.4	90.6	100.1	103.9	96.8	97.0	103.7	114.2
Change in working capital		(4.6)	9.8	12.3	(13.6)	(6.2)	5.8	(6.6)	(3.0)	(7.1)
Purchase of hire equipment (net)		(36.5)	(41.9)	(24.2)	(57.9)	(36.8)	(25.2)	(35.0)	(35.0)	(40.0)
Other		(1.3)	(6.8)	(5.8)	0.0	(9.0)	(8.4)	(4.5)	(4.5)	0.6
Operating Cash Flow		61.2	64.5	72.9	28.6	51.9	69.0	50.9	61.2	67.6
Interest paid		(6.7)	(6.5)	(6.0)	(6.0)	(8.4)	(12.7)	(14.0)	(13.5)	(13.2)
Tax paid		(4.7)	(9.3)	(0.8)	(3.0)	(3.1)	(3.7)	(1.5)	(3.0)	(6.6)
Investing Activities		(36.2)	(3.5)	3.6	(14.1)	(3.4)	(24.2)	(8.2)	(9.5)	(9.8)
Associates & JV income		0.0	0.0	1.0	1.9	5.6	3.9	2.9	1.0	0.7
Tangible Fixed Assets purchased		(6.5)	(9.0)	(7.7)	(13.8)	(8.7)	(9.0)	(8.5)	(8.5)	(8.5)
Tangible Fixed Assets disposed		0.0	4.2	0.8	0.0	0.6	3.0	0.0	0.0	0.0
Intangibles		0.0	0.0	(3.5)	(2.2)	(0.9)	(1.9)	(2.0)	(2.0)	(2.0)
Acquisition consideration		(30.9)	0.0	0.0	0.0	0.0	(20.2)	0.0	0.0	0.0
Disposal proceeds		0.0	0.0	13.0	0.0	0.0	0.0	0.0	0.0	0.0
Other business investments		1.2	1.3	0.0	0.0	0.0	0.0	(0.6)	0.0	0.0
Financing Activities		(7.6)	(32.8)	(81.3)	(15.9)	(38.0)	(25.4)	(29.4)	(37.9)	(37.9)
Change in loan capital		25.8	2.1	(58.2)	25.4	23.3	12.4	8.5	0.0	0.0
IFRS16 lease payments		(23.7)	(24.5)	(23.6)	(24.6)	(26.5)	(26.0)	(26.0)	(26.0)	(26.0)
Equity		(0.6)	0.5	0.5	(5.4)	(23.9)	0.0	0.0	0.0	0.0
Dividends paid		(9.1)	(10.9)	0.0	(11.3)	(10.9)	(11.8)	(11.9)	(11.9)	(11.9)
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Cash Flow		6.0	12.4	(11.6)	(10.4)	(1.0)	3.0	(2.2)	(2.6)	0.1
Opening net cash/(debt) - pre IFRS16		(69.1)	(89.1)	(79.3)	(33.2)	(67.5)	(92.4)	(101.3)	(112.1)	(114.7)
Change in net cash		6.0	12.4	(11.6)	(10.4)	(1.0)	3.0	(2.2)	(2.6)	0.1
Change in loan capital		(25.8)	(2.1)	58.2	(25.4)	(23.3)	(12.4)	(8.5)	0.0	0.0
Other		(0.2)	(0.5)	(0.5)	1.5	(0.6)	0.5	(8.6)	0.0	0.0
Closing net cash/(debt) - pre IFRS16		(89.1)	(79.3)	(33.2)	(67.5)	(92.4)	(101.3)	(112.1)	(114.7)	(114.6)
IFRS16 lease liabilities		(82.4)	(72.9)	(63.2)	(76.7)	(86.1)	(97.6)	(94.4)	(94.4)	(94.4)
Company Free Cash Flow:										
Net Cash Flow			12.4	(11.6)	(10.4)	(1.0)	3.0	(2.2)	(2.6)	0.1
Dividends paid			10.9	0.0	11.3	10.9	11.8	11.9	11.9	11.9
Equity			(0.5)	(0.5)	5.4	23.9	0.0	0.0	0.0	0.0
Change in loan capital			(2.1)	58.2	(25.4)	(23.3)	(12.4)	(8.5)	0.0	0.0
Acquisition consideration			0.0	0.0	0.0	0.0	20.2	0.0	0.0	0.0
Other			0.5	0.5	0.6	0.1	0.9	0.0	0.0	0.0
Free Cash Flow			21.2	46.6	(18.5)	10.6	23.5	1.2	9.3	12.0

Source: Company, Equity Development. *includes International

Speedy Hire: Balance Sheet

Year End: March	£m	2019*	2020*	2021	2022	2023	2024	2025E	2026E	2027E
		IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
Non-Current Assets		371.2	355.5	325.2	366.4	355.1	378.9	382.0	381.4	385.0
Intangible Assets - Goodwill		31.2	17.5	17.5	17.5	17.5	27.4	27.4	27.4	27.4
Intangible Assets - Other		9.9	5.6	7.2	8.4	7.5	12.3	10.5	8.6	6.8
Tangible Assets - Owned		253.3	257.6	233.1	257.7	237.7	233.1	243.5	245.0	250.2
Tangible Assets - RoU		66.4	64.7	59.1	73.3	83.2	97.3	93.8	93.8	93.8
JV/Associate Interests		7.6	7.3	6.2	7.8	9.2	8.8	6.9	6.6	6.9
Other Fixed Assets		2.8	2.8	2.1	1.7	(0.0)	0.0	0.0	0.0	0.0
Current Assets		118.8	135.3	114.3	119.3	121.3	121.3	126.4	131.1	140.1
Inventory		8.8	8.7	8.2	8.1	12.7	11.8	13.1	14.6	16.1
Trade Receivables		98.1	95.5	88.5	100.1	97.9	93.9	100.3	103.5	110.9
Other Debtors		6.6	8.3	5.9	8.6	9.6	11.6	11.9	11.9	11.9
Cash		5.3	22.8	11.7	2.5	1.1	4.0	1.1	1.1	1.1
Current Liabilities		(117.2)	(117.5)	(116.1)	(122.7)	(121.9)	(128.6)	(137.8)	(144.7)	(149.0)
Trade Payables		(54.2)	(52.3)	(49.8)	(45.3)	(39.1)	(44.9)	(46.0)	(47.7)	(49.6)
Other Creditors		(42.9)	(45.0)	(49.1)	(55.1)	(59.4)	(60.4)	(70.5)	(73.1)	(75.7)
IFRS16 Lease Liabilities		(20.1)	(20.2)	(16.7)	(20.6)	(22.1)	(22.1)	(20.8)	(20.8)	(20.8)
Short-term Borrowings		0.0	0.0	(0.5)	(1.7)	(1.3)	(1.2)	(0.5)	(3.1)	(3.0)
Non-Current Liabilities		(163.1)	(163.4)	(102.6)	(136.6)	(169.9)	(195.9)	(203.2)	(203.2)	(203.2)
Long-term Borrowings		(90.4)	(102.1)	(44.4)	(68.3)	(92.2)	(104.1)	(112.7)	(112.7)	(112.7)
IFRS16 Lease Liabilities		(55.0)	(52.7)	(46.5)	(56.1)	(64.0)	(75.5)	(73.6)	(73.6)	(73.6)
Other Long-term Liabilities		(17.7)	(8.6)	(11.7)	(12.2)	(13.7)	(16.3)	(16.9)	(16.9)	(16.9)
Net Assets		209.7	209.9	220.8	226.4	184.6	175.7	167.4	164.6	172.9

Source: Company, Equity Development. *includes International



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