

Positioned for H2 growth

17 October 2024

Consistent with Speedy's AGM statement (on 5 September) H125 hire segment revenue is in line with the prior year and management expectations for the full year are unchanged. We expect a H1 bias to capex and, relatedly, a H2 bias to profitability both driven primarily by new business. Growth and margin expansion are key Velocity objectives; this should become increasingly visible as H2 progresses. H125 results are scheduled for 21 November.

In a sector context, flat hire revenues (c.60% of the group) in H125 looks like a solid outcome, even allowing for a modest contribution from Green Power Hire (acquired October 2023). There will have been mixed sub-sector performances behind this with more material infrastructure and relatively low residential exposure both being beneficial. As seen in FY24, lower fuel prices continue to inhibit Service revenue progress. Re-hire revenue is also implicitly down by low single-digit percentage points y-o-y, albeit Lloyds British is gaining momentum. Overall, Group revenue is expected to be marginally lower than the £208.5m reported for H124.

As a result, adjusted EBITDA/EBIT is likely to be similar to H124 in our view; group gross margin is likely to be slightly better given the revenue mix, but P&L wage and growth investment will dampen drop-through benefits. This indicates that a significant uplift is required in H2 to meet FY25 expectations, in-line with previous guidance for an increased H2 profit weighting. Outside UK/Ireland operations, lower Speedy Zholdas activity levels in the first half due to timing issues causes us to reduce our expected FY25 contribution from this JV by £0.9m (to £2m). Our estimates are otherwise unchanged as is our 51.1p per share fair value as in our [recent initiation note](#). The flagged increase in net debt (pre IFRS16, up c£1.1m in H125 to £112m) is after the FY24 final dividend payment (c.£8m) and above normal investment in hire fleet ahead of new business mobilisation.

Valuation: poised for H2 growth, prospective 7.2% dividend yield

Speedy's share price has traded between 35p-40p range over the last quarter. Currently sitting at the lower end of this range, performance is now broadly in line with the FTSE All-Share Index YTD. With no material changes to underlying estimates, previous comments relating to low and rapidly compressing earnings multiples still apply. Reaffirmation of FY growth expectations at the H125 results announcement stage could be a catalyst for restoring share price momentum in our view. Ahead of that, our flat, unchanged dividend expectation offers a prospective 7.2% yield.

Company Data

EPIC	SDY
Price (last close)	36.0p
52 weeks Hi/Lo	41.4p/22.5p
Market cap	£165m
ED Fair Value per share	51.1p
End H125 net debt	£(112)m
Pre IFRS16 basis	

Share Price, p



Source: ADVFN

Description

Speedy Hire (Speedy) is the UK and Ireland's leading provider of tools, specialist equipment and services operating from a nationwide network of 144 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.

During FY24, Speedy transitioned its trade/retail presence with B&Q to a digital fulfilment model (included within Hire revenues). SDY also has two JV operations: Speedy Zholdas (in Kazakhstan, since 2013) and Speedy Hydrogen Services (UK, launched in H224).

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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	22.4	29.8	36.9
EPS adjusted p	4.92	2.24	3.72	4.97	6.13
DPS p	2.60	2.60	2.60	2.73	2.87
P/E (x)	7.3	16.1	9.7	7.2	5.9
EV/EBITDA (x)	2.5	2.7	2.5	2.4	2.2
Dividend yield (%)	7.2%	7.2%	7.2%	7.6%	8.0%

Source: Company Annual Reports, Equity Development

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
Revenue		394.7	371.5	332.3	386.8	440.6	421.5	444.5	464.9	486.4
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
EBIT - SDY norm		36.7	33.4	21.7	32.1	32.7	24.5	33.5	39.5	46.5
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	2.0	3.0	3.1
Profit Before Tax (SDY norm)		31.4	30.0	17.5	29.6	30.7	14.7	22.4	29.8	36.9
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
Profit Before Tax (reported)		28.7	16.1	8.3	29.1	1.8	5.1	16.8	24.2	36.3
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
Profit After Tax (reported)		23.2	16.8	9.5	21.6	1.2	2.7	12.9	18.7	27.8
EPS FD - SDY norm (p)		4.9	4.5	2.6	4.1	4.9	2.2	3.7	5.0	6.1
EPS FD - reported (p)		4.4	2.3	1.2	4.0	0.2	0.6	2.8	4.0	6.0
Dividend per share (p)		2.0	0.7	1.4	2.2	2.6	2.6	2.6	2.7	2.9
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
Margins (%)										
Gross Profit		54.3	57.7	55.6	57.2	54.3	54.6	55.8	56.2	56.5
EBITDA - SDY norm		26.2	27.8	27.3	25.9	23.6	23.0	23.6	24.1	24.7
EBIT SDY norm		9.3	9.0	6.5	8.3	7.4	5.8	7.5	8.5	9.6

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
Operating Cash Flow		61.2	64.5	72.9	28.6	51.9	69.0	63.7	61.7	69.7
Interest paid		(6.7)	(6.5)	(6.0)	(6.0)	(8.4)	(12.7)	(12.5)	(12.2)	(12.1)
Tax paid		(4.7)	(9.3)	(0.8)	(3.0)	(3.1)	(3.7)	(3.8)	(5.4)	(8.4)
Investing Activities		(36.2)	(3.5)	3.6	(14.1)	(3.4)	(24.2)	(8.5)	(7.5)	(7.4)
Associates & JV income		0.0	0.0	1.0	1.9	5.6	3.9	2.0	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
Financing Activities		(7.6)	(32.8)	(81.3)	(15.9)	(38.0)	(25.4)	(37.9)	(38.1)	(38.7)
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
Net Cash Flow		6.0	12.4	(11.6)	(10.4)	(1.0)	3.0	1.0	(1.5)	3.1
Opening net cash/(debt) - pre IFRS16		(69.1)	(89.1)	(79.3)	(33.2)	(67.5)	(92.4)	(101.3)	(100.3)	(101.8)
Change in net cash		6.0	12.4	(11.6)	(10.4)	(1.0)	3.0	1.0	(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
Closing net cash/(debt) - pre IFRS16		(89.1)	(79.3)	(33.2)	(67.5)	(92.4)	(101.3)	(100.3)	(101.8)	(98.8)
IFRS16 lease liabilities		(82.4)	(72.9)	(63.2)	(76.7)	(86.1)	(97.6)	(97.6)	(97.6)	(97.6)
Net Cash Flow			12.4	(11.6)	(10.4)	(1.0)	3.0	1.0	(1.5)	3.1
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
Free Cash Flow			21.2	46.6	(18.5)	10.6	23.5	12.9	10.6	15.7

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
Non-Current Assets		371.2	355.5	325.2	366.4	355.1	378.9	378.8	382.5	389.9
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
Current Assets		118.8	135.3	114.3	119.3	121.3	121.3	125.2	131.6	142.9
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	5.0	3.5	6.5
Current Liabilities		(117.2)	(117.5)	(116.1)	(122.7)	(121.9)	(128.6)	(131.4)	(134.7)	(138.3)
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)
Non-Current Liabilities		(163.1)	(163.4)	(102.6)	(136.6)	(169.9)	(195.9)	(195.9)	(195.9)	(195.9)
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)
Net Assets		209.7	209.9	220.8	226.4	184.6	175.7	176.7	183.4	198.6

Source: Company, Equity Development. *includes International



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