



HMS Group
3 months 2018 IFRS Results
Webcast presentation

8 June 2018



A large red arrow pointing downwards, containing the text 'Financial results' in white.

Financial results

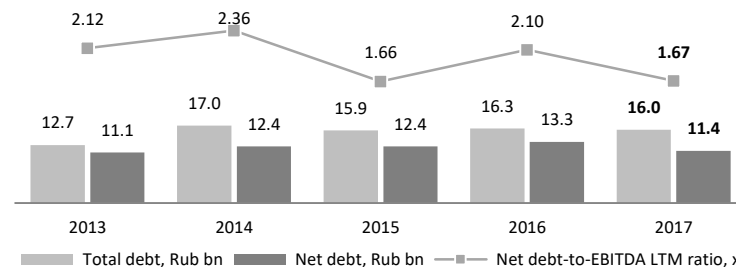
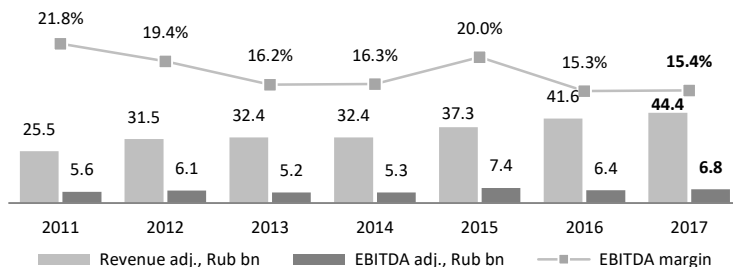
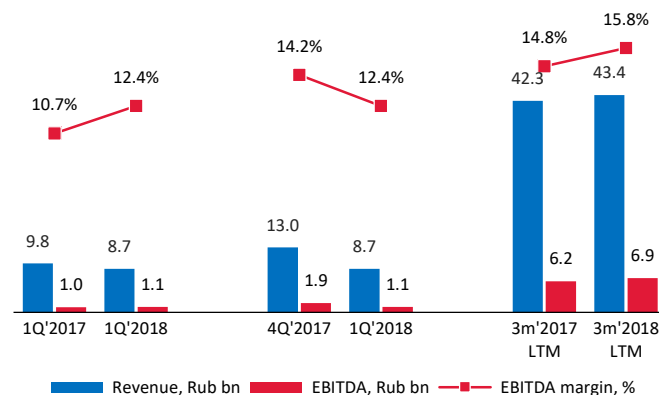
Business & Outlook



HIGHLIGHTS

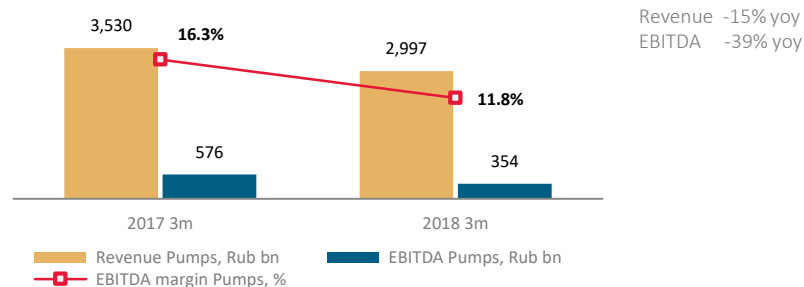
Rub bn	2018 3m	2017 3m	chg, yoy
Revenue	8,726	9,760	-11%
EBITDA	1,080	1,047	3%
Gross profit	2,178	2,047	6%
Operating profit	430	557	-23%
Profit for the period	19	77	-75%
EBITDA margin	12.4%	10.7%	165 bps
Gross margin	25.0%	21.0%	399 bps
Operating margin	4.9%	5.7%	-79 bps
Net income margin	0.2%	0.8%	-57 bps
Total debt	17,140	15,842	8%
Net debt	14,842	12,981	14%
EBITDA LTM	6,872	6,235	10%
Net debt to EBITDA LTM	2.16	2.08	

