

3 June 2024

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 and construction sector, is pleased to announce its unaudited interim results for the six months ended 31 March 2024 ("H1 2024").

Financial highlights:

- Record revenues, EBITDA and PBT in H1 for Hercules
- Revenue increased by 32% to £48.8m (H1 2023: £37.0m)
- Gross profit increased by 21% to £8.1m (H1 2023: £6.7m)
- Adjusted EBITDA* increased by 91% to £2.1m (H1 2023: £1.1m)
- PBT of £0.2m compared with a loss of £0.2m in H1 2023
- Strong operational cash generation of £5.8m in the period
- Interim dividend of 0.6p declared (H1 2023: 0.6p)

Operational highlights:

- Significant organic growth in all areas of the business, combined with the first contribution from the Future Build Recruitment Ltd ("Future Build") acquisition has helped the Company achieve another period of record growth in H1 2024
- The Construction Academy opened on 31 January 2024 and has already started to generate significant interest and initial revenues from colleges, clients, and the industry in general
- Our first acquisition, Future Build, a white collar supplier to the construction industry, completed on 30 November 2023
- The Rail business has started well (commenced October 2023), steady growth continuing
- Labour supply to HS2 Phase 1 (Northern Section) has increased to 450 operatives at 31 March 2024 (H1 2023: 400)
- Other labour supply sites increased to 550 operatives at 31 March 2024 (31 March 2023: 500)
- New framework contracts signed with Costain and Hill Group (Future Build client), providing further cross-selling opportunities
- Initial work commenced on the Sizewell C nuclear plant. This is expected to be in construction for up to 20 years with an estimated cost of £30bn. This is the Company's first engagement in the nuclear industry
- Civil Projects division has now won £14m of project contracts for FY 2024, up from £10m at 31 March 2023

**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:

“The start of the year has been very positive indeed, with revenue growing by 32% and a 21% increase in gross profit over H1 2023 levels. In addition, we grew EBITDA to £2.1m in H1 2024, up from £1.1m in H1 2023, and completed our first acquisition in line with our growth strategy.

“This continued success has been achieved by a great management team which has a desire to over-achieve. Our supply of skilled operatives to both the HS2 Northern Section and other infrastructure sites has increased during the period. In addition, we have added further new labour supply frameworks, including Costain and Hill Group, which will stand us in good stead in the years to come.

“The civil projects division has won a significant number of tenders, new clients include Trant Engineering and Curio Group, and is well on the way to achieving its targets in 2024.

“We are on track to meet market expectations for the full year, as the strong momentum in the construction and infrastructure sectors continues.”

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 2.00pm (BST).

The presentation is open to all existing and potential shareholders. Questions can be submitted via the Investor Meet Company dashboard 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 has delivered further record growth in H1 2024. Revenues are 32% ahead of the comparative 2023 period and trading is in line with market expectations. This growth has been achieved organically across all areas of our business, as well as through our first acquisition, and our key labour supply division has further ramped up deployment of operatives across our cornerstone projects.

Market dynamics remain strong

The infrastructure sector remains buoyant and this underpins the Company's growth. With expected improvements in the economy including lower inflation and interest rates, we believe the construction sector is likely to experience growth in the years ahead.

There is still a shortage of skilled operatives in the labour sector, but this has not yet impacted our ability to recruit the operatives our clients require. We have the digital tools to help us locate and place operatives to local jobs, so we are well placed to benefit from growth in the months and years ahead. Demand continues to grow for our range of complementary services, and our pipelines in both labour supply and construction services are robust.

Financial results show strategic progress in line with expectations

Revenue for the period grew by 32% to £48.8m (H1 2023: £37.0m). Gross profit increased 21% to £8.1m (H1 2023: £6.7m).

Adjusted EBITDA was £2.1m (H1 2023: £1.1m). In line with expectations, H1 2024 delivered growth in profits compared to H1 2023, with the increased suction excavator fleet (now 28 vehicles), as well as further considerable labour supply growth, particularly on the HS2 project, driving profitability. In addition, the growth in administrative expenses is now showing signs of levelling off, as expected.

PBT per share up to 0.28p (H1 2023 a loss of 0.42p).

EPS 0.28p per share, compared to 0.59p in H1 2023, a period which had benefitted from a deferred tax credit of approximately £0.6m. However, after adjusting for a non-recurring loss on sale of fixed assets of £0.2m, the EPS in H1 2024 would also be 0.59p.

£1.7m cash was held at 31 March 2024 (H1 2023: £2.6m).

Outlook

The team has continued to win and manage increasing amounts of work in H1 2024, and with demand for our services expected to remain strong given the market backdrop, we look forward to executing

on our current pipeline and delivering on our strategy in H2. The Company's financial performance is traditionally H2 weighted, so we are pleased with trading to date.

The opening of the construction academy, the steady growth in the new rail business, as well the development of the commercial possibilities from Future Build, all give us confidence we will match market expectations for the whole of FY2024.

