

## Working smarter, aiming higher

07 August 2024

During a period of less favourable market conditions, Speedy Hire has taken a progressive approach to strategic business improvement and this programme is gathering momentum. As a result, we consider it to be much more than a cyclical recovery story. The company's share price has recently rebounded well from lows earlier in the year, but our 51.1p fair value per share is still c.34% above current levels.

Speedy's Velocity strategy is a clear, well-founded holistic organisation transformation programme now entering its second implementation year (of five). Management has ambitious revenue growth and EBITDA margin expansion targets which offer the prospect of profit and earnings growth above wider market levels. Progress on headline metrics will be closely watched by investors but there is plenty of evidence of building blocks for enhanced growth being put in place already in our view.

**Improving outlook:** FY24 results (on 19 June) were lower year-on-year but [we saw a robust underlying performance](#) from core hire and services as well as free cash generation. With progress anticipated in FY25 - effectively confirming FY24 as the earnings trough - improving economic sentiment and increasing traction from Velocity actions taken, Speedy's prospective growth profile is under consideration. In the near term, management has flagged a second half weighting in FY25 driven by the phasing of new business wins coming onstream. Over our three-year estimate horizon, we expect EBITDA and EPS CAGRs of c.25% and c.40% respectively as Speedy regains FY19 earnings levels in FY26 before a more marked step up in FY27.

### Valuation: mid-point fair value 51.1p per share

Having traded at or below its 34p per share NAV for much of calendar 2023, Speedy's share price broke through this level in the last month and has since sustained this momentum. It is now up c.14% YTD (versus c.3% for the FTSE All-Share Index).

On our estimates, Speedy is trading on low conventional forward multiples, particularly so by FY27, and that is before factoring in more ambitious company goals. With a 6.8% dividend yield, Speedy shares offer both income and growth. Taking a simple average of selected peer group multiples and our hybrid DCF/JV approach gives a **mid-point fair value of 51.1p per share** for the company which is c.34% above the current share price.

Company Data	
EPIC	SDY
Price (last close)	38.0p
52 weeks Hi/Lo	41.4p/22.5p
Market cap	£176m
ED Fair Value per share	51.1p
End FY24 net debt	£(101)m
Pre IFRS16 basis	



**Description**

Speedy Hire (Speedy) is the UK and Ireland's leading provider of tools, specialist equipment and services operating from a nationwide network of 147 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.

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Summary financials					
Year to March (£m)	2023	2024	2025E	2026E	2027E
Revenue £m	440.6	421.5	444.5	464.9	486.4
EBITDA £m	103.9	96.8	104.9	112.2	120.4
EBIT £m	32.7	24.5	33.5	39.5	46.5
PTP adjusted £m	30.7	14.7	23.3	29.8	36.9
EPS adjusted p	4.92	2.24	3.93	4.97	6.13
DPS p	2.60	2.60	2.60	2.73	2.87
P/E (x)	7.7	17.0	9.7	7.6	6.2
EV/EBITDA (x)	2.6	2.8	2.6	2.5	2.3
Dividend yield (%)	6.8%	6.8%	6.8%	7.2%	7.5%

Source: Company Annual Reports, Equity Development

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## Investment Summary: good growth at a value price

Speedy Hire is looking to leverage its leading position in UK and Ireland's tools, specialist equipment hire, and support services segments through **a data and digital-led operational transformation** to create an agile, responsive organisation with enhanced performance.

It's stated FY28 financial objectives are:

- **Revenue £650m** (FY23 £441m), with an **EBITDA margin 28%** (23%),
- **Returning 33-50% of earnings to shareholders via dividends**

This is to be achieved by maintaining **leverage in the 1.0-1.5x net debt:EBITDA<sup>1</sup> range** with good operating cash conversion to fund growth investment and **improving group ROCE** (no target specified).

**The Velocity programme is now in its second year** of implementation (of five) with enabling actions well-advanced to facilitate the faster growth rates targeted. We expect margin improvement to come from a combination of increasing operational efficiencies and higher volumes generating favourable gearing effects.

Speedy should be perceived by investors as **more than a cyclical recovery story** given the above market growth being targeted. That said, with inflation having returned to more normal levels, an expectation that the interest rate cycle will also start to descend from its peak in the near future and confidence returning to Speedy's market segments the UK economic cycle looks more favourable now that it has for some time.

This report covers Speedy Hire's evolution over the last six years (all IFRS16 reporting periods) – and the next three years **focusing on the company's business model and how the Velocity strategy can be expected to impact on financial performance**.

Our estimates are conservatively set against these objectives but still generate **three-year CAGRs to FY27 of c.25% in EBITDA and c.40% in EPS**. While our expected dividend growth profile lags this, the current dividend yield (see below) is a clear attraction for investors.

Importantly, business bench strength has been built up under a still relatively new executive board team. An elevated ESG agenda and robust financial reporting with enhanced disclosure levels are two further noteworthy areas of progress in addition to Velocity which itself is founded on what we believe to be an industry-leading IT platform.

Early markers of success are encouraging with **significant business renewals and new account wins** (including Amey, announced on 20 June), **improved staff retention metrics** and several **exclusive supply partnership announcements** (eg with **Niftylift, Milwaukee Tools** and **AFC Energy**). These actions, together with the acquisition of Green Power Hire (October 2023) have reinforced Speedy's ESG credentials in the markets in which it operates. Speedy's **partnership arrangement with B&Q** has evolved to a fulfilment model which is aiming to reach the underserved trade and retail segments more effectively.

### Valuation

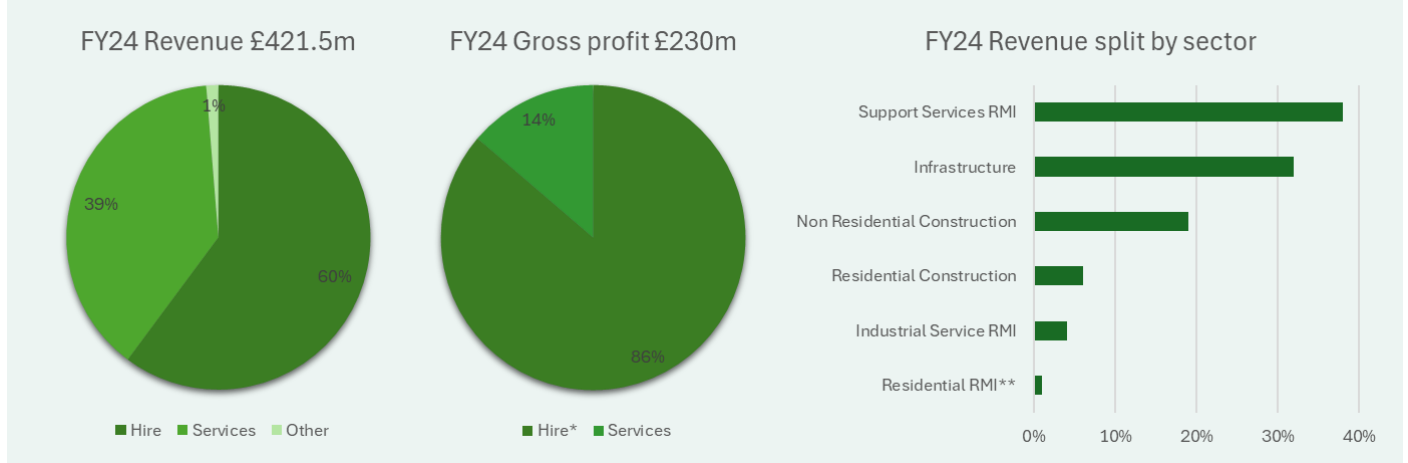
On our estimates, Speedy is trading on a **current year P/E of 9.7x, compressing to 6.2x by FY27** on our estimates with **EV/EBITDA reducing from 2.6x, to 2.3x on the same basis**. These are low on both absolute and relative bases even before factoring in potential upside from faster earnings acceleration from the Velocity programme compared to our estimates. A **prospective dividend yield of 6.8%** is an additional investor attraction, though near-term growth prospects are not as strong as those for earnings.

<sup>1</sup> Pre-IFRS16 basis

## Business background: the building blocks for Velocity

Speedy Hire is a leading UK and Ireland industrial support services company specialising in the Hire of tools and equipment and the provision of related Services to a broad range of largely B2B customers, with the trade and retail segment (part of Hire) accounting for c 1% of group revenue in FY24.

### Speedy Hire: Business scale, divisional mix and end sector splits



Source: Equity Development. \*Hire Gross Profit is net of £0.6m other disposal loss, \*\*Residential RMI segment now served via a fulfilment model with B&Q

**Hire** division activities include the contract hire of owned tools and equipment and revenue generated from ancillary functions where chargeable to the customer such as transport and repairs. **Services** include the re-hire of non-owned tools and equipment, the supply of fuel and other consumable items as well as equipment training, test, inspection and certification activities. Note that Speedy Hire also has two separately reported hire-related JV investments, being an established hire business (Speedy Zholdas, Kazakhstan) and a nascent renewable energy generator business (Speedy Hydrogen Services, UK).

**Background:** Listed on LSE since September 1993, Speedy Hire has traded as an independent hire company through both normal and exceptional cyclical periods subsequently.

Following the post-2008 financial crisis downturn, Speedy's steady improvement in UK/Ireland trading was diluted by a small overseas operation. Management change led to a substantial exit from general/spot hire activities in the Middle East in FY15<sup>2</sup> then followed by wider Board renewal and business restructuring.

By FY20, Speedy had reduced its number of UK/Ireland depots by c.10% to c.200 while revenue recovered to £372m (from £309m in FY16). This period did include four acquisitions, including Lloyds British in FY17.

COVID disruptions began towards the end of Speedy's FY20 – being business obstructive initially and then a boost subsequently to mid-2021- before a two-year period characterised by and a spike in inflation and interest rates and a trading background of anaemic economic growth.

**Management renewal:** Both executive board members changed in FY23; Dan Evans was appointed CEO (previously COO) in October 2022 and Paul Rayner became CFO, on an interim basis in November 2022 and full time from July 2023.

The other Speedy board members include six NEDs, including Chairman David Shearer who, along with Rob Barclay, has been on the board since 2016. The other four directors have between 3 and 7 years' service (averaging over four) and collectively bring a range of relevant sector experience and professional disciplines to the board.

<sup>2</sup> A full exit from remaining Middle East oil and gas sector exposure took place at the end of FY21. A standalone Kazakhstan JV (Speedy Zholdas, established in 2013 to address oil & gas plant hire demand in that country) was retained and continues to contribute to Speedy's earnings.

Much good strategic work has been undertaken to strengthen the foundations for improved business performance despite a backdrop of weak underlying market and investor sentiment.

