

# Interim Results - Replacement

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Hercules Site Services PLC  
05 June 2023

The following amendment has been made to the 'Interim Results' announcement released on 5 June 2023 at 07.00 under RNS No 5355B.

The third bullet point of the financial highlights now reads "Adjusted EBITDA\* increased by 73% to £1.127m (H1 2022: £0.650m)".

All other details remain unchanged. The full amended text is shown below.

5 June 2023

**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 interim results for the six months ended 31 March 2023 ("H1 2023").

**Financial highlights:**

- Revenue increased by 85% to £37.0m (H1 2022: £19.9m)
- Gross profit increased by 71% to £6.9m (H1 2022: £4.0m)
- Adjusted EBITDA\* increased by 73% to £1.127m (H1 2022: £0.650m)
- Interim dividend of 0.6p declared (H1 2022: 0.6p)

**Operational highlights:**

- Further investment in people and procedures in H1 2023 has prepared the business for expected growth in the second half of the year ("H2 2023"), particularly labour supply and suction excavator services
- Labour supply to HS2 Phase 1 (northern section) has increased to 400 operatives from 180 at 31 March 2022
- Skills, Employment and Education Everything Portal has become revenue generative
- Now supplying labour to Taylor Woodrow, at the Exxon-Mobil oil refinery expansion in Fawley, near Southampton
- New clients secured during the period in the civil projects division including Amey and SGN Ltd
- Further fundraise completed, raising £1.7m to finance continuing growth
- Progress made in developing and planning the Hercules Training Initiative

*\*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:**

"We are delighted to have delivered a positive start to the year, with revenue growing by 85% and an increase in gross profit of 71% over 2022 levels, whilst we continue investing in support of further value creation in H2 2023.

"This success has been achieved through the continued labour supply services ramp-up at the HS2 northern section, the addition of new clients across all areas of our business and the delivery of more suction excavators in the period.

"We are also very pleased to see that our Skills, Employment and Education Everything Portal has become revenue generating, demonstrating again that we are at the cutting edge of labour supply and services innovation in the construction sector. The addition of new clients, namely Amey and SGN, has also further accelerated growth in our civil projects division.

"With this strong momentum in the construction and infrastructure sectors, and a solid pipeline of new clients, we are ideally placed to maintain the levels of growth we have delivered in recent years and are on track to meet market expectations for the full year."

**Retail Investor Webinar**

CEO Brusk Korkmaz and CFO Paul Wheatcroft will deliver a live presentation regarding the Company's Final Results via the Investor Meet Company platform today at 09.30am (BST).

The presentation is open to all existing and potential shareholders. Questions can be submitted pre-event via the Investor Meet Company dashboard up until 9.00am the day before the meeting or at any time during the live presentation.

Although the Company may not be in a position to answer every question it receives, it will address the most prominent within the confines of information already disclosed to the market. Responses to the Q&A from the live presentation will be published at the earliest opportunity on the Investor Meet Company platform.

Investor feedback can also be submitted directly to management post-event to ensure the Company can understand the views of all interested parties.

Investors can sign up to Investor Meet Company for free and add to meet Hercules Site Services plc via:

<https://www.investormeetcompany.com/hercules-site-services-plc/register-investor>

Investors who already follow Hercules Site Services plc on the Investor Meet Company platform will automatically be invited.

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

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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**

Hercules continues to demonstrate its proficiency in the current macro-economic environments, by delivering record growth in H1 2023. Revenues are 85% ahead of the comparative 2022 period and trading is in line with expectations. We have experienced growth across all areas of our business and in our core labour supply division we have won new clients, ramped up deployment of operatives across our cornerstone projects and launched new specialisms.

**Market dynamics remain strong**

The infrastructure and construction sectors are experiencing continued buoyancy providing a supportive backdrop for our growth, and recent research demonstrates that this is continuing post period end. According to S&P Global, new orders received by UK commercial and civil engineering construction companies increased for the third consecutive month in April, with leaders in the sector anticipating a further increase in business activity during the year ahead.

Given the labour shortages experienced by the sector, and the effectiveness of our digital tools in placing operatives to jobs, we are well placed to benefit from this growth in the months and years ahead. Demand for our range of complementary services has been strong and our pipeline is very robust.