Interim dividend and timetable

The Board is pleased to declare an interim dividend of 0.6p per share (2023: 0.6p). The interim dividend will be paid on 22 August 2024 to shareholders on the register at close of business on 19 July 2024. The shares will go ex-dividend on 18 July 2024.

Labour supply

We provide labour to some of the top construction and infrastructure projects in the country and this core business has experienced continued growth in H1 2024, up 28% on H1 2023. A key driver of this has been the multi-year HS2 Phase 1 (Northern Section) contract, which is one of the largest construction projects in Europe. Our work on site continues to expand and, at the time of writing, we currently have c. 550 Hercules operatives on site (31 May 2023: 400). We are providing additional labour every week in response to increasing demand, leveraging our digital platform as a source of labour supply.

Our new rail business started October 2023 and we are increasing the number of operatives working each month. Initial growth from a standing start in H1 2024 is in line with expectations. This new business stream started with the winning of a contract with Balfour Beatty Rail, but work is also ongoing with other companies as we become better known in the sector.

In anticipation of a significant number of years work in and around the Sizewell C site in the Ipswich area, we have taken a small office in Saxmundham. This will be a major area of activity in the UK for up to 20 years, and of a similar size to HS2. Following the Government's recently announced acquisition of another nuclear site in Wylfa, Wales, this is likely to be another area of significant focus over the next few years.

Construction Services

Suction excavator services

Following the delivery of 14 more suction excavators towards the end of H1 2023, the high utilisation we were experiencing dipped for a number of months in H2 2023. The team has worked hard to identify and commence trading with new customers and it has increased supply of vehicles to a number of existing customers.

Demand is strong but the key is focusing on profitable work, and so a number of changes relating to the way we select jobs have been made to ensure we are as efficient as possible. During the period, our revenues were up 41% year on year, benefitting from the enlarged fleet. These recent acquisitions complete our fleet for the foreseeable future, and our enlarged group of 28 vehicles makes us one of the largest providers of suction excavator services in the UK.

Civil Projects

The well-documented issues within the water treatment sector have led to increased levels of demand for our Civil Projects team over the last year. They have responded incredibly well and have had a very successful H1 2024, with revenues up 43% year on year. We have achieved this despite this being year 5 of the 5 year AMP7 period (ending March 2025), when work tends to be quieter.

Additional Growth Initiatives

Hercules Construction Academy

We launched the Construction Academy at the end of January 2024. The academy, which is in Nuneaton, is close to the HS2 northern section sites. Nuneaton is designated as a deprived area and we aim to attract clients, competitors, further education colleges as well individuals who wish to join the construction industry. Given the skills shortage in the UK this is a long term strategic project for Hercules, to help us maintain our reputation with our blue chip clients well into the future.

Future Build

Hercules first acquisition was completed on 30 November 2023. Future Build operates mostly in the permanent fee white collar construction sector and was purchased to help us achieve another long term goal of being both a key blue collar and white collar supplier to blue chip construction companies. Integration is going well and we look forward to achieving commercial synergies in the year ahead.

Henry Pitman

Non-executive Chairman

Hercules Site Service PLC

Consolidated Statement of Comprehensive Income

6 Months Ended 31 March 2024

	Unaudited 6 months to 31-Mar-24	Audited Year ended 30-Sep-23	Unaudited 6 months to 31-Mar-23
	£m	£m	£m
Revenue	48.8	84.7	37.0
Cost of sales	(40.7)	(68.9)	(30.3)
Gross profit	8.1	15.8	6.7
Recurring administrative expenses	(6.0)	(11.7)	(5.6)
Adjusted EBITDA Subtotal	2.1	4.1	1.1
Non-recurring administrative expenses	-	(0.2)	-
EBITDA	2.1	3.9	1.1
Depreciation	(1.0)	(1.8)	(0.8)
Loss on sale of fixed assets	(0.2)	-	-
Operating Profit	0.9	2.1	0.3
Finance costs	(0.7)	(1.4)	(0.5)
Profit/(Loss) before tax	0.2	0.7	(0.2)
Taxation	-	0.1	0.6
Total comprehensive Profit for the period	0.2	0.8	0.4
PBT per share	0.28p	1.05p	(0.42)p
Earnings per share (PAT)	0.28p	1.27p	0.59p

Note

CITB levies were included in administrative expenses in FY 2023. In 2024 they are allocated to all business elements. FY 2023 comparatives have been adjusted between administrative expenses and cost of sales accordingly.