Speedy launched **Velocity, a five-year strategy**, at a Capital Markets Event in July 2023. **This data and digitally led transformation programme is designed to deliver a growing and sustainable, sector leading business** aligned from supply chain management through to customer interface and service. The stated FY28 financial objectives are as follows:

- **Revenue £650m** (FY23 £441m), with an **EBITDA margin 28%** (23%), all achieved organically
- Maintaining **leverage of 1.0-1.5x EBITDA** with good operating cash conversion to fund investment
- **Improving ROCE** (no target specified)
- **Returning 33-50% of earnings to shareholders via dividends**

This was not the natural end/renewal of an established cycle for the company. Having navigated some exceptional market conditions in FY21 and FY22 (covering initial Covid business disruption and subsequent sharp rebound) there perhaps understandably didn't appear to be an integrated, group-wide strategy process running in lead up to Velocity's launch. In our view, Velocity represents a holistic business improvement programme which is what makes it different to the various initiatives that preceded it.

This is not to ignore many elements included within Velocity which were visible to varying degrees beforehand. Other actions have been taken to round out the team running day-to-day operations and now responsible for implementing strategy. The building blocks for Velocity have been carefully assembled.

- **ESG** – the launch of the Energise initiative in October 2019 (then under a CSR banner) formalised Speedy's 'responsible business' approach. The recruitment of Amelia Woodley as ESG Director in April 2021 reinforced Speedy's ESG commitment, subsequently introducing objectives in a Decade to Deliver programme (FY22) and submitting Science-Based Targets (in FY23), aiming for Net Zero Carbon by 2040.
- **HR** – alongside the above ESG initiatives and in the wake of significant business and industry COVID disruption, Ellie Armour was hired as Chief People Officer in October 2021. The People First employee strategy was formally launched during FY23.
- **Data & digital** – database investigation work with Peak AI commenced in FY18 and, with a focus on management information systems, has progressed on a sector exclusive basis since. Speedy migrated its core ERP system onto a Microsoft Dynamics platform in October 2021. Paul Jackson was hired as Chief Digital and Transformation Officer in May 2022.

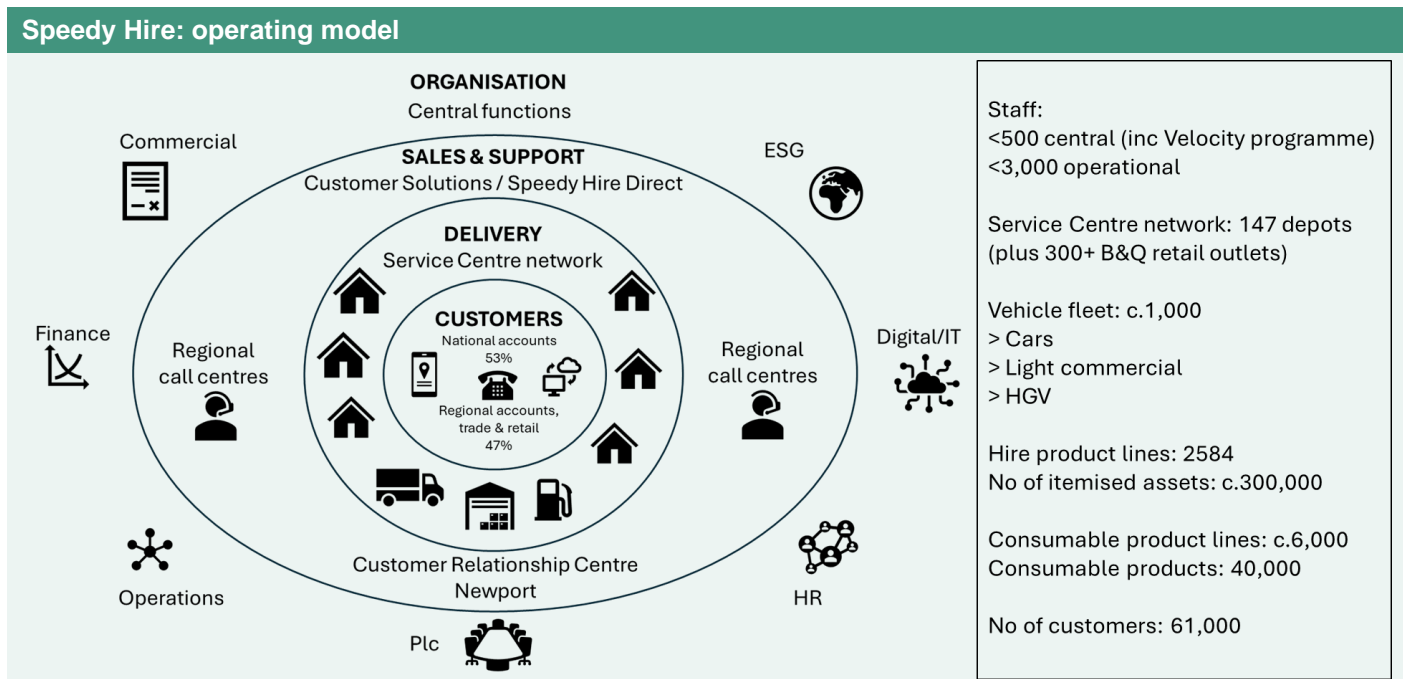
These hires were complementary to existing, longer standing senior roles including **CIO** (in post from 2015), **General Counsel** (2017) and **HSEQ officer** (2020). Hence, the Executive main Board changes in the second half of calendar 2022 followed a number of relatively recent senior hires in key roles relevant to Velocity.

The internal promotion of Danny Johnson to **UK/Ireland MD** (de facto head of operations) in January 2023 and recruitment of Asif Latief as **Chief Commercial Officer** (January 2024) completed the new Executive Team.

## Business model: organisational and cost structures

Speedy is a broad provider of an extensive range of products, services and consumables to an extensive customer base via a supported network of local depots. At its most basic level, the availability of plant for hire with responsive service and competitive terms of business (against both hire industry peers and outright capital purchase alternatives) are key drivers of Speedy Hire's revenue line.

As a service provider, profitability then is dictated by effective management of the cost to serve including hire fleet costs directly and the overall level of organisational efficiency at any given level of activity. We now outline Speedy's delivery model and then look at the primary cost lines. This is the foundation for our later discussion of the company's Velocity strategy and what investors should look out for as markers of progress during the implementation period. In the following diagram, we present a simplified depiction of Speedy's operating model.



Source: Equity Development

It is important to note that that the business substantially trades under a **national brand as Speedy Hire** and mostly uses a **common Service Centre network** to deliver its Hire and Services offering. (Lloyds British's test, inspection and certification plus other training services are delivered differently but do interact with the network and share some of the same customer base.)

At the centre of the diagram, Speedy distinguishes customers as large National (c.400 in number accounting c.53% or revenue) and Regional, trade and retail (49%) each with a number of service contact options. Speedy supports its mobile app, telephone, online and in-person options with a business development/account management call centre structure:

- National accounts:
  - Speedy Hire Direct – dedicated teams for key accounts
  - Customer Solutions – single contact point for multiple product and site set-up hire services
- Regional, trade & retail accounts
  - Customer Relationship Centre – inbound and outbound hub servicing and generating business
  - Regional call centre hubs – supporting local service centres

Core organisational functions are run by an executive board member (in the case of Finance) or executive team director/officer, as covered earlier when describing how the Velocity team has come together.

While we have simplified Speedy's operating model for illustrative purposes, there is significant operational complexity arising from:

- Customers - numbers and types, methods of contact, the range of touch points (from enquiries through to completed transactions), commercial terms and collections,
- Hire asset fleet – managing a range of asset types, inventory tracking (age, condition, location) of both on and off hire equipment across the full lifecycle from purchase/re-hire to disposal,
- Logistics – resourcing and scheduling of vehicles and drivers for the movement of assets around the network and to/from customer sites in line with transaction requirements.

This complexity generates huge volumes of dispersed operational information; the collection, collation and management of this requires high levels of data integrity to be effective and this is the cornerstone of the Velocity programme.

We now look at some of the primary components of Speedy's operating model, its physical service network, hire asset fleet and employee base, broadly summarised as Property, Plant and People. We highlight their scale and importance to the Group and include commentary and tables showing how these categories have evolved. This provides a contextual framework for our subsequent discussion of the Velocity strategy.

### Property: physical service network financial overview

In summary terms, network assets were represented **in the FY24 annual results** by:

- **Non-Current Asset NBV of c.£130m** (c.34% of Non-Current Assets at the year-end), three quarters of which related to Right of Use (RoU) assets, one quarter was owned assets
- **Depreciation & Amortisation of £37.3m** (53 % of group total for the year)

Most obviously, Speedy Hire has an estate of almost 150 service centre depots which are the primary conduit for holding, maintaining, distributing and receiving hire assets. As one would expect, depot sizes vary but we understand that the broad hierarchy categorisation is National (of which there are five: Erith, Glasgow, Newport, Tamworth, Warrington), Regional and Local with an aggregate floor space of c.2.1m square feet.

In addition, a cluster of three head office buildings accommodate the central functions shown in the diagram above. There are also many customer call centres, broadly assigned by account type ie Customer Solutions/Speedy Hire Direct (major accounts based near Haydock), Customer Relationship Centre (SMEs, located in Newport) and several other regional call centres.

Speedy also runs a fleet of vehicles ranging from cars to light commercial vehicles to HGVs for operational use. This includes local delivery of hire fleet equipment and fuel to customers and moving equipment between service centre depot locations to align asset demand and availability.

**It is important to note that Speedy Hire's property estate and own use vehicle fleet are both entirely leased**, appearing on the balance sheet as Right of Use Assets, Land & buildings and Other respectively.

In addition, other operational Owned Asset categories include:

- improvements to short leasehold properties (Property, plant & equipment – Land & Buildings)
- non-hire equipment - fixtures, fittings, office & IT equipment (Property, plant & equipment – Other)
- internally generated/capitalised IT spend (Intangible assets – IT development)



We have pulled together the associated balance sheet entries from FY19 to FY24 (all on an IFRS16 basis) and presented the information together as a single point of reference for the scale and significance of these assets in a group context.

Our other observations are as follows:

- **Property**

- Although the number of Speedy Hire depots has reduced from over 200 in FY19 to c.150 currently, balance sheet RoU asset lease exposure has risen steadily. As well as underlying inflation, this may be due to a combination of larger and/or longer lease depots. The associated depreciation charge has been largely flat.
- Short leasehold improvements have also risen steadily at the gross but not net level. (The installation of solar panels and EV charging points may be a factor in the former trend or, when funded by the landlord, have contributed to rising RoU lease costs and carrying values.)
- We note that the dilapidation provision of c.£16m carried at the end of FY24 was slightly above the short leasehold improvement NBV; while this may be largely coincidental (ie relate to different properties but aggregate to a similar figure), the net balance sheet exposure is negligible. Note also that a full estate survey was undertaken in FY24 and no material changes were made to provisioning (assessed at the beginning of a lease and discounted), suggesting that aggregate exposure had been treated appropriately.
- FY24 annual depreciation of £17m; three quarters arose from IFRS16 RoU asset, the remainder derived from short leasehold property improvements.