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

*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 2023, up 110% on H1 2022. A key driver of this has been the multi-year HS2 Phase 1 (northern section) contract, which is the largest construction project in Europe. Our work on site continues to expand and we currently have c. 400 Hercules operatives on site (H1 2022: 180). We are providing additional labour every week in response to increasing demand, leveraging our digital platform as a source of labour supply.

We have also been successful in winning significant new clients in the period including SISK (we are now on their Preferred Supplier List), Galliford Try Highways (now an approved supplier with all of Galliford Try, not just environmental) and CHC Highways (a Costain joint venture initially for a project on the A1(M)). Looking ahead to H2 2023 and beyond, we are very pleased with the significant pipeline of projects this segment of our business enjoys.

*Suction excavator services*

The high utilisation we are experiencing for our suction excavator fleet is extremely positive and is in line with that reported for 2022. During the period, our revenues were up 49% year on year, benefitting from an enlarged fleet. At the end of H1 2023, we took delivery of 10 more units which will provide additional growth into H2 2023 and beyond.

These recent acquisitions complete our fleet for the foreseeable future, and our enlarged group of 30 vehicles makes us one of the largest providers of suction excavator services in the UK.

We have supplied our suction excavator services to a number of new clients during the period, including A2 Site Investigations Ltd, Derryard Ltd, R & R Groundworks, Harris & Harris Civil Engineering and Delta Simons.

#### *Civil projects*

Our civil projects team has responded brilliantly to what is a huge level of demand for new infrastructure in the water treatment sector. The team has had a very successful H1 2023, with £1.6m additional revenue compared to H1 2022 (£5.1m), representing a 30% increase. New clients secured during the period include Amey and SGN. The civil projects team continues to be very busy into H2 2023.

#### *Digital*

We have often spoken of the clear differentiation we have achieved due to the strength of our proprietary apps, digital capabilities and bespoke data. We are able to facilitate rapid, local placement of operatives which means that we can provide clients with more efficient and effective results.

During the period, we were delighted to announce that we are now monetising our digital capabilities, which was an important milestone for Hercules. In November 2022, we launched our skills portal, the Skills, Employment and Education ("SEE") Everything Portal, which was developed in conjunction with Balfour Beatty Vinci Systra joint ventures on the HS2 rail project.

Following a successful trial, we are now receiving licence fees and, while relatively small at the moment, the revenues are recurring and we expect to announce further updates in the future as we seek additional licensing opportunities across the public and private sectors.

We believe that the SEE Everything Portal represents a highly relevant proposition due to its ability to reduce the time and resource spent coordinating, tracking, monitoring and validating data on equality, diversity, inclusion, skills, employment and education outputs on infrastructure and construction projects.

Contractors are increasingly required to demonstrate the SEE impact of a project when entering into a tendering process following the implementation of the Social Value Act (2012), and our portal should make this a much simpler process for our clients.

#### **Interim dividend and timetable**

The Board is pleased to declare an interim dividend of 0.6p per share (2022: 0.6p). The interim dividend will be paid on 24 August 2023 to shareholders on the register at close of business on 25 July 2023. The shares will go ex-dividend on 24 July 2023.

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

Revenue for the period grew by 85% to £37,012,000 (H1 2022: £19,958,000). Gross profit increased 71% to £6,903,000 (H1 2022: £4,046,000).

Adjusted EBITDA was £1,127,000 (H1 2022: £650,000). In line with expectations, H1 2023 delivered growth in profits over H1 2022, particularly with the increased suction excavator fleet to 30 vehicles from 16 at the start of the period (H1 2022 increased from 9 to 13 vehicles), as well as further considerable labour supply growth, particularly on the HS2 project. The growth in administrative expenses over H1 2022 is expected to level off now the final 10 suction excavators have been delivered.

Basic profit/(loss) per share improved to £0.006 (H1 2022 (£0.006)).

£2,576,000 cash was held at 31 March 2023 (H1 2022: £1,650,000). In March 2023, the Company raised £1.7m (gross) from a new share issue to aid working capital to fund continuing organic growth in the labour supply division.