Revenue and EBITDA Rub bn



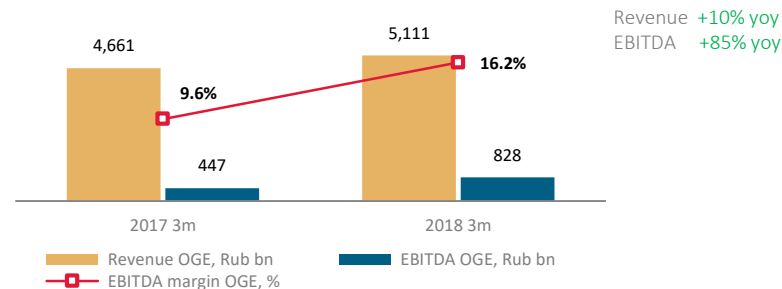
SEGMENTS OVERVIEW

PUMPS



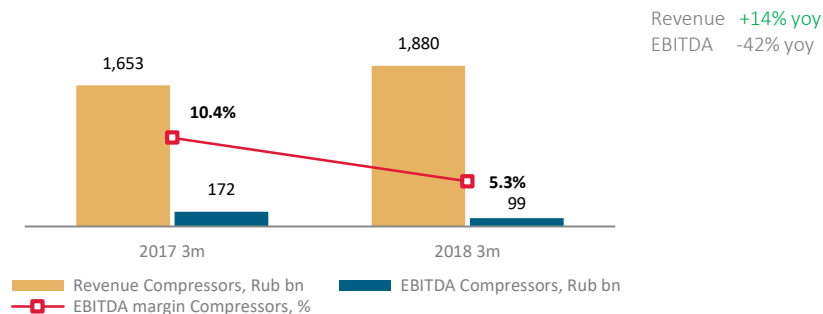
- Revenue down 15% yoy due to a decline in recurring business
- EBITDA declined 39% yoy and EBITDA margin decreased to 11.8% due to less EBITDA generated by both recurring business and large contracts

OIL AND GAS EQUIPMENT & PROJECTS



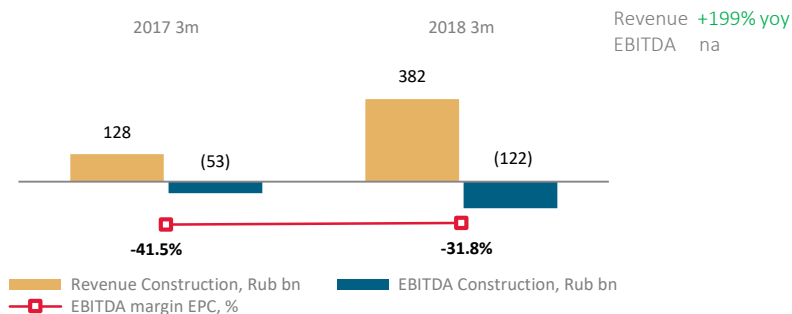
- Revenue up 10% yoy because of growth of large projects
- EBITDA up 85% yoy due to an increase in large contracts
- EBITDA margin up to 16.2%

COMPRESSORS



- Revenue grew 14% yoy to Rub 1.9 bn due to large contracts
- EBITDA down 42% yoy because less EBITDA generated by recurring business
- EBITDA margin decreased to 5.3%

CONSTRUCTION



- Revenue up 199% yoy vs declining EBITDA

COSTS

COST OF SALES

	2018 3m	2017 3m	chg, yoy
Cost of sales	6,548	7,713	-15%
% of revenue	75.0%	79.0%	
Materials and components	3,672	5,362	-32%
% of revenue	42.1%	54.9%	
Labour costs	1,359	1,127	21%
% of revenue	15.6%	11.6%	
Social taxes	376	317	19%
% of revenue	4.3%	3.2%	
Other expenses	1,140	907	26%
% of revenue	13.1%	9.3%	

DISTRIBUTION & TRANSPORTATION

	2018 3m	2017 3m	chg, yoy
Distribution and transportation expenses	460	431	7%
% of revenue	5.3%	4.4%	
Labour costs	140	126	11%
% of revenue	1.6%	1.3%	
Transportation expenses	114	130	-12%
% of revenue	1.3%	1.3%	
Social taxes	35	32	36%
% of revenue	0.4%	0.3%	
Other expenses	171	143	19%
% of revenue	2.0%	1.5%	