- **Vehicle fleet**

- There has been a more marked increase in vehicle leases carried since FY19 (save for COVID-affected FY21) at both gross and net levels. We would expect ESG and the transition to greener vehicles to have been a more significant contributor to this trend than the absolute number of vehicles, though mix could also be a factor. (NB at the end of FY24, 99% of cars and 17% of LCV were electric/hybrid and while the proportion of HGVs was very low, 35% were converted to running on Hydrated Vegetable Oil, or HVO, D+ fuel.)
- The fleet depreciation charge was broadly flat until FY23/FY24 when the above fleet transition effect accelerated. As a proportion of the gross lease value carried (averaged between the start and end year value), the charge has been stable in the low 20% range

- **Other equipment**

- The value of fixtures and fittings etc stepped down noticeably in FY24 owing to two effects, i) the exclusion of fully depreciated kit and ii) some transfer of IT-related assets to Intangibles. We expect the run rate depreciation charge to reflect this reduction.

Speedy only began to capitalise IT development spend from FY20 and that has increased subsequently including the aforementioned asset transfer and Velocity-related spending. The amortisation charge has risen over the last three years, and we would expect it to continue to do so in the Velocity enabling phase.



**Speedy Hire: Non-Current, Non-Hire Assets - physical service network related to operational delivery**

	2019 <sup>1</sup>	2020 <sup>1</sup>	2021	2022	2023	2024 <sup>2,3</sup>		2019 <sup>1</sup>	2020 <sup>1</sup>	2021	2022	2023	2024 <sup>2</sup>
<b>Property &amp; Equipment - Owned Assets</b>							<b>Property &amp; Equipment - RoU Assets</b>						
<b>Total - gross</b>	<b>130.0</b>	<b>139.1</b>	<b>143.8</b>	<b>151.8</b>	<b>158.9</b>	<b>104.4</b>	<b>Total - gross</b>	<b>177.9</b>	<b>179.7</b>	<b>179.5</b>	<b>200</b>	<b>210.1</b>	<b>232.4</b>
Total - depreciation	-97.8	-107.4	-113.2	-114.6	-123.2	-71.6	Total - depreciation	-105.7	-115.0	-120.4	-125.8	-126.9	-135.1
<b>Total - net</b>	<b>32.2</b>	<b>31.7</b>	<b>30.6</b>	<b>37.2</b>	<b>35.7</b>	<b>32.8</b>	<b>Total - net</b>	<b>72.2</b>	<b>64.7</b>	<b>59.1</b>	<b>74.2</b>	<b>83.2</b>	<b>97.3</b>
Additions	6.7	9.1	11.2	15.9	9.7	10.9							
Disposals	-0.1	-0.1	-5.4	-3.5	-2.0	-3.0							
<b>P&amp;L charge: Depreciation/Amortisation</b>	<b>9.9</b>	<b>9.6</b>	<b>9.7</b>	<b>8.5</b>	<b>10.5</b>	<b>10.9</b>	<b>P&amp;L charge: Depreciation</b>	<b>22.1</b>	<b>24.9</b>	<b>24.7</b>	<b>23.5</b>	<b>26.6</b>	<b>26.4</b>
							IFRS16 finance charge	3.5	2.8	2.4	2.5	3.5	5.0
							<b>P&amp;L cost of leases</b>	<b>25.6</b>	<b>27.7</b>	<b>27.1</b>	<b>26.0</b>	<b>30.1</b>	<b>31.4</b>
<b>Land &amp; buildings</b>							<b>Land &amp; buildings</b>						
	<i>Improvements to short leasehold properties</i>							<i>Depot &amp; ancillary leases</i>					
Tangible Fixed Assets - gross	52.2	54.8	50.6	53.2	54.5	58.2	Leased Fixed Assets - gross	128.0	127.8	131.3	144.4	145.3	165.5
Tangible Fixed Assets - depreciation	-33.1	-36.5	-36.6	-37.6	-40.6	-43.7	Lease Fixed Assets - depreciation	-77.2	-80.6	-86.6	-92.3	-100.3	-106.3
<i>Tangible Fixed Assets - net</i>	<i>19.1</i>	<i>18.3</i>	<i>14.0</i>	<i>15.6</i>	<i>13.9</i>	<i>14.5</i>	<i>Leased Fixed Assets - net</i>	<i>50.8</i>	<i>47.2</i>	<i>44.7</i>	<i>52.1</i>	<i>45.0</i>	<i>59.2</i>
Additions	1.4	2.4	1.7	6.1	3.3	6.7							
Disposals	-0.1	-0.1	-5.4	-3.5	-2.0	-3.0							
<b>Depreciation charge</b>	<b>3.2</b>	<b>3.4</b>	<b>3.6</b>	<b>3.9</b>	<b>4.4</b>	<b>4.4</b>	<b>Depreciation charge</b>	<b>10.8</b>	<b>13.2</b>	<b>13.3</b>	<b>12.2</b>	<b>13.1</b>	<b>12.6</b>
<b>Other</b>							<b>Other</b>						
	<i>Fixtures &amp; fittings, office &amp; IT equipment</i>							<i>Cars, lorries, van &amp; forklift leases</i>					
Tangible Fixed Assets - gross	77.8	83.1	88.5	91.7	96.6	28.2	Leased Fixed Assets - gross	49.9	51.9	48.2	55.6	64.8	66.9
Tangible Fixed Assets - depreciation	-64.7	-70.9	-76.6	-76.5	-80.7	-20.2	Lease Fixed Assets - depreciation	-28.5	-34.4	-33.8	-33.5	-26.6	-28.8
<i>Tangible Fixed Assets - net</i>	<i>13.1</i>	<i>12.2</i>	<i>11.9</i>	<i>15.2</i>	<i>15.9</i>	<i>8.0</i>	<i>Leased Fixed Assets - net</i>	<i>21.4</i>	<i>17.5</i>	<i>14.4</i>	<i>22.1</i>	<i>38.2</i>	<i>38.1</i>
Additions	5.3	5.5	6.0	7.6	5.5	2.3							
<b>Depreciation charge</b>	<b>6.7</b>	<b>6.2</b>	<b>6.1</b>	<b>4.1</b>	<b>4.7</b>	<b>3.5</b>	<b>Depreciation charge</b>	<b>11.3</b>	<b>11.7</b>	<b>11.4</b>	<b>11.3</b>	<b>13.5</b>	<b>13.8</b>
		7.7%	7.1%	4.6%	5.0%	5.6%		23.0%	22.8%	21.8%	22.4%	21.0%	
<b>Intangibles - IT development</b>													
Intangible Fixed Assets - gross	0.0	1.2	4.7	6.9	7.8	18.0							
Intangible Fixed Assets - amortisation	0	0	0	-0.5	-1.9	-7.7							
<i>Intangible Fixed Assets - net</i>	<i>0.0</i>	<i>1.2</i>	<i>4.7</i>	<i>6.4</i>	<i>5.9</i>	<i>10.3</i>							
Additions	0	1.2	3.5	2.2	0.9	1.9							
<b>Amortisation charge</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.5</b>	<b>1.4</b>	<b>3.0</b>							
<b>Notes:</b>							<b>Notes:</b>						
1. FY19 & FY20 includes assets in International operations which were exited in FY21							1. FY19 & FY20 includes assets in International operations which were exited in FY21						
2. The acquisition of Green Power Hire did not impact these asset balances							2. The acquisition of Green Power Hire did not impact these asset balances						
3. In FY24, Other: fully depreciated IT equipment balances were stripped out while certain other software items were transferred to Intangible Assets (£8.3m gross book value, £5.5m net)													

Source: Company, Equity Development

## Plant: Hire asset fleet financial overview

In FY24, Hire assets were represented by:

- **NBV £211m** (56% of Non-Current Assets at the year-end)
- **FY24 annual depreciation charge £32.6m** (47% of group underlying depreciation and amortisation)
  - Equivalent to 12.9% of Hire revenues (excluding disposals), 7.7% of group revenues

In contrast to the other primary property and vehicle Non-Current Asset groups highlighted above, Speedy purchases hire assets outright rather than funding them via finance leases.

Hire assets are typically depreciated on a straight-line basis, with an estimated residual value. Given there are several different functional asset categories, there is a range of expected useful lives/depreciation periods (see FY24 Annual Report, p130). Carried hire asset values are subject to annual audit.

The table below pulls together balance sheet and other information concerning hire assets for the IFRS16 reporting period (FY19-FY24) and present as a single point of reference:

Speedy Hire: Non-Current, Hire Assets							
	£m	2019	2020	2021	2022	2023	2024
<b>Hire Equipment</b>							
Tangible Fixed Assets - gross		385.8	408.1	386.6	422.7	395.9	386.0
Tangible Fixed Assets - depreciation		-168.9	-181.0	-179.4	-195.8	-188.0	-175.4
<i>Tangible Fixed Assets - net</i>		<b>216.9</b>	<b>227.1</b>	<b>207.2</b>	<b>226.9</b>	<b>207.9</b>	<b>210.6</b>
		56%	56%	54%	54%	53%	55%
Itemised					177.6	175.8	182.5
Non-Itemised					49.3	32.1	28.1
		<b>216.9</b>	<b>227.1</b>	<b>207.2</b>	<b>226.9</b>	<b>207.9</b>	<b>210.6</b>
<b>Utilisation - Itemised</b>		57.0%	55.9%	58.8%	57.0%	54.4%	52.4%
<b>Utilisation - Non-Itemised</b>							49.4%
<b>Hire Equipment - gross</b>							
<b>Start year</b>		<b>364.0</b>	<b>385.8</b>	<b>408.1</b>	<b>386.6</b>	<b>422.7</b>	<b>395.9</b>
Additions		55.1	55.3	36.0	68.4	52.1	42.5
Disposals		-25.5	-21.6	-46.0	-15.8	-22.2	-35.9
Transfers to inventory		-18.3	-12.1	-10.4	-15.5	-23.6	-27.8
Acquisitions		10.7	0	0	0	0	11.8
FX		-0.2	0.7	-1.1	-1.0	-0.1	-0.5
Exceptional write-offs		0	0	0	0	-33.0	0
<b>End Year</b>		<b>385.8</b>	<b>408.1</b>	<b>386.6</b>	<b>422.7</b>	<b>395.9</b>	<b>386.0</b>
<b>Hire Equipment - depreciation</b>							
<b>Start year</b>		<b>-160.3</b>	<b>-168.9</b>	<b>-181.0</b>	<b>-179.4</b>	<b>-195.8</b>	<b>-188.0</b>
Charged in the year		-36.1	-34.9	-33.7	-35.2	-33.9	-32.6
Disposals		14.7	14.3	27.4	7.2	11.9	24.5
Transfers to inventory		12.8	8.5	7.3	11.5	17.4	20.5
FX		0	0	0.6	0.1	-0.2	0.2
Exceptional write-offs		0	0	0	0	12.6	0
<b>End Year</b>		<b>-168.9</b>	<b>-181.0</b>	<b>-179.4</b>	<b>-195.8</b>	<b>-188.0</b>	<b>-175.4</b>
<b>Hire Equipment - In-year</b>							
Additions		55.1	55.3	36.0	68.4	52.1	42.5
Depreciation charge		-36.1	-34.9	-33.7	-35.2	-33.9	-32.6
<b>Net Additions</b>		<b>19.0</b>	<b>20.4</b>	<b>2.3</b>	<b>33.2</b>	<b>18.2</b>	<b>9.9</b>
Additions:Depreciation (x)		1.5	1.6	1.1	1.9	1.5	1.3

