

## Hercules Site Services plc

("Hercules" or "the Company")

### Interim Results

Hercules Site Services plc (AIM: HERC), a leading technology enabled labour supply company for the UK infrastructure sector, is pleased to announce its unaudited half year results for the six months ended 31 March 2022 ("H1 2022").

#### Highlights:

- Revenue increased year-on-year by 42% to £19.9m (H1 2021: £14.0m)
- Gross profit increased year-on-year by 62% to £4.0m (H1 2021: £2.5m)
- Loss before tax of £383,000 (H1 2021: £739,000 profit), after exceptional IPO costs of £414,000
- Adjusted EBITDA\* of £650,000 (H1 2021: £1.2m), ahead of management expectations
- Significant investment in people and systems in H1 have prepared the business for expected growth in H2
- Labour supply to HS2 Phase 1 (northern section) ramping up
- AIM listing completed on 4 February 2022, raising £4m gross for the Company
- Interim dividend of 0.6p declared

*\*Adjusted EBITDA definition – earnings before interest, tax, depreciation, amortisation, profit/loss on sale of fixed assets, exceptional items and R&D expenditure.*

#### Brusk Korkmaz, Chief Executive Officer, commented:

"2022 has so far been a year of positive change for Hercules. As a trusted provider of services to the construction and infrastructure sectors, our Company is well positioned to take advantage of the highly favourable market conditions in these industries. We are already executing on the exciting opportunities available to us and H1 2022 has seen us investing for growth, positioning Hercules to create value for all our stakeholders in the months and years ahead.

"We expect to deliver continued growth in H2 2022 through the ramp up of operatives on HS2, the delivery and monetisation of seven more suction excavators, and maintaining the significant momentum built up by the civil projects team.

"We intend to pay an interim dividend for the six months ended 31 March 2022 in August 2022 and I would like to thank our shareholders very much for their support during this exciting time in the Company's growth journey. We look forward to updating the market over the coming months."

**For further information and enquiries, please contact:**

**Hercules Site Services plc**

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*The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 which has been incorporated into UK law by the European Union (Withdrawal) Act 2018.*

**Chairman's statement**

I am pleased to announce our unaudited interim results for the six months ended 31 March 2022.

**Continued growth across all areas of our business**

2022 is a year of transformation for Hercules. Following a solid recovery in 2021 after the pandemic year of 2020, we are excited to deliver the further step-up in growth that we expect across all our income streams over the next 12 months and beyond.

We are extremely proud to have joined some of the world's leading businesses by listing on the AIM market of the London Stock Exchange in February 2022 and believe this will turn out to be a significant milestone in our growth journey.

*Labour supply*

We provide labour to some of the top construction and infrastructure projects in the country and this core business unit has experienced continued growth in H1 2022. A key driver of this has been the multi-year HS2 Phase 1 (northern section) contract, and during the period we started to supply labour to this project, which is the largest construction project in Europe. This is an exciting and important milestone for Hercules, which has prompted significant investment in people and systems in our business during H1 2022. The commencement of the contract was later than we expected, but the ramp up that has now started is progressing well. At the time of writing, we have 180 operatives on site and we are providing additional labour every week in response to increasing demand.

In tandem with this, we have also advanced our relationships with new and existing clients. During the period a successful tender process led to the Company's acceptance onto the Kier Group plc ("Kier") framework, which enables us to work as a supplier of labour to any Kier site across the UK. In addition, contracts secured by our civil projects team helped us gain two new labour supply clients in Tilbury Douglas and MMB (Mott McDonald Bentley), further illustrating how our model of complementary services can successfully deliver cross-selling opportunities for our business.

At the end of H1 2022 we are pleased to report that Hercules has a significant pipeline of projects stretching well into the future.

### *Suction excavators*

The high utilisation we are experiencing for our suction excavator fleet is extremely positive and we invested part of the IPO funds raised during the period to expand our fleet to meet demand. Four more vehicles were delivered in H1 2022, with seven more expected in H2 2022, albeit later than expected, due to supplier issues.

