

## Investment Profile

1. Experienced board of directors who own c.10% of equity
2. Solid future order book secured
3. Strong cash generation
4. Resilient to COVID-19
5. Dividend paying
6. Diversified portfolio

## Share Information

<b>Ticker</b>	HSP
<b>Share Price</b>	378.5p
<b>Shares in issue</b>	32m
<b>Market Cap</b>	£122.3m
<b>12m Hi/Low</b>	393/190p

(Source: The London Stock Exchange, May 2021)

## 12-Month Share Price



(Source: The London Stock Exchange, May 2021)

## Major Shareholders (as of May 2021)

<b>Name</b>	<b>%</b>
Harwood Capital	28.50
GB Holdings Limited	8.20
Downing	6.98
Schroder Investment Management	6.03
Canaccord Genuity Group	5.00
Axxion S.A	4.96
NFU Mutual	4.21

(Source: company website)

## Company Overview

**Hargreaves Services plc (AIM: HSP)** is a diversified holdings group delivering services to the industrial and property sectors. The Group's services are divided into three parts, each asset has its own growth opportunity to deliver shareholder value:

### 1. Services

Operates a large logistics fleet specialising in the waste market (including clinical waste), is a leading major earthworks contractor to large scale infrastructure projects and provides a range of mechanical and electrical engineering services in both the UK and Hong Kong.

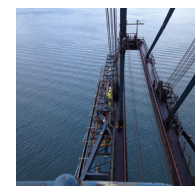
### 2. Hargreaves Land

Controls some 12,000+ acres of land across the UK, and prides itself as property and regeneration specialists, regenerating brownfield sites with sustainable developments.

### 3. Investments

Joint venture: Hargreaves Raw Materials Services GmbH (HRMS), based in Germany, trades specialist industrial minerals and recycles steel waste through its subsidiary DK Recycling und Roheisen GmbH.

See the latest Company video [here](#)



## End of Coal (major transformational step)



Since 2016, it has been the Group's strategy to move away from its legacy in coal. In 2020, Hargreaves closed its surface coal mining activities, and sold its speciality coal inventory for a cash consideration of c.£24m, permitting the Group to unlock the capital and invest in progressive growth, delivering shareholder value and marking an essential step on the road to a more sustainable business model.

## Strategy and Outlook

The Group has made significant progress in reshaping its future beyond coal and remains focused on delivering reliable and growing profits. By unlocking capital from its Services businesses, Hargreaves enables strong cash returns to shareholders alongside investment in the growth of Hargreaves Land.

See the latest company presentation [here](#)

## Hargreaves Land (Property Development Business)

Hargreaves' focus is on adding value to strategically identified land through promotion, successful planning permissions and, where appropriate, commercial land development and implementation of site infrastructure. Strategically, the Company employs a **low-risk approach of straight sale post-development**. The Company has two main sites; Unity in Doncaster and Blindwells in Edinburgh.

### Unity, Doncaster (held in a 50:50 joint venture)

- **Two million sq ft** logistics space / **3,100 homes**
- **£25m sale of 79-acre logistics site** to a major retailer **completed in FY21**
- **£9.2m independent funding secured** for the next phase of infrastructure with a **targeted completion date in FY22**
- Sale contracts exchanged with the first housebuilder for **232 plots with sales forecast to complete in 2023**



### Blindwells, Edinburgh

- **1,600 residential plots**
- Completed first sale of land to Bellway Homes in January 2021: **£7.7m gross sales receipts** with £4.2m received and £3.5m minimum payable via two instalments by Jan 2023
- Completed **sale of 2.9 acres to Cruden Homes**, which will provide 60 affordable homes; the **initial sale is worth £0.5m**



## Investment in German Joint Venture

Hargreaves Raw Materials Services GmbH (HRMS) is a joint venture based in Duisburg, Germany, which has consistently delivered profits. HRMS is 49% owned by the Company, but **Hargreaves is entitled to 86% of the economic benefit**.

HRMS has recently invested in a **Carbon Pulverisation Plant (CPP)** and acquired a steel waste recycling business, **DK Recycling und Roheisen GmbH (DK)**. The CPP is now producing material for its customers which provides the opportunity to displace brown lignite coal, a highly polluting form of coal used in many German industries, with a cleaner alternative. DK, which has annual revenue capacity in excess of €100m, is the world's largest recycler of ferrous waste materials from the steel industry.

These recent additions of complementary operations at HRMS have created an integrated operation with the capacity for **annual revenue of over €300m**. The growth provided by both the CPP and DK will help to reduce the volatility previously experienced within the profits of the HRMS trading business.

## Key Newsflow

- May'21:** Further [Trading upgrade](#)
- Apr'21:** [Accelerated completion](#) at Unity JV
- Apr'21:** [Trading upgrade](#) released
- Apr'21:** [Further sale](#) at Blindwells
- Jan '21:** [Interim Results](#) / sale at Blindwells
- Dec '20:** [Sale of Speciality Coal](#) to HRMS

## Management Team



The experienced management team led by **Chairman Roger McDowell** has a combined shareholding of c.10% and a track record of acquisitions, executing strategic growth and commercial property investment. Roger joined Hargreaves in 2018 and is Chairman for three other listed companies, including Flowtech Fluidpower plc, Brand Architekts plc and Avingtrans plc. He is also a Non-executive director of five other listed and non-listed companies.

**CEO Gordon Banham** joined Hargreaves in 2001 and led a management buyout in 2004, with the Company's flotation on the LSE the following year.



**John Samuel, Group Finance Director**, has over 25 years' experience as Finance Director of publicly quoted companies. After Filtronic and Zetex, he joined Hargreaves in 2018 having spent 12 years with Renew Holdings, remodelling that Group from construction to engineering services.

**David Anderson, Group Property Director**, joined Hargreaves in 2018. He is a previous Managing Director of Henry Boots Developments, the property development subsidiary of Henry Boot plc.

Additionally, the Board comprises three other non-executive directors in **Nigel Halkes**, a retired senior partner at E&Y, **Christopher Jones**, an experienced property advisor and **Nicholas Mills**, employed by Harwood Capital LLP, the Group's largest shareholder.

### Forecasts (Source: Factset)

	FY'20 (Actual)	FY'21 (Est.)	FY'22 (Est.)	FY'23 (Est.)
Sales (£m)	222.2	192.4	176.7	209.0
EBITDA (£m)	23.8	15.3	15.8	22.3
PBT (£m)	5.1	17.7	8.9	13.5
EPS (p)	19.44	50.4	25.9	36.43

\*Trading updates issued on 20 April and 18 May 2021 showed improved trading results from HSP's German joint venture and material improvement in cash levels to result in a year end net cash position