Source: Company, Equity Development. NB FY19 & FY20 both included contributions from International operations 1. Acquisitions: FY19 Lifterz, FY24 Green Power Hire 2. Non-itemised having identified a quantitative shortfall, asset carrying values were subject to a significant write-down in FY23

Our other observations are:

- **Speedy has consistently invested in excess of depreciation** in the ongoing fleet (at around 1.5x) and at 10-15% of start year gross book value (taking an average of the COVID-affected FY20 and FY21 years).
- **Acquisitions** have also contributed to fleet development (e.g. FY19 Lifterz – powered access, FY24 Green Power Hire – battery storage).
- **Fleet churn (FY19-FY24)** on average, per annum:
  - Hire Asset additions of c.£52m
  - Hire Asset reductions of c.£46m (comprising unplanned due to customer loss/damage c.£28m and £18m planned sales), or c.£44m excluding International assets exited in FY21
  - Reductions have made a modest positive P&L contribution in four out of six years (the exceptions being FY20 £9.5m loss and FY24 £2.6m loss – affected at the year-end by Covid and by above average reduction activity respectively).
  - Itemised assets<sup>3</sup> accounted for 87% by NBV of Speedy's hire fleet at the end of FY24

At the end of FY24, the gross and net book values of Speedy's Hire fleet was broadly the same as the end of FY19. However, in underlying composition there are some important changes to note:

- International – the remaining Middle East oil & gas sector hire assets were sold at the end of FY21, removing c.£18m fleet NBV from that year's balance sheet onwards.
- Acquisitions, as mentioned above, added c.£33m of assets at the time of joining the group
- FY23 included an exceptional write down of Non-itemised assets – £20.4m net
- The most important aspect of fleet investment and churn has been the introduction of greener technology equipment into the Hire fleet; since first reported in FY21, ECO<sup>4</sup> classified products have grown from 23% of the hire fleet (and 25% of hire revenues) to 51% (and 55%) respectively

The need to invest to maintain and evolve a modern, reliable fleet with increasing environmental credentials provides an important foundation for the **critical inter-related hire sector disciplines of pricing and utilisation**. We will return to this area later in the report in the Financials section but note for now that leading players in the general plant hire industry commonly reports plant hire utilisation in the 50-60% range: (SDY FY19-24 Itemised 52.4-58.8%)

- Seasonality affects utilisation of specific asset types – eg lighting, heating/cooling, outdoor working
- Rising plant hire triggers FOMO investment, protection of mkt share and service levels – by category
- Falling plant hire triggers disposals (often at the same time as others – auctions)

### People: Employee base financial overview

Speedy employed almost 3,300 people at the end of FY24; we understand that over 400 are engaged in central functions (including 48 on the Velocity transformation programme at the year-end) with the majority therefore in operational roles.

Excluding wholly owned international operations which were exited in FY21, average UK/Ireland staff numbers have largely remained in the 3,300-3,400 range, with the proportion in central functions nudging up by a couple of percentage points to 9% between FY19 and FY24. Over the same time, **revenue per**

<sup>3</sup> Itemised assets typically are higher value equipment, individually identifiable by serial numbers, Non-itemised assets are tracked quantitatively rather than at individual level (e.g. fencing, scaffolding).

<sup>4</sup> Speedy definition

**head for the core hire and services activity has risen by c.14% to c.£122k in FY24** though not in a linear fashion.

We are not able to split UK/Ireland staff costs from International up to and including FY21 but in the subsequent three years, **staff costs have accounted for 30-32% of core hire and services revenue**, sitting in the middle of that range in FY24.

**Group staff costs were effectively flat y-o-y at c.£129m in FY24**, with an average headcount 3.3% lower (at 3,409 for the year). A like-for-like comparison with FY23 is muddled by depot changes (3 closures, 1 new opening), hiring staff to progress the Velocity programme and the acquisition of **Green Power Hire** (in October 2023). We conclude that the underlying operational headcount reduction was greater than 3.3% (including depot optimisation and exiting B&Q concessions and management restructuring) but this was offset by the combined effects of underlying pay inflation and hiring activity referenced above as part of Velocity's enabling phase, re-shaping the group over time.

It is worth mentioning that Speedy management specifically called out a c.£7.2m P&L investment in base pay at lower grade levels, which we assume is to be sustained. Feeding into its wider ESG approach, a People First strategy has been given greater prominence by implication and by action taken. This also includes more flexible working arrangements and a broad range of other staff-centric programmes designed to retain and develop a group culture. This appears to be having the desired effect with voluntary attrition stated to have been at a record low of 16.1% in FY24.

## Velocity: focus on implementation, margins and growth

As described earlier, we see the change of leadership and influx of new senior talent as the chief catalyst behind gathering strategic momentum manifested in the Velocity transformation programme. As well as day-to-day operational responsibilities, the Executive Team is leading the implementation of Velocity.

We now look at the expected execution roadmap of Velocity and some of the constituent parts before going on to outline some of the financial implications of Velocity on the way to the outlined five-year targets.

## Going through the phases: enabling and growing

Management envisages Velocity's enabling and growth phases running concurrently, clearly laying the groundwork in the first half of the five-year strategic period in the expectation that growth will become more prominent in the latter half.

The initial two to three year enabling phase is very much focused on building out a high-quality digital platform to support excellence in data-led operational decision making to optimise operational efficiency and in customer interactions. In operational terms, this translates to optimising the scale, composition and positioning of the Hire fleet across an aligned service centre network supported by a balanced supply chain and internal logistics capability.



Source: Company

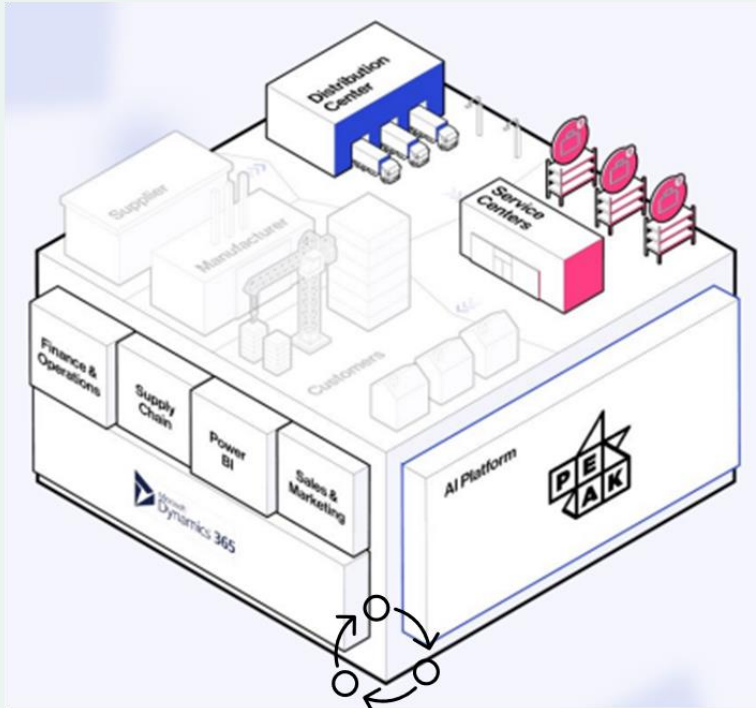
Clearly, the functional elements highlighted earlier (ie abbreviated to 3Ps – Property, Plant and People) are central aspects of service delivery. We also alluded to business complexity driven by the sheer number of variables and volume of data generated from operations

## Data and digital platform underpin Velocity ambitions







Speedy's digital platforms are the key enablers upon which the Velocity strategy is founded. They sit at the junction of 61,000 customers, 40,000 consumables, c.300,000 itemised hire fleet assets, c.1,000 internal vehicle fleet and c.3,300 employees.

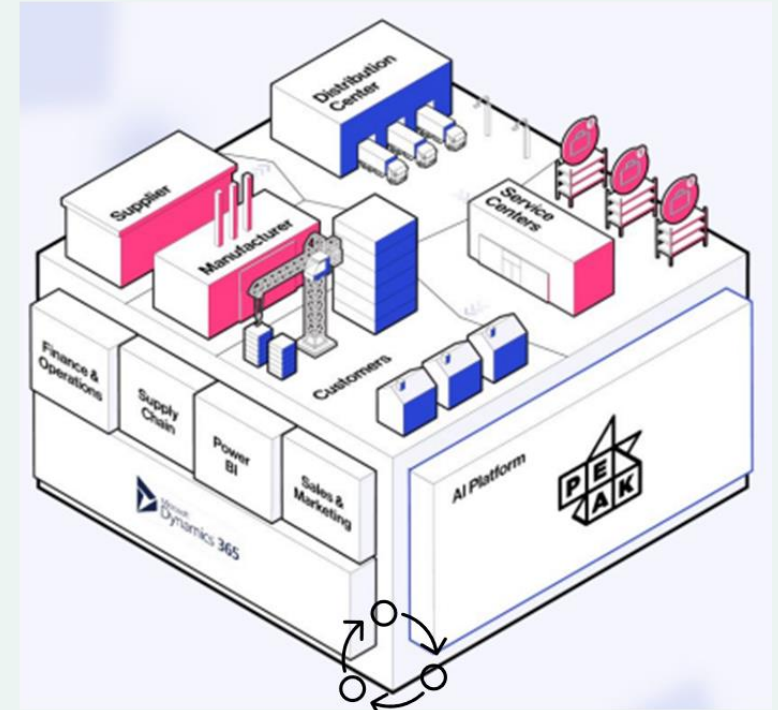
In partnership with Peak AI, Speedy established a regulated common and complete data platform for all itemised hire fleet assets. Alongside this, changes in operational processes were required to maintain asset level data integrity (age, usage history, condition etc) and track physical location (ie network off hire, customer on hire status). From this base using known and forecast demand, the Peak AI system is able to generate optimal levels of inventory in absolute terms and in the most appropriate network locations. The following graphic captures this starting point at the launch of Velocity (see left hand side) and shows the targeted organisational position once the enabling phase is complete.

**Speedy Hire: targeted data and digital platform evolution**



**Planned additions:**

-  **Asset Purchasing**
-  **Stock Replenishment**
-  **Logistics Optimisation**
-  **Emissions Optimisation**
-  **Customer Personalisation**
-  **Price Optimisation**



**Starting position:**

- > Accurate hire asset data
- > Demand Forecasting driving automated direction of hire asset locations to increase utilisation levels and Inventory Level Optimisation

**Target position:**

All transactions are made via a **single digital channel**

All inventory & replenishment decisions are made by **AI**

Source: Company, Equity Development

The **Peak AI system effectively aims to balance the conflicting objectives of excellent asset availability and high utilisation levels**, recognising demand variations and eliminating excessive network inventory where possible. This applies at both overall group and service centre level, and it also forms the basis for pricing strategies.