While our original plan was to double our suction excavator to 20 vehicles, post period end in April 2022, we took the decision to acquire an additional ten suction excavators, which will expand our fleet to 30 vehicles by March 2023. This will make it one of the largest fleets in the UK.

We have supplied our suction excavator services to 21 new clients in the last six months and have embarked on a key new relationship with Wales and West Utilities. This is our first direct engagement with the main water companies, and the relationship is set to expand further as we receive additional vehicles.

### *Civil projects*

Our civil projects team has responded brilliantly to what is a huge level of demand following the recovery from Covid 19. AMP7 (Water industry Asset Management Period) is a five-year programme now requiring delivery in three years. The team has had a very successful H1 2022, with £3.2m extra revenue compared to H1 2021, and seven new clients (Enviromontel, Affinity Water, Flynn's, Ross-shire Engineering (RSE), @one alliance (new civils framework), NHS and Lightning Fibre) added since the year end. The civil projects team continues to be very busy into H2 2022.

### *Digital*

We have achieved differentiation in the market thanks to the strength of our proprietary apps, digital capabilities and bespoke data, which enables Hercules to facilitate rapid, local placement of operatives. In turn, we can provide clients with more efficient and effective results. We continue to invest in the development of our apps to help maintain our competitive edge.

As stated at our IPO, our discussions in the industry have highlighted the opportunity to monetise our digital capabilities and during the period we further developed the commercial aspects of our digital division. We expect to announce updates in respect to the monetisation of some of our products in the months ahead.

### **Interim dividend and timetable**

The Board is pleased to declare an interim dividend of 0.6p per share. Hercules Real Estate Limited, the Company's 71% shareholder, has waived its entitlement to this payment. The interim dividend will be paid on 24 August 2022 to shareholders on the register at close of business on 22 July 2022. The shares will go ex-dividend on 21 July 2022.

### **Financial results show strategic progress in line with expectations**

Revenue for the period grew by 42% to £19,958,000 (H1 2020: £14,048,000). All income streams increased, each with their own individual drivers, but all are underpinned by the huge demand in the infrastructure sector.

- Labour supply revenue 27% up on H1 2021
- Civil projects revenue 80% up on H1 2021
- Suction excavator services revenue 124% up on H1 2021

Gross profit increased 62% to £4,046,000 (H1 2021: £2,499,000), while gross profit margin increased from 17.8% to 20.3% due to an increase in suction excavator revenue at higher margins.

Loss before tax of £383,000 (H1 2021: £739,000 profit), after non recurring expenses of £414,000 (H1 2021: £58,000) which refer to the costs of obtaining an AIM listing.

Adjusted EBITDA was £650,000 (H1 2021: £1,299,000). In line with expectations, we anticipated that H1 2022 would be less profitable than H1 2021, due to the major investment in people, systems and assets required in H1 2022 to prepare for the expected growth. This explains the increase in administrative expenses from H1 2021. We expect to obtain the benefits of this investment as we progress through H2 2022.

Basic loss per share was £0.01.

The Company's comprehensive loss for the period was £123,000 (H1 2021: profit of £121,000), this loss was due primarily to exceptional listing costs of £414,000. The comprehensive profit for the period before exceptional costs was therefore £291,000. (H1 2021: £179,000).

£1,650,000 cash was held at the end of the period (H1 2021: £973,000). In December 2021, with the major growth impact of HS2 ahead of us, we increased our confidential invoice discounting facility with Investec from £4m to £10m.

## **Outlook**

Given the solid progress made in H1 2022, the Board has confidence that Hercules is well positioned for the step-change in growth we highlighted at the time of the IPO. We expect to deliver continued growth in H2 2022 through the ramp up of operatives on HS2, the delivery and monetisation of seven more suction excavators and maintaining the significant momentum built up by the civil projects team.