#### **Outlook**

I am remarkably proud of the significant contributions made by the team in H1 2023, building on the track record of growth that has been delivered by Hercules since inception. The Company's financial performance is traditionally H2 weighted, and we are pleased with trading to date.

Between now and the year end, we look forward to executing on our current pipeline and delivering on our strategy. We continue to advance our training academy plans, which represents a medium-term objective for the business, and to nurture a range of opportunities to achieve additional scale for the Company.

With demand for our services expected to remain strong given the market backdrop, we look forward to the remainder of the year with confidence and updating shareholders along the way.

#### **Henry Pitman**

Non-executive Chairman

**Hercules Site Service PLC**  
**Condensed Statement of Comprehensive Income**  
**6 Months Ended 31 March 2023**

	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>
	<b>6 months to</b>	<b>Year ended</b>	<b>6 months to</b>
	<b>31-Mar-23</b>	<b>30-Sep-22</b>	<b>31-Mar-22</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Revenue	37,012	49,549	19,958
Cost of sales	(30,109)	(39,770)	(15,912)
<b>Gross profit</b>	<b>6,903</b>	<b>9,779</b>	<b>4,046</b>
Recurring administrative expenses	(5,776)	(7,470)	(3,396)
<b>Adjusted EBITDA</b>	<b>1,127</b>	<b>2,309</b>	<b>650</b>
Non-recurring administrative expenses	(15)	(471)	(414)
<b>EBITDA</b>	<b>1,112</b>	<b>1,838</b>	<b>236</b>
Depreciation	(760)	(1,034)	(452)
R&D expenditure	5	(37)	(3)
Share based payment provision	0	(40)	
Profit/Loss on sale of fixed assets	(26)	(21)	6
<b>Operating Profit/(Loss)</b>	<b>331</b>	<b>706</b>	<b>(213)</b>
Finance costs	(577)	(545)	(170)
<b>Profit/(Loss) before tax</b>	<b>(246)</b>	<b>161</b>	<b>(383)</b>
Taxation	596	160	260
<b>Total comprehensive profit/(loss) for the period</b>	<b>350</b>	<b>321</b>	<b>(123)</b>
<b>Earnings per share:</b>			
Basic earnings/(loss) per share (£)	0.006	0.577	(0.006)

**Condensed Statement of Financial Position**

## 31 March 2023

	Unaudited	Audited	Unaudited
	31-Mar-23	30-Sep-22	31-Mar-22
	£000	£000	£000
<b>Non-current assets</b>			
Property, plant & equipment	21,394	14,642	12,360
	<u>21,394</u>	<u>14,642</u>	<u>12,360</u>
<b>Current assets</b>			
Inventories	47	52	8
Assets at fair value through profit or loss	0	0	312
Trade and other receivables	18,248	17,907	10,794
Current tax recoverable	83	83	83
Cash and cash equivalents	2,576	1,211	1,650
<b>Total current assets</b>	<u>20,954</u>	<u>19,253</u>	<u>12,847</u>
<b>Total assets</b>	<u><u>42,348</u></u>	<u><u>33,895</u></u>	<u><u>25,207</u></u>
<b>Equity and liabilities</b>			
Share capital	62	59	59
Share premium	5,002	3,417	3,417
Share based payment reserve	40	40	0
Retained earnings	3,485	3,322	3,264
<b>Total equity</b>	<u>8,589</u>	<u>6,838</u>	<u>6,740</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities/(assets)	(309)	287	188
Lease liabilities	15,346	10,879	9,317
<b>Total non-current liabilities</b>	<u>15,037</u>	<u>11,166</u>	<u>9,505</u>
<b>Current liabilities</b>			
Trade and other payables	6,187	7,005	3,534
Provisions	309	305	325
Borrowings	8,686	6,529	3,142
Lease liabilities	3,540	2,052	1,961
<b>Total current liabilities</b>	<u>18,722</u>	<u>15,891</u>	<u>8,962</u>
<b>Total liabilities</b>	<u>33,759</u>	<u>27,057</u>	<u>18,467</u>
<b>Total equity &amp; liabilities</b>	<u><u>42,348</u></u>	<u><u>33,895</u></u>	<u><u>25,207</u></u>