The current workstreams and next stages of digital development plan to build out from the core hire asset information database, establishing linkages with other functional disciplines: with the ultimate aim of achieving an operationally fully aligned organisation.

- **Asset Purchasing**

Service relationships with supply chain partners are also business decision inputs. Lead times and guarantees influence order behaviours; once the requirement for additional assets is identified, Speedy is then seeking to automate orders and deliveries relying on robust supplier capabilities.

- **Stock Replenishment**

Identifying potential network and service centre inventory gaps and automating a response to ensure that they do not materialise. This requires accurate information on asset availability (perhaps in conjunction with Asset Purchasing above) and logistics capability.

- **Logistics Optimisation**

Assembling a big picture, network-level view of asset movement requirements by from collating service centre inventory requirements and then automatically generating optimal trunking and delivery route and vehicle usage schedules.

- **Emissions optimisation**

There is a direct link here relating to logistics and emissions is a relevant input parameter in creating those vehicle schedules. Monitoring service centre energy usage with control capability and directing Asset Purchases to lower emission and/or renewable energy asset types are other examples.

- **Customer Personalisation**

Improving the customer interface with tailored digital channels and integrated customer service based on new CRM, order management and feedback modules. Progression to business development and identifying upsell/cross-sell opportunities.

- **Price Optimisation**

Based on network asset availability – including inventory levels, locations and logistics requirements – dynamic regional pricing in across customer types.

There is inherent variability associated with hire transactions. For example, actual hire periods may deviate from the original order (shorter or longer), asset performance and condition may affect on-hire/end of hire service requirements and fuel consumption/replenishment cycles will vary if customer activity levels accelerate or slow.

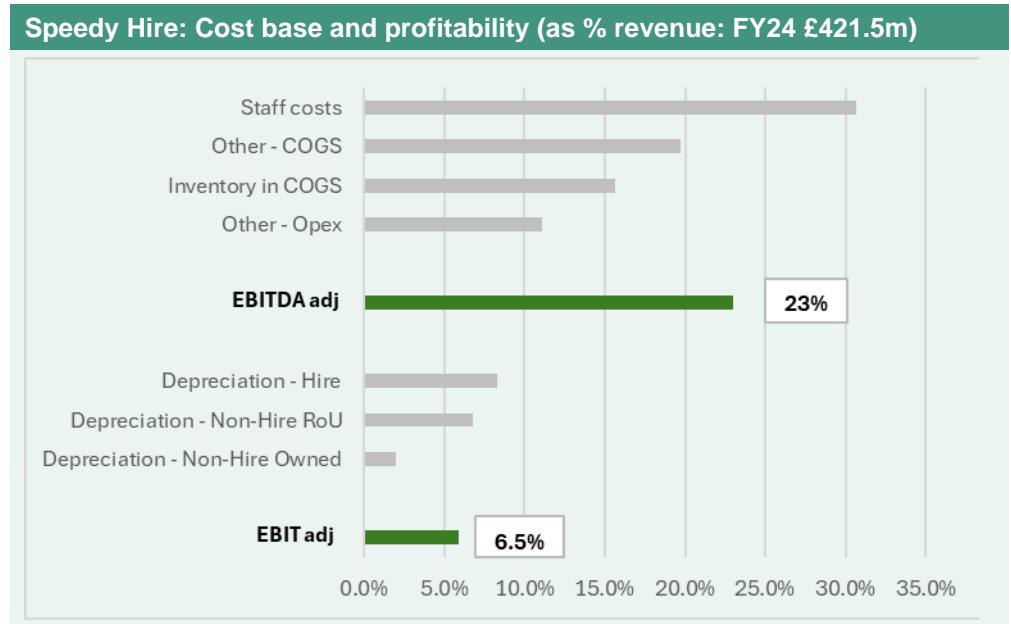
Hence, the management of a hire fleet is a live and constantly changing challenge. Accordingly, it is a dynamic, iterative process which requires good quality data and data processing to make optimal business decisions. The **thrust of the Velocity transformation programme is to create flexible and agile organisational capability that delivers the best ‘what, where, when and for whom’ hire experience as effectively and efficiently as possible.**

While not directly covered in the IT-focused commentary above, we should also reference the development of appropriate employee skill sets for Speedy’s future organisational needs through training programmes as a parallel business requirement.



## Delivering Velocity: some financial context

As a reminder, **Velocity is targeting the achievement of a 28% EBITDA margin by FY28**. Managing the cost base and operational leverage through revenue growth are the two primary levers for achieving this. In this section, we first describe the current cost base (as reported in FY24) before going on to discuss some implications of growth.



Source: Company

In FY24, Speedy generated an EBITDA margin of 23%. The profile of costs incurred to that point was split broadly equally between COGS and Opex (both obviously excluding depreciation<sup>5</sup>). Note that the composition of COGS and Opex is very different:

- **COGS (ex-depreciation)** – substantially made up of Services costs especially re-Hire, fuel and consumable (for re-sale) purchases and a relatively small staff cost component relating to test, inspection and certification. A smaller Hire cost portion concerns transport, repairs and other customer chargeable activities.
- **Opex (ex-depreciation)** – we estimate that staff costs accounted for over 70% the FY24 total in this category with the remainder being made up of general business running costs including utilities, in-house vehicle fleet operational, IT-related, marketing and professional costs.
- **Depreciation** – represented c.16% of FY24 revenue, split slightly in favour of Opex (Non-Hire assets) versus COGS (Hire assets) in the reported P&L

Looking at the above breakdown from a different perspective, we believe that COGS (ex-depreciation) is effectively all variable cost, depending directly on activity levels. Opex (ex-depreciation) is of a significant fixed near-term nature, though overtime/bonuses and actions to increase/decrease the workforce add variability at the margin. Underlying utility usage is likely to be broadly stable for a given network of facilities; absent fixed price agreements, unit costs can inflate/deflate, and ESG-drivers would suggest that overall usage is being managed lower over time. Other Opex items probably exhibit greater variability. Lastly, we would consider both Hire and non-Hire depreciation to be substantially fixed, though variable at the margin with changes to the Hire fleet and (property and vehicle) lease activity respectively over time.

<sup>5</sup> On an FY24 reported basis, including depreciation, COGS and Opex were c.45% and c.49% of revenue respectively.

## Velocity: driving margin improvement from a cost perspective

Taking the above analysis into account, we now consider some possible actions in the major cost categories and the role that Velocity could play in support of those actions.

### COGS: balancing Hire/Services and managing the supply chain

Most obviously, margin improvements could come from **better buying terms** on consumables (including fuel) and re-hire equipment. This would enhance the pass-through margin at a given turnover level and/or perhaps through higher volumes (ie in conjunction with growth) over time. Inventory levels themselves are not material and the FY24 turn approached 6x so improvements here are perhaps not a major focus. More strategically, migrating profitable, growing specialist hire **equipment from re-hire to hire assets** would immediately enhance gross margins. This could be achieved either organically or via acquisition

Having secure, responsive supply chain partners provides Speedy with upstream visibility giving greater confidence in providing service to its own customers.

**Velocity role:** ensuring appropriate consumables inventories, identifying where better terms can be achieved (either in pricing or purchasing) and evaluating demand opportunities for equipment which Speedy currently supplies via re-hire services.

### Opex: increasing staff and energy efficiency

Intuitively, lowering employee numbers would be an 'easy' way to reduce cost in an important opex category. However, as Speedy is striving to offer modern workplace conditions and grow business scale, staff retention and development appears to be the strategic thrust here.

Instead, making **more effective use of staff** and directing more resource into, say, training and business development would serve to both enable and deliver growth. A rising revenue per head trend over time would be a good indicator of increasing operational efficiency in this way in our view. A possible route whereby staff costs rise in absolute terms but fall as a percentage of revenues is a plausible source of EBITDA margin improvement in our view.

As mentioned earlier, targeting **reducing energy consumption** is a core ESG objective; the installation of solar panels and increasing use of electric vehicles are common actions. We did note that FY24 results also included reference to trialling building management systems – essentially real-time monitoring/analysis software - which delivered c.£40k energy saving benefits on average in each location. A wider deployment could potentially save £4m-5m per annum (in context c.1% of FY24 revenue) in theory.

**Velocity role:** investment in staff (both financial and non-financial) is already evident. Identifying future requirements and planning to resource them effectively through training and development will improve operational effectiveness. Optimising the service centre network and internal logistics is a significant component of this process.

### Depreciation: operating efficiencies boost drop-through and EBIT margins

As previously discussed, asset depreciation costs associated with the hire fleet, facilities and internal vehicle fleet are largely fixed in the short term. **Increasing efficiency in the service centre network** could mean that growth can be delivered from existing infrastructure such that no increase in depreciation in these categories is necessary. In addition, **improving utilisation of the hire fleet** would dampen the extent to which additional asset capex would be required.

Overall, as a relatively fixed line item, more efficient use of backbone infrastructure and hire asset deployment benefits cost control and improves the drop through to EBIT.

Speedy's service centre network has already reduced in number from c.220 in FY19 to 147 at the end of FY24, partly reflecting an emphasis on larger, enhanced capability depots. If we assumed that average lease lengths (including break options) are five years this would suggest that c.30 depots per annum are subject to renewal discussions. Conceivably then, Speedy has the opportunity to re-evaluate most of its network locations as part of a larger optimisation programme within the duration of the Velocity programme. The benefits may not manifest themselves directly through lower depreciation charges but in other areas of the P&L as operating efficiencies improve (see above). Given the increasing importance of ESG considerations, service centre investment (either Speedy upgrades or landlord-driven ones to increase site attraction) may result in leaseholds terms lengthening on average.

**Velocity role:** we have already referred to optimising the service centre network and logistics in an opex context and this may also yield benefits in related depreciation costs at the margin. Enhancing hire fleet utilisation – effectively holding depreciation while revenue grows – would have the most material impact in the near term. Driving purchases of hire assets with good underlying demand which can sustain or improve overall utilisation levels would have a similarly positive effect.

## Growth: Focusing on customers

Turning now to growth and the role that Velocity has in facilitating it. Successful business development requires the reliable supply of high-quality hire assets backed by strong commercial disciplines (ie pricing, service levels, terms and conditions). CEO Dan Evans has previously spoken about nine different customer touch points – from initial enquiry through to payment collection – and Speedy is seeking to excel by making this a coherent integrated experience, typically summarised as 'ease of doing business.'

**Speedy's customer hierarchy** ranges from retail (single tool hire) to small SMEs (eg single site, multiple tool contractors) to larger regional and national accounts (eg framework agreements covering multiple locations and requirements).

Speedy needs to accommodate a range of initial enquiry interface options for different customers (from app through to account management), be able to access accurate status information on its (on and off) hire asset inventory and link this to billing and account actions. Connecting each phase into a complete transaction lifecycle and making relevant live and historic information easily accessible to and visible by customers is really what 'ease of doing business' aims to achieve.