Consolidated Statement of Financial Position

31 March 2024

	Unaudited	Audited	Unaudited
	31-Mar-24	30-Sep-23	31-Mar-23
	£m	£m	£m
Non-current assets			
Property, plant & equipment	21.1	20.8	21.4
	<u>21.1</u>	<u>20.8</u>	<u>21.4</u>
Current assets			
Inventories	0.1	0.1	-
Trade and other receivables	17.3	22.6	18.2
Current tax recoverable	0.1	0.1	0.1
Cash and cash equivalents	1.7	4.1	2.6
Total current assets	<u>19.2</u>	<u>26.9</u>	<u>20.9</u>
Total assets	<u><u>40.3</u></u>	<u><u>47.7</u></u>	<u><u>42.3</u></u>
Equity and liabilities			
Share capital	0.1	0.1	0.1
Share premium	5.2	5.0	5.0
Share based payment reserve	0.1	0.1	-
Retained earnings	3.0	3.5	3.5
Total equity	<u>8.4</u>	<u>8.7</u>	<u>8.6</u>
Non-current liabilities			
Deferred tax liabilities/(assets)	0.2	0.1	(0.3)
Lease liabilities	11.7	13.5	15.3
Total non-current liabilities	<u>11.9</u>	<u>13.6</u>	<u>15.0</u>
Current liabilities			
Trade and other payables	10.6	11.9	6.2
Provisions	-	-	0.3
Borrowings	6.0	10.0	8.7
Lease liabilities	3.4	3.5	3.5
Total current liabilities	<u>20.0</u>	<u>25.4</u>	<u>18.7</u>
Total liabilities	<u>31.9</u>	<u>39.0</u>	<u>33.7</u>
Total equity & liabilities	<u><u>40.3</u></u>	<u><u>47.7</u></u>	<u><u>42.3</u></u>

Consolidated Statement of Changes in equity

6 Months Ended 31 March 2024

	Share capital (Unaudited) £m	Retained earnings (Unaudited) £m	Total equity (Unaudited) £m
At 1 October 2022 as previously stated	3.5	3.3	6.8
New share capital	-	-	-
Share premium	1.6	-	1.6
Dividend paid	-	(0.2)	(0.2)
Total comprehensive profit for the period	-	0.4	0.4
Balance at 31 March 2023	<u>5.1</u>	<u>3.5</u>	<u>8.6</u>

	Share capital (Unaudited) £m	Retained earnings (Unaudited) £m	Total equity (Unaudited) £m
At 1 October 2023 as previously stated	5.2	3.5	8.7
New share capital	-	-	-
New share premium	0.2	-	0.2
Dividend paid	-	(0.7)	(0.7)
Total comprehensive profit for the period	-	0.2	0.2
Balance at 31 March 2024	<u>5.4</u>	<u>3.0</u>	<u>8.4</u>

Consolidated Statement of Cash Flow

6 Months Ended 31 March 2024

	Unaudited 6 months to 31-Mar-24 £m	Audited Year ended 30-Sep-23 £m	Unaudited 6 months to 31-Mar-23 £m
Cash flows from operating activities:			
Profit for the period	0.2	0.8	0.4
Taxation credit	-	(0.1)	(0.6)
Finance costs	0.8	1.4	0.6
Depreciation	0.8	1.8	0.7
Profit on disposal of property, plant & equip	0.1	-	-
Decrease/(increase) in trade and other receivables	5.3	(4.7)	(0.3)
Decrease/(increase) in trade and other payables	(1.3)	4.6	(0.8)
Increase in inventories	(0.1)	-	-
Cash generation by operations	5.8	3.8	-
Taxation	-	-	-
Net cash generated from operating activities	5.8	3.8	-
Cash flows from investing activities:			
Purchase of property, plant and equip	(1.5)	(0.4)	(0.3)
Proceeds on disposal of property, plant and equipment	0.5	0.2	0.1
Interest received	0.1	-	-
Net cash outflows from investing activities	(0.9)	(0.2)	(0.2)
Cash flows from financing activities:			
Interest paid	(0.8)	(0.7)	(0.1)
Dividends paid	(0.7)	(0.6)	(0.2)
Payment of lease liabilities	(1.8)	(4.4)	(1.6)
(Repayment)/drawdown of bank borrowings	(4.0)	3.4	1.9
Share issue proceeds	-	1.7	1.7
Share issue costs	-	(0.1)	(0.1)
Net cash (outflow)/inflow from financing activities	(7.3)	(0.7)	1.6
Net (dec)/inc in cash/cash equivalents	(2.4)	2.9	1.4
Cash and equivalents at start of period	4.1	1.2	1.2
Cash and equivalents at end of period	1.7	4.1	2.6
Cash and equivalents at end of period comprises:			
Cash at bank and in hand	1.7	4.1	2.6

Notes

1. Notes to the Financial Information

Basis of preparation & accounting policies

The interim financial information for the six months ended 31 March 2024 is unaudited and was approved by the Board of Directors on 31 May 2024.

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 2023.

The interim financial information for the six months ended 31 March 2024, 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 2023.

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 2023 Annual Report

The financial information for the year ended 30 September 2023, 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 2023 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 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

None within this period.

4. Share capital

63,422,415 ordinary shares were in issue at 31 March 2024 (62,427,984 31 March 2023)

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.