## **Henry Pitman**

Non-executive Chairman

## Hercules Site Service PLC

### Condensed Statement of Comprehensive Income

#### 6 Months Ended 31 March 2022

	Unaudited 6 months to 31-Mar-22 £000	Audited Y/ending 30-Sep-21 £000	Unaudited 6 months to 31-Mar-21 £000
Revenue	19,958	32,754	14,048
Cost of sales	(15,912)	(26,067)	(11,549)
Gross profit	4,046	6,687	2,499
Other operating income	-	217	156
Recurring administrative expenses	(3,396)	(4,466)	(1,356)
<b>Adjusted EBITDA</b>	<b>650</b>	<b>2,438</b>	<b>1,299</b>
Non-recurring administrative expenses	(414)	(898)	(58)
<b>EBITDA</b>	<b>236</b>	<b>1,540</b>	<b>1,241</b>
Depreciation	(452)	(725)	(331)
R&D Expenditure	(3)	(18)	(14)
Profit/(loss) on sale of fixed assets	6	(11)	-
<b>Operating profit/(loss)</b>	<b>(213)</b>	<b>786</b>	<b>896</b>
Finance costs	(170)	(270)	(157)
<b>Profit/(Loss) before tax</b>	<b>(383)</b>	<b>516</b>	<b>739</b>
Taxation	260	(572)	(618)
<b>Total comprehensive profit/(loss) for the period</b>	<b>(123)</b>	<b>(56)</b>	<b>121</b>
<b>Earnings per share:</b>			
Basic profit/(loss) per share (£)	(0.01)	(2.66)	60,500

## Hercules Site Service PLC

### Condensed Statement of Financial Position

**31 March 2022**

	Unaudited As at 31-Mar-22 £000	Audited As at 30-Sep-21 £000	Unaudited As at 31-Mar-21 £000
<b>Non-current assets</b>			
Property, plant & equipment	12,360	9,236	9,416
<b>Current assets</b>			
Inventories	8	2	4
Assets at fair value through profit or loss	312	271	259
Trade and other receivables	10,794	8,293	6,230
Current tax recoverable	83	83	117
Cash and cash equivalents	1,650	1,465	973
<b>Total current assets</b>	<b>12,847</b>	<b>10,114</b>	<b>7,583</b>
<b>Total assets</b>	<b>25,207</b>	<b>19,350</b>	<b>16,999</b>
<b>Equity and liabilities</b>			
Equity attributable to equity holders of the parent			
Share capital	59	50	-
Share premium	3,417	-	-
Retained earnings	3,264	3,387	3,614
<b>Total equity</b>	<b>6,740</b>	<b>3,437</b>	<b>3,614</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	188	448	505
Lease liabilities	9,317	6,503	7,080
<b>Total non-current liabilities</b>	<b>9,505</b>	<b>6,951</b>	<b>7,585</b>
<b>Current liabilities</b>			
Trade and other payables	3,534	4,520	4,330
Provisions	325	260	199
Borrowings	3,142	3,139	173
Lease liabilities	1,961	1,043	1,098
<b>Total current liabilities</b>	<b>8,962</b>	<b>8,962</b>	<b>5,800</b>
<b>Total liabilities</b>	<b>18,467</b>	<b>15,913</b>	<b>13,385</b>
<b>Total equity &amp; liabilities</b>	<b>25,207</b>	<b>19,350</b>	<b>16,999</b>

## Hercules Site Service PLC

### Condensed Statement of Changes in equity

#### 6 Months Ended 31 March 2022

	Share capital (Unaudited) £000	Retained earnings (Unaudited) £000	Total equity (Unaudited) £000
At 1 October 2020 as previously stated	-	6,787	6,787
Dividend paid	-	(3,294)	(3,294)
Total comprehensive income for the period	-	121	121
Balance at 31 March 2021	-	3,614	3,614

	Share capital (Unaudited) £000	Retained earnings (Unaudited) £000	Total equity (Unaudited) £000
At 1 October 2021 as previously stated	50	3,387	3,437
New Share Capital	9	-	9
Share Premium	3,417	-	3,417
Total comprehensive loss for the period	-	(123)	(123)
Balance at 31 March 2022	3,476	3,264	6,740