For Speedy, having a real-time helicopter view of the entire hire fleet (off/on hire, age, condition, location), service network (depots, workshops, vehicle fleet) and supply chain capability in conjunction with known/projected demand patterns identifies capacity requirements. In the near term, limited availability in one depot location may be met by transfers from others. Overlaying equipment providers' ability to supply is relevant to meeting both re-hire and sustained higher volume fleet demand. In this way, Speedy aims to offer high service levels whilst also achieving attractive fleet utilisation levels.

In the context of c.61,000 customers, 40,000 consumable items, c.2,600 product lines, 300,000+ itemised hire assets, c.1,000 commercial vehicle fleet, 147 depot locations and 300+ B&Q retail locations achieving a dynamic, constantly updating big picture operational overview in itself is no small task. Using this information as a basis for operational decision-making and customer account management is the key to unlocking its value.

**Velocity role:** In an earlier section, we described how Speedy had been working with Peak AI since 2018, initially on data integrity, and had also migrated onto the Microsoft Dynamic 365 ERP system in 2021. These platforms are the technology backbone and key enablers of Velocity. We believe that the time elapsed thus far in creating, executing and running these platform partnerships is a source of competitive advantage.

In conjunction with demand forecasting, the Peak AI system is currently primarily a hire fleet and consumables inventory optimisation tool while D365 is the foundation for core business and management processes and information. The joint evolution of these data-rich platforms under the Velocity programme is targeting whole organisational alignment, from the customer interface front-end through all operational aspects of servicing those customers to procurement, with increasing process automation. In parallel, talent development, accelerating adoption of sustainable practices and building flexibility to target new revenue streams all form part of the resourcing strategy to fulfil Velocity. Increasing business efficiency effectively increases capacity and brings the opportunity to grow with a tightly controlled cost base.

### Growth: where is it coming from?

When launching the Velocity strategy, Speedy management identified three 'growth engines'

- **Core hire products** – increasing market share through growth with existing customers, sector targeting and new business wins. A strategy of 'winning with the winners' is a way to achieve above average market growth. We understand that Speedy services 83 of the top 100 UK contractors by volume and value, so opportunities lie in taking a greater share of these companies' business as well as adding new names.

Offering a range of hire asset types and introducing more sustainable environmental options brings the opportunity to cross-sell, upsell and target new accounts. In the H1 results announcement, contract renewals with several existing clients were referenced (including Morgan Sindall, Babcock, Balfour Beatty) and a significant new business win with Amey was announced subsequently.

- **Specialist products & services** – re-hire (ie the hiring out of non-owned, third-party plant and equipment) a significant proportion of Speedy Hire's non-fuel Services revenue in FY24. It has notable strengths in powered access equipment and non-mechanical (eg fencing, ground protection) assets and is clearly broadening out with partners in power generation and renewable energy sources.

In theory, multiple additional categories could be added, subject to market demand and supply considerations, though we would expect them to be complementary to the existing offer. Re-hire is a relatively low risk way of broadening the hire offer to Speedy's customers, as a way of increasing share of a contractor's equipment budget alongside core hire activity for example. As previously mentioned, the gross margin contribution reflects this lower risk. Subject to volumes and supply agreements, moving a product line from re-hire to hire could be a way to boost profitability; re-hire could be seen as a hire incubator then, though this will not apply in all cases.

The model for delivering Lloyds British (test, inspection and certification or TIC) and training services obviously differs to equipment hire/re-hire and can be conducted on or away from a customer site. Underpinned by compliance and/or health and safety requirements, it can provide access into different customer segments such as heavy fabrication and process industries and possibly be a route by which other hire/re-hire equipment could be introduced.

- **Trade & retail** – Speedy began trialling in-store tool hire concessions with B&Q in July 2020 and rolled this out to c.36 stores at the peak. In FY24, the commercial relationship changed to a fulfilment model using B&Q's omnichannel routes to market and all concession positions were exited by the year-end. At this early stage, it is too early to judge the revenue momentum that is being generated now. At face value, addressing a significantly underserved market segment with existing hire assets and a lower cost model and with a leading sector partner would seem to be a sensible way to target further growth.

The source of growth achieved will have implications for margins and capex. We have already referenced margin differences between growing hire versus re-hire activity; expansion in the former area may also require fleet investment whereas the latter would not.

It should be noted that an increase in average hire rates and/or utilisation is not dependent upon capex to achieve growth. Moving a product category from re-hire to hire would have a similar impact. Expanding TIC and training activities would probably require additional staff investment. Lastly, moving to a fulfilment model in retail effectively reduced the cost to serve compared to the previous concession model. Margin development here depends on volume and agreed terms with B&Q.

## Growth: targets, illustrations and implications

In broad terms, at the point of launching Velocity, Speedy's FY28 target of £650m and a 28% EBIT margin required a CAGR of 8.1% and an uplift of 500bp respectively to achieve it from the FY23 base level.

As FY24 revenue ('Year 1') was c.4% below the prior year, the CAGR required to achieve the same revenue end point is now 11.4% over the remaining four-year period. In the table below, we show a number of CAGR/EBITDA margin combinations, above and below the target levels, to FY28.

Speedy Hire: Illustrative revenue CAGR and EBITDA margin combinations						
FY28 EBITDA £m		Revenue CAGR (4 years to FY28)				
		4%	6%	8%	10%	12%
EBITDA margin	20%	98.6	106.4	114.7	123.4	132.6
	22%	108.5	117.1	126.2	135.8	145.9
	24%	118.3	127.7	137.6	148.1	159.2
	26%	128.2	138.4	149.1	160.5	172.4
	28%	138.1	149.0	160.6	172.8	185.7
	30%	147.9	159.6	172.0	185.1	199.0

Source: Equity Development

The table's lower right-hand corner illustrates what is required to achieve the inferred original c.£180m FY28 EBITDA target. As things stand, with a further year of relatively low revenue growth in prospect, the original target is probably unrealistic via purely organic means in our view.

That said, the operationally geared nature of Speedy's business is evident. For example, attaining an EBITDA margin of 28% with a 6% revenue CAGR would still deliver a 40%+ EBITDA uplift versus FY23's £103.9m. Under this scenario, a 6% revenue CAGR results in £532m revenue by FY28 (+£110m vs FY24). Our observations on this are:

- **Utilisation:** applying FY19 levels (ie +460bp to 57%) would generate c.£20-22m incremental revenue on a current fleet basis. Other things being equal – ie no change in the overall hire fleet depreciation charge - we estimate that c.80-85% of this (or £16m-£19m) would drop through to EBITDA, EBIT and PBT, partly depending on additional network/delivery costs.
- **Pricing:** higher average rates could have a similar effect; a c.1% increase hire/re-hire rates adds c.£3m to revenue. Again, other things being equal, a larger proportion would drop through in the absence of additional asset movement costs in the case of higher utilisation.
- **Fleet investment:** capex required to support growth to our illustrative FY29 £532m revenue level, depends on the source of that growth. The greater the utilisation and pricing effects and contribution from Services/re-hire, the lower the requirement for fleet investment. This is a consideration for the other revenue CAGR/EBITDA margin combinations to achieve a similar c.£150m FY28 EBITDA shown in common shading in the above table and drop through would vary accordingly.

If we assumed an asset turn of 1x, a £10m hire revenue uplift, this would require c.£11-12m growth capex. (For context, our estimates include annual hire equipment capex in the £50m-60m range, disposal inflows of c.£14m and depreciation of £33-35m.)

Looking at cash flow implications - again for illustration - linear progress to c.£150m EBITDA, infers an aggregate c.£520m generated during the four-years to FY28n. Applying a 18% conversion factor (the FY20-FY24 average), this would equate to total Free Cash Flow generation of c.£95m.

## Velocity scorecard: year 1 progress report

At the outset, management outlined expected transformation costs of £19m-22m, of which £13m-15m is to be non-underlying to execute the enabling phase over a three-year period. (We believe that the additional c.£6m-7m is a combination of other underlying costs and capex on IT development.)

In FY24, £3.2m non-underlying costs were incurred, with around two-thirds on additional programme staff and a £1m write-off of historic IT development costs. (Note that an additional £3.9m restructuring costs were recorded – including £2.7m for the retail/B&Q re-set and £1.2m on depot optimisation; neither are strictly part of the Velocity transformation programme, so were reported separately.)

**Enabling actions – building IT capabilities:** Further IT investment took place in FY24, building on Microsoft D365 and Peak AI including a new customer feedback platform and integrating the Lloyds British management information system and IT development capex was £1.9m in the year (up from £0.9m in FY23). In addition, Speedy's retail pivot required integration with B&Q's digital channels (diy.com & tradepoint.com) prior to the re-launch as a click and collect or home delivery model.

**Growth actions – fleet investment, expanding the ECO offer:** Net hire equipment investment was £25m in FY24 which was lower than £33m depreciation charged in the year. However, NBV rose by £4m to £211m at the year-end, reflecting the addition of c.£12m equipment with the acquisition of Green Power Hire in November. (NB The Itemised fleet grew slightly more by c.£7m to £183m – or 87% of the total – as the non-itemised NBV declined by £4m to £28m.)

Green Power Hire (enterprise value consideration of £20.2m) a battery storage unit specialist was previously as re-hire supplier, so the impact on Speedy's trading performance, though small, was twofold. Firstly, sales were moved from Services/re-hire to Hire (and costs moved from hire-in to depreciation in the COGS line). Secondly, GPH brings in other customers not previously supplied by Speedy. For the six-month period, GPH contributed revenue of £1.5m and PBT' of £0.4m to the FY24 results, with an above average EBITDA margin, including synergy effects.

Coinciding with the launch of Velocity, Speedy announced an exclusive sole supply partnership with Milton Keynes-based Nifty Lift for its hydrogen-electric powered access platforms. This complemented Speedy's existing powered access offer, adding renewable energy customer options. This accounted for around 10% of Speedy's total capex on ECO hire products (which represented 63% of gross hire capex) in the year.

The other notable ECO product development in FY24 was the launch of a new 50:50 JV (Speedy Hydrogen Solutions) with AFC Energy in November. This vehicle is intended to purchase AFCs 30kW H-Power Generators in exclusive three-year supply partnership, for re-hire through Speedy Hire to its customers. We believe that 2 generators have been supplied during FY25 to date. In P&L terms, revenues will be booked through the Services division.

**Other supportive actions – more evidence of progress:** There were other encouraging components of FY24 performance that were not strictly Velocity actions. A couple of smaller depots were consolidated into others and a new London Gateway location was opened. A depot network survey was undertaken which threw up no surprises and actions taken in the prior year to manage non-itemised assets also appears to have been robust with no additional asset value adjustments required. Lastly, a record low level of voluntary attrition appears to support the objective of investing in and developing Speedy's workforce.



## Financials

FY24 represented the first full year report under the current executive team (and new auditors) and our impressions are favourable. We believe that Speedy's levels of financial disclosure are now industry-leading and should serve to assuage concerns arising from historic missteps (most recently regarding non-itemised assets) in our view.