## Condensed Statement of Changes in equity

### 6 Months Ended 31 March 2023

	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	0	9
Share premium	3,417	0	3,417
Total comprehensive loss for the period	0	(123)	(123)
Balance at 31 March 2022	<u>3,476</u>	<u>3,264</u>	<u>6,740</u>

	<b>Share capital (Unaudited) £000</b>	<b>Retained earnings (Unaudited) £000</b>	<b>Total equity (Unaudited) £000</b>
At 1 October 2022 as previously stated	3,516	3,322	6,838
New share capital	3	0	3
New share premium	1,585	0	1,585
Dividend paid	0	(187)	(187)
Total comprehensive profit for the period	0	350	350
Balance at 31 March 2023	<u>5,104</u>	<u>3,485</u>	<u>8,589</u>

## Condensed Statement of Cash Flow 6 Months Ended 31 March 2023

	<b>Unaudited 6 months to 31-Mar-23 £000</b>	<b>Audited Year ended 30-Sep-22 £000</b>	<b>Unaudited 6 months to 31-Mar-22 £000</b>
<b>Cash flows from operating activities:</b>			
Profit/(loss) for the period	350	321	(123)
Listing costs	0	443	414
Taxation charge	(596)	(160)	(260)
Finance costs	577	545	170
Fair value movements	0	(1)	(40)
Share based payment charge	0	40	0
Depreciation expense	760	1,034	452
Profit/(loss) on disposal of property, plant & equip	26	21	(6)
Increase in trade and other receivables	(340)	(9,614)	(2,502)
Decrease/(increase) in trade and other payables	(812)	2,530	(207)
Decrease/(increase) in inventories	5	(50)	(6)
<b>Cash absorbed by operations</b>	<u>(30)</u>	<u>(4,891)</u>	<u>(2,108)</u>
Tax (paid)/received	0	0	0
<b>Net cash absorbed by operating activities</b>	<u>(30)</u>	<u>(4,891)</u>	<u>(2,108)</u>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equip	(282)	(228)	277
Proceeds on disposal of property, plant and equip	55	241	199
Proceeds on disposal of other assets	0	272	0
Interest received	0	4	0
<b>Net cash flows from investing activities</b>	<u>(227)</u>	<u>289</u>	<u>476</u>
<b>Cash flows from financing activities:</b>			
Interest paid	(95)	(232)	(130)
Dividends paid	(187)	(385)	0

Payment of lease liabilities	(1,630)	(1,407)	(1,029)
(Repayment)/Drawdown of bank borrowings	1,946	3,389	(37)
Share issue proceeds	1,700	4,000	4,000
Share issue costs	(112)	(574)	(574)
Listing costs	0	(443)	(414)
Amounts advanced/(repaid) on parent company loan	(1)	0	1
<b>Net cash inflow from financing activities</b>	<b>1,621</b>	<b>4,348</b>	<b>1,817</b>
Net (dec)/inc in cash and cash equivalents	1,364	(254)	185
Cash and equivalents at start of period	1,212	1,465	1,465
<b>Cash and equivalents at end of period</b>	<b>2,576</b>	<b>1,211</b>	<b>1,650</b>
<b>Cash and equivalents at end of period comprises:</b>			
Cash at bank and in hand	2,576	1,211	1,650

## Notes

### 1. Notes to the Financial Information

#### Basis of preparation & accounting policies

The interim financial information for the six months ended 31 March 2023 is unaudited and was approved by the Board of Directors on 2 June 2023.

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 2022.

The interim financial information for the six months ended 31 March 2023, 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 2022.

#### Going Concern assumption

The Company meets its day to day working capital requirements through its cash balance.

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 2022 Annual Report

The financial information for the year ended 30 September 2022, 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 2022 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 profit/(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. Significant Capital Purchases

14 new suction excavators were purchased in H1 2023, at a capital cost of £7.0m. The excavators were received in time to qualify for the Super tax deduction before it expired, and were all financed by 90% conventional asset funding, with repayment over 7 years at fixed interest rates.

### 4. Share capital

62,427,984 ordinary shares were in issue at 31 March 2023 (58,650,206 31 March 2022)

### 5. 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).

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