**Hercules Site Service PLC**  
**Condensed Statement of Cash Flow**  
**6 Months Ended 31 March 2022**

	<b>Unaudited 6 months to 31-Mar-22 £000</b>	<b>Audited Year ended 30-Sep-21 £000</b>	<b>Unaudited 6 months to 31-Mar-21 £000</b>
<b>Cash flows from operating activities:</b>			
Profit/(loss) for the period	(123)	(56)	121
Listing costs	414	-	-
Taxation	(260)	572	618
Finance costs	170	232	102
Fair value movements	(40)	38	51
Depreciation expense	452	725	331
Profit on disposal of property, plant and equip	(6)	11	-
Increase in trade and other receivables	(2,502)	(2,982)	(457)
Decrease in trade and other payables	(207)	(116)	(364)
Decrease/(Increase) in inventories	(6)	4	2
<b>Cash generated from operations</b>	<b>(2,108)</b>	<b>(1,572)</b>	<b>404</b>
Tax paid	-	(29)	(52)
<b>Net cash generated from operating activities</b>	<b>(2,108)</b>	<b>(1,601)</b>	<b>352</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equip	277	(358)	(254)
Proceeds on disposal of property, plant and equip	199	20	31
<b>Net cash flows from investing activities</b>	<b>476</b>	<b>(338)</b>	<b>(223)</b>
<b>Cash flows from financing activities:</b>			
Interest paid	(130)	(123)	(48)
Dividends paid	-	-	(3,294)
Payment of lease liabilities	(1,029)	(1,283)	(486)
(Repayment)/Drawdown of bank borrowings	(37)	2,794	(172)
IPO Proceeds	4,000	-	-
IPO Costs to share premium account	(574)	-	-
Listing costs	(414)	-	-
Amounts advanced on parent co loan	1	-	2,828
<b>Net cash outflow from financing activities</b>	<b>1,817</b>	<b>1,388</b>	<b>(1,172)</b>
<b>Net (dec)/inc in cash and equivalents</b>	<b>185</b>	<b>(551)</b>	<b>(1,043)</b>
<b>Cash and equivalents at start of period</b>	<b>1,465</b>	<b>2,016</b>	<b>2,016</b>
<b>Cash and equivalents at end of period</b>	<b>1,650</b>	<b>1,465</b>	<b>973</b>
<b>Cash and equivalents at end of period comprises:</b>			
Cash at bank and in hand	1,650	1,465	973



## **Notes**

### **1. Notes to the Financial Information**

#### **Basis of preparation & accounting policies**

The financial information for the six months to 31 March 2022 is unaudited and was approved by the Board of Directors on 7 June 2022.

The interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements for the year ended 30 September 2021.

The interim financial information for the six months ended 31 March 2022, including comparative financial information has been prepared on the basis of the accounting policies set out in the last annual report and accounts.

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may subsequently differ from those estimates.

In preparing the interim financial statements, the significant judgements made by management in applying the company's accounting policies and key sources of estimation uncertainty were the same, in all material respects, as those applied to the financial statements for the year ended 30 September 2021.

#### **Going Concern assumption**

The company meets its day to day working capital requirements through its cash balance. During the period the Company has increased its Investec facility from £4m to £10m.

Consequently, after making enquires, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

#### **Information extracted from the Company's 2021 Annual Report**

The financial figures for the year ended 30 September 2021, as set out in this report, do not constitute statutory accounts but are derived from the statutory accounts for that financial year.

The statutory accounts for the year ended 30 September 2021 were prepared under IFRS and have been delivered to the Registrar of Companies. The auditors reported on those accounts. Their report was unqualified, did not draw attention to any matters by way of emphasis and did not include a statement under Section 498(2) or 498(3) of the Companies Act 2006.

### **2. Earnings per share**

The calculation of earnings per share is based upon the loss after tax for the respective period. The weighted average number of ordinary shares used in the calculation of basic earnings per share is based upon the number of ordinary shares in issue in each respective period.

### **3. Share capital**

58,650,206 ordinary shares were admitted to trading on AIM on 4 February 2022.

### **4. Availability of interim results**

The interim results will not be sent to shareholders but will be available at the Company's registered office at Hercules Court, Lakeside Business Park, Broadway Lane, South Cerney, Cirencester GL7 5XZ and on the Company's website: [www.hercules-construction.co.uk](http://www.hercules-construction.co.uk).