Having have covered Speedy's business model and key drivers of financial performance earlier in this report, we now outline our own expectations [and assumptions] for the company over the next three years.

### P&L: modest top line growth assumptions amplified at EBIT/PBT/EPS levels

In the Income Statement, **our model generates a c.40% EPS CAGR to FY27**, including a significant rebound in FY25 and growth in excess of 20% in the following two years, regaining pre-COVID FY19 levels in FY26. This is driven by relatively modest growth expectations and demonstrates the impact operational gearing can have on Speedy's financial performance. Our primary assumptions are:

- **Revenue:** 4.9% CAGR
  - Slightly higher in FY25 (5.4%), with reported new business coming on stream
  - Hire growth exceeds Services in all three years
  - Other – planned disposal revenue is flat at £5m pa
- **Gross margin rises** from 54.6% (FY24) to 56.5% (FY27)
  - Mix partly contributes to this – with Hire growing faster than Services
  - Underlying Hire margin increases by 160bp, with modest incremental Services margin
  - Disposals – we have assumed that planned and unplanned asset disposals have a neutral overall P&L impact

At the **EBITDA level, this translates to a 170bp margin increase to 24.7%** (CAGR 7.5%) with a more pronounced gearing impact on EBIT (margin up 380bp, CAGR 23.8%). A modest reduction in net bank debt and interest costs over the period amplifies the growth rate at PBT level (CAGR 35.9%) with a lower tax charge (at 25%) also contributing to the EPS CAGR referenced above.

Note that **our expectations for DPS growth are more muted**. The FY24 starting point is that Speedy maintained its 2.60p payout at the prior year level despite being was below EPS generated. In cash terms, the FY24 payout was covered twice. So, we have assumed that Speedy progressively improves its EPS/DPS cover ratio to above 2x by FY27 in line with its target 33%-50% payout ratio.

Although our horizon is one year shorter, **our estimates appear to be conservative** against Speedy's stated financial targets (ie FY28 revenue £650m and EBITDA margin 28%). A faster rate of revenue growth – either through new business wins or a more rapid underlying economic recovery – and the additional trading year clearly have the potential to deliver an outturn closer to Velocity's FY28 objectives.

### Cash flow: stable net debt outlook after business investment

As above, our estimates factor in a significant rebound in profitability though we also expect investment in Velocity actions to temper cash generation.

Our EBITDA expectations increase steadily in line with earlier comments. After non-underlying Velocity costs (of £5m per annum in FY25<sup>6</sup> and FY26, which we assume to be all cash) and hire equipment

<sup>6</sup> FY25 workstreams include improving digital channel interface with customers, launching a new CRM system and automating order management (to allocate at depot level), regional pricing and replenishment



investment (rising from £35m to £45m on a net basis) plus some absorption into working capital (FY25 and FY26), we see **Operating Cash Flow in the £62m-70m range** across our estimate horizon.

Regarding the other primary cash application uses, we anticipate net finance costs (including IFRS16 leases) moving slightly lower but being broadly stable, rising cash tax and c.£10m-11m investment in non-hire assets in each year. This results in our **FY25-FY27 expectations for Free Cash Flow in the £11m-16m range**.

After allowing for modest increases in cash dividend payments as described earlier our model generates a **small positive net cash inflow in two out of three years** and a small outflow in FY26.

Speedy ended FY24 with net debt:EBITDA (both pre-IFRS16) of 1.5x. Based on our cash flow modelling, we anticipate a gradual reduction in this leverage metric, ending the current year at 1.4x and FY27 at 1.1x. With a broadly stable net debt profile, this reduction is substantially generated by expected improvements in EBITDA. Over our estimate horizon, we note that leverage remains within management's targeted 1.0-1.5x range under the Velocity transformation programme.

### Balance sheet: strong asset backing for 34p/share NAV

At the end of FY24, Speedy's balance sheet **Net Asset position stood at £176m (or 34p per share)**. Given audited hire fleet assessments and with no further adjustments on property dilapidation provisions or non-itemised asset carrying values following additional scrutiny, we believe that the NAV per share can be considered a robust benchmark metric for valuation.

**Net bank debt of £101m** was up c.£9m on the year, being the net outcome of a c.£23m free cash inflow less c.£12m cash dividend payments and a c.£20m movement for the Green Power Hire acquisition (cash paid plus debt assumed). Speedy's asset-based core £175m borrowing facility (plus a £5m overdraft) compares to the £211m hire fleet assets and £94m trade receivables held on the balance sheet at year-end on which that lending is secured.

End FY24 trade working capital<sup>7</sup> of £34m was 8% of revenues generated in the year and consistent with the c.7-8% range seen in normal prior trading years. (We have made some allowance for this to rise to nearer to 10% by the end of FY27 on a rising revenue trend, though this may prove to be conservative.) provisions carried on inventories and trade receivables were at comparatively low levels (at 5.6% and 2.6% of gross balances)

Other separately disclosed provisions concerning lease property dilapidation provisions rose slightly to £16.4m over the year and was split slightly more on favour of current liabilities (54% of the total).

**IFRS16 funding of £97m was in line with RoU assets so the balance sheet impact of lease funding was neutral.**

Lastly, Speedy's JV investments in **Speedy Zholdas (50% shareholding in its Kazakhstan JV)** and **Speedy Hydrogen Solutions (50% JV with AFC Energy)** were carried at **£8.2m and £0.6m respectively** in the end FY24 balance sheet.

<sup>7</sup> Inventories plus trade receivables less trade payables/accruals and customer rebates

## Valuation: c.34% upside to mid-point fair value

Speedy is a well-established business provider of industrial support services operating in visible, mature cyclical markets with underlying growth drivers. The outlook for business growth and investment in asset creation, management and maintenance in Speedy's UK and Ireland markets is positive

The company sits on low conventional multiples in absolute and relative terms, particularly so towards the end of our three-year estimate horizon. Applying peer group multiples (FY27 P/E, excluding Ashtead Group) and DCF analysis (using our FY27 EBITDA estimate as a 'steady state' level) plus JV valuation generates per share fair values of 45.0p and 57.2p respectively for Speedy. Taking a simple average here gives a **mid-point fair value of 51.1p per share**

## Single digit P/E, very low EBITDA multiple and 6.8% dividend yield

At the current 38p share price, Speedy is trading on:

- **Current year P/E of 9.7x**, compressing to 6.2x by FY27 on our estimates.

Referring back to c 40% three-year EPS CAGR against the FY24 P/E of 17x, a PEG below 0.5x is noted. Acknowledging that some of this is driven from the FY24 earnings low point – with FY19 EPS regained in FY26 – our FY27 EPS is c.23% higher than FY26 as Velocity momentum gathers.

- **Current year EV/EBITDA of 2.6x**, reducing to 2.3x in FY27.

Our net cash generation assumptions may be conservative, so these multiples are not flattered by our model. Among other things, whether revenue growth is driven by Hire or Services does influence capex levels for example. (NB if we included all IFRS16 costs – ie deducted them from EBITDA – the equivalent multiples would be 3.7x reducing to 3.0x).

- **Prospective dividend yield of 6.8%**

We expect DPS growth to lag that for earnings as cover is rebuilt from 1.5x in FY25 (we assume an unchanged dividend) to 2.1x by FY27.

## Trading on a discount to UK-listed peers

There are three other UK-listed tool and equipment hire companies. They vary significantly by international exposure, overall scale and sector exposure. At a high level, UK revenues range from c.£350m-700m and EBITDA margins from c.18.6%-28%. Ashtead Group is clearly the outlier in scale and rating terms. Over the longer time horizon, Speedy's P/E discount becomes marked against all members of this peer group and is also the lowest rated on an EV/EBITDA basis. Speedy's dividend yield of 6.8% is the second highest.

Speedy Hire: Peer group valuation comparison								
	Mkt Cap		P/E x			EV/EBITDA x		Div Yield %
	£m	FY1	FY2	FY3	FY1	FY2	FY1	
<b>Speedy Hire Plc</b>	<b>174</b>	<b>9.7</b>	<b>7.6</b>	<b>6.2</b>	<b>2.6</b>	<b>2.5</b>	<b>6.8%</b>	
Average (ex-Speedy)		11.2	10.2	10.1	4.7	4.5	5.4%	
Premium/(discount)		-13%	-26%	-33%	-45%	-44%	25%	
Ashtead Group plc	22315	16.8	14.6	13.0	7.5	7.0	1.7%	
Vp plc	255	8.4	7.8	7.2	3.9	3.8	6.2%	
HSS Hire Group plc	49	8.3	8.3	7.5	2.7	2.7	8.4%	

Source: Koyfin (peers), Equity Development (Speedy). Year-ends aligned to March

### DCF illustrations: valuation upside beyond FY25 estimates

Deriving valuations of companies operating in cyclical markets using DCF analysis is not a robust method in our view. That said, we see it as a useful tool to gain an understanding of what level of profitability the market is discounting in a company's share price. Our methodology is to input estimates over our three-year estimate horizon and then assume a flat EBITDA profile thereafter. Varying the latter parameter (with other sympathetic cash flow variations) allows us to interpret the outcome relative to the current share price.

Our observations using this method are:

- **Speedy's current 38p share price is discounting long term EBITDA (from FY28 onwards) broadly similar to our FY25 expectation** (ie below our FY26 and FY27 estimates).
- Sustaining our FY27 **EBITDA estimate (of c.£120m)** generates a **value per share of 51.9p**
- Delivering a **sustainable EBITDA of c.£150m** (chosen as a mid-point between our FY27 estimate and Velocity's c.£180m target level) generates a **value per share of 76.3p**

For further illustration, we have included the table below showing other discrete WACC and EBITDA assumption combinations and what they mean for Speedy's valuation (on a per share basis).

Speedy Hire: DCF sensitivity analysis – value per share p						
		EBITDA £m (from 2028e)				
		100	125	150	175	200
WACC %	8.0%	41.3	65.1	88.9	112.7	136.5
	9.0%	34.5	54.8	75.0	95.3	115.5
	10.0%	29.1	46.6	64.1	81.6	99.0
	11.0%	24.7	40.0	55.2	70.4	85.7

Source: Equity Development

Note that the above analysis does not include any profitability (or dividend payments to shareholders) from **JV investments**. Speedy typically receives its share of PAT from Speedy Zholdas as a dividend distribution. Assuming that this remains flat at around £3m per annum and applying a 9x P/E multiple, suggests a **£27m value** for this stake, **equivalent to an additional 5.2p per Speedy Hire share**. (NB the end FY24 book value was £8.2m.)

There is no suggestion that the investment is for sale and there may/may not be pre-emption rights in the event of a transaction that we are not aware of which could impact the above illustration, but we have included it for completeness. As Speedy Hydrogen Services is in a development phase, we have not attributed any value to Speedy's stake in this JV at this stage.

## 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
<b>Revenue</b>		<b>394.7</b>	<b>371.5</b>	<b>332.3</b>	<b>386.8</b>	<b>440.6</b>	<b>421.5</b>	<b>444.5</b>	<b>464.9</b>	<b>486.4</b>
Gross Profit		214.4	214.3	184.9	221.1	239.4	230.0	247.9	261.1	275.0
EBITDA - SDY norm		103.6	103.4	90.6	100.1	103.9	96.8	104.9	112.2	120.4
<b>EBIT - SDY norm</b>		<b>36.7</b>	<b>33.4</b>	<b>21.7</b>	<b>32.1</b>	<b>32.7</b>	<b>24.5</b>	<b>33.5</b>	<b>39.5</b>	<b>46.5</b>
Net Bank Interest		(2.9)	(3.0)	(2.6)	(2.6)	(4.4)	(7.4)	(7.5)	(7.2)	(7.1)
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	2.9	3.0	3.1
<b>Profit Before Tax (SDY norm)</b>		<b>31.4</b>	<b>30.0</b>	<b>17.5</b>	<b>29.6</b>	<b>30.7</b>	<b>14.7</b>	<b>23.3</b>	<b>29.8</b>	<b>36.9</b>
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
<b>Profit Before Tax (reported)</b>		<b>28.7</b>	<b>16.1</b>	<b>8.3</b>	<b>29.1</b>	<b>1.8</b>	<b>5.1</b>	<b>17.7</b>	<b>24.2</b>	<b>36.3</b>
Tax		(5.5)	(3.9)	(2.2)	(7.7)	(0.6)	(2.4)	(3.8)	(5.4)	(8.4)
Other		0.0	4.6	3.4	0.2	0.0	0.0	0.0	0.0	0.0
<b>Profit After Tax (reported)</b>		<b>23.2</b>	<b>16.8</b>	<b>9.5</b>	<b>21.6</b>	<b>1.2</b>	<b>2.7</b>	<b>13.9</b>	<b>18.7</b>	<b>27.8</b>
<b>EPS FD - SDY norm (p)</b>		<b>4.9</b>	<b>4.5</b>	<b>2.6</b>	<b>4.1</b>	<b>4.9</b>	<b>2.2</b>	<b>3.9</b>	<b>5.0</b>	<b>6.1</b>
<b>EPS FD - reported (p)</b>		<b>4.4</b>	<b>2.3</b>	<b>1.2</b>	<b>4.0</b>	<b>0.2</b>	<b>0.6</b>	<b>3.0</b>	<b>4.0</b>	<b>6.0</b>
<b>Dividend per share (p)</b>		<b>2.0</b>	<b>0.7</b>	<b>1.4</b>	<b>2.2</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.7</b>	<b>2.9</b>
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
<b>Margins (%)</b>										
<b>Gross Profit</b>		<b>54.3</b>	<b>57.7</b>	<b>55.6</b>	<b>57.2</b>	<b>54.3</b>	<b>54.6</b>	<b>55.8</b>	<b>56.2</b>	<b>56.5</b>
<b>EBITDA - SDY norm</b>		<b>26.2</b>	<b>27.8</b>	<b>27.3</b>	<b>25.9</b>	<b>23.6</b>	<b>23.0</b>	<b>23.6</b>	<b>24.1</b>	<b>24.7</b>
<b>EBIT SDY norm</b>		<b>9.3</b>	<b>9.0</b>	<b>6.5</b>	<b>8.3</b>	<b>7.4</b>	<b>5.8</b>	<b>7.5</b>	<b>8.5</b>	<b>9.6</b>

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	104.9	112.2	120.4
Change in working capital		(4.6)	9.8	12.3	(13.6)	(6.2)	5.8	(1.7)	(6.2)	(6.5)
Purchase of hire equipment (net)		(36.5)	(41.9)	(24.2)	(57.9)	(36.8)	(25.2)	(35.0)	(40.0)	(45.0)
Other		(1.3)	(6.8)	(5.8)	0.0	(9.0)	(8.4)	(4.4)	(4.3)	0.8
<b>Operating Cash Flow</b>		<b>61.2</b>	<b>64.5</b>	<b>72.9</b>	<b>28.6</b>	<b>51.9</b>	<b>69.0</b>	<b>63.7</b>	<b>61.7</b>	<b>69.7</b>
<b>Interest paid</b>		<b>(6.7)</b>	<b>(6.5)</b>	<b>(6.0)</b>	<b>(6.0)</b>	<b>(8.4)</b>	<b>(12.7)</b>	<b>(12.5)</b>	<b>(12.2)</b>	<b>(12.1)</b>
<b>Tax paid</b>		<b>(4.7)</b>	<b>(9.3)</b>	<b>(0.8)</b>	<b>(3.0)</b>	<b>(3.1)</b>	<b>(3.7)</b>	<b>(3.8)</b>	<b>(5.4)</b>	<b>(8.4)</b>
<b>Investing Activities</b>		<b>(36.2)</b>	<b>(3.5)</b>	<b>3.6</b>	<b>(14.1)</b>	<b>(3.4)</b>	<b>(24.2)</b>	<b>(7.6)</b>	<b>(7.5)</b>	<b>(7.4)</b>
Associates & JV income		0.0	0.0	1.0	1.9	5.6	3.9	2.9	3.0	3.1
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	0.0	0.0	0.0
<b>Financing Activities</b>		<b>(7.6)</b>	<b>(32.8)</b>	<b>(81.3)</b>	<b>(15.9)</b>	<b>(38.0)</b>	<b>(25.4)</b>	<b>(37.9)</b>	<b>(38.1)</b>	<b>(38.7)</b>
Change in loan capital		25.8	2.1	(58.2)	25.4	23.3	12.4	0.0	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)	(12.1)	(12.7)
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Cash Flow</b>		<b>6.0</b>	<b>12.4</b>	<b>(11.6)</b>	<b>(10.4)</b>	<b>(1.0)</b>	<b>3.0</b>	<b>1.9</b>	<b>(1.5)</b>	<b>3.1</b>
<b>Opening net cash/(debt) - pre IFRS16</b>		<b>(69.1)</b>	<b>(89.1)</b>	<b>(79.3)</b>	<b>(33.2)</b>	<b>(67.5)</b>	<b>(92.4)</b>	<b>(101.3)</b>	<b>(99.4)</b>	<b>(100.9)</b>
Change in net cash		6.0	12.4	(11.6)	(10.4)	(1.0)	3.0	1.9	(1.5)	3.1
Change in loan capital		(25.8)	(2.1)	58.2	(25.4)	(23.3)	(12.4)	0.0	0.0	0.0
Other		(0.2)	(0.5)	(0.5)	1.5	(0.6)	0.5	0.0	0.0	0.0
<b>Closing net cash/(debt) - pre IFRS16</b>		<b>(89.1)</b>	<b>(79.3)</b>	<b>(33.2)</b>	<b>(67.5)</b>	<b>(92.4)</b>	<b>(101.3)</b>	<b>(99.4)</b>	<b>(100.9)</b>	<b>(97.8)</b>
<b>IFRS16 lease liabilities</b>		<b>(82.4)</b>	<b>(72.9)</b>	<b>(63.2)</b>	<b>(76.7)</b>	<b>(86.1)</b>	<b>(97.6)</b>	<b>(97.6)</b>	<b>(97.6)</b>	<b>(97.6)</b>
<b>Net Cash Flow</b>			<b>12.4</b>	<b>(11.6)</b>	<b>(10.4)</b>	<b>(1.0)</b>	<b>3.0</b>	<b>1.9</b>	<b>(1.5)</b>	<b>3.1</b>
Dividends paid			10.9	0.0	11.3	10.9	11.8	11.9	12.1	12.7
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)	0.0	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
<b>Free Cash Flow</b>			<b>21.2</b>	<b>46.6</b>	<b>(18.5)</b>	<b>10.6</b>	<b>23.5</b>	<b>13.8</b>	<b>10.6</b>	<b>15.7</b>

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
<b>Non-Current Assets</b>		<b>371.2</b>	<b>355.5</b>	<b>325.2</b>	<b>366.4</b>	<b>355.1</b>	<b>378.9</b>	<b>378.8</b>	<b>382.5</b>	<b>389.9</b>
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	234.9	240.4	249.6
Tangible Assets - RoU		66.4	64.7	59.1	73.3	83.2	97.3	97.3	97.3	97.3
JV/Associate Interests		7.6	7.3	6.2	7.8	9.2	8.8	8.8	8.8	8.8
Other Fixed Assets		2.8	2.8	2.1	1.7	(0.0)	0.0	0.0	0.0	0.0
<b>Current Assets</b>		<b>118.8</b>	<b>135.3</b>	<b>114.3</b>	<b>119.3</b>	<b>121.3</b>	<b>121.3</b>	<b>126.2</b>	<b>132.5</b>	<b>143.8</b>
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	95.5	101.9	108.6
Other Debtors		6.6	8.3	5.9	8.6	9.6	11.6	11.6	11.6	11.6
Cash		5.3	22.8	11.7	2.5	1.1	4.0	5.9	4.4	7.5
<b>Current Liabilities</b>		<b>(117.2)</b>	<b>(117.5)</b>	<b>(116.1)</b>	<b>(122.7)</b>	<b>(121.9)</b>	<b>(128.6)</b>	<b>(131.4)</b>	<b>(134.7)</b>	<b>(138.3)</b>
Trade Payables		(54.2)	(52.3)	(49.8)	(45.3)	(39.1)	(44.9)	(46.1)	(47.8)	(49.6)
Other Creditors		(42.9)	(45.0)	(49.1)	(55.1)	(59.4)	(60.4)	(62.0)	(63.6)	(65.4)
IFRS16 Lease Liabilities		(20.1)	(20.2)	(16.7)	(20.6)	(22.1)	(22.1)	(22.1)	(22.1)	(22.1)
Short-term Borrowings		0.0	0.0	(0.5)	(1.7)	(1.3)	(1.2)	(1.2)	(1.2)	(1.2)
<b>Non-Current Liabilities</b>		<b>(163.1)</b>	<b>(163.4)</b>	<b>(102.6)</b>	<b>(136.6)</b>	<b>(169.9)</b>	<b>(195.9)</b>	<b>(195.9)</b>	<b>(195.9)</b>	<b>(195.9)</b>
Long-term Borrowings		(90.4)	(102.1)	(44.4)	(68.3)	(92.2)	(104.1)	(104.1)	(104.1)	(104.1)
IFRS16 Lease Liabilities		(55.0)	(52.7)	(46.5)	(56.1)	(64.0)	(75.5)	(75.5)	(75.5)	(75.5)
Other Long-term Liabilities		(17.7)	(8.6)	(11.7)	(12.2)	(13.7)	(16.3)	(16.3)	(16.3)	(16.3)
<b>Net Assets</b>		<b>209.7</b>	<b>209.9</b>	<b>220.8</b>	<b>226.4</b>	<b>184.6</b>	<b>175.7</b>	<b>177.7</b>	<b>184.3</b>	<b>199.5</b>

Source: Company, Equity Development. \*includes International



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