GENERAL & ADMINISTRATIVE

	2018 3m	2017 3m	chg, yoy
General and administrative expenses	1,227	1,057	16%
% of revenue	14.1%	10.8%	
Labour costs	644	576	12%
% of revenue	7.4%	5.9%	
Social taxes	155	141	10%
% of revenue	1.8%	1.4%	
Taxes and duties	59	48	22%
% of revenue	0.7%	0.5%	
Other expenses	368	291	27%
% of revenue	4.2%	3.0%	

Comments

Cost of sales decreased 15% yoy to Rub 6.5 bn from Rub 7.7 bn:

- Materials and components were down 32% yoy
- Labour costs increased by 21%

** Herein, Materials & components, Labour costs and Social taxes were additionally derived from Change in work in progress and finished goods, thereby do not coincide with the note in the financial statement*

Distribution and transportation costs:

- **up 7% yoy**, due to growth in labour costs and social taxes

General and administrative expenses:

- **up 16% yoy**, due to growth in labour costs and social taxes
- up to 14.1% as a percentage of revenue, also impacted by quarterly volatility of revenues

CAPEX & Working Capital

CASH FLOW PERFORMANCE

Cash flow performance, Rub bn	2018 3m	2017 3m	Chg, yoy
Operating cash flow	(2,648)	1,086	↓ -344%
Investing cash flow	(258)	(289)	↓ -11%
Free cash flow (FCF)	(2,906)	797	↓ -464%
Financing cash flow	574	(894)	↑ -164%
Cash and cash equivalents	2,298	2,861	↓ -20%

Source: Company data, IFRS accounts

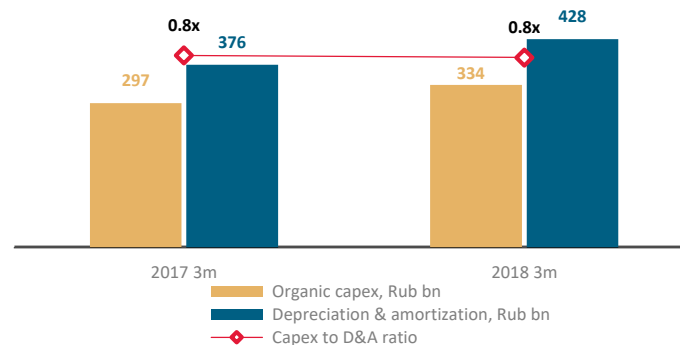
Comments

- Working capital increased 26% yoy due to execution of large contracts
- HMS generated Rub 2.6 bn operating cash out flow vs. cash inflow of Rub 1.1 bn last year
- Organic capex grew to Rub 334 mn (+13% yoy)
- Free cash flow turned negative Rub 2.9 bn

Note: Differences in calculations can occur due to the rounding-off rule

CAPEX

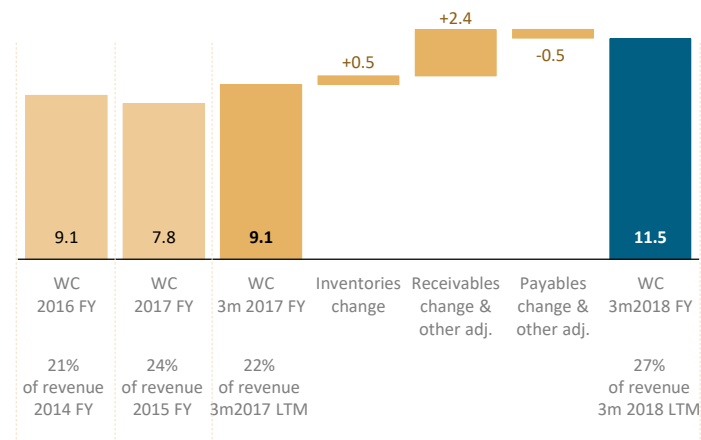
334 RUB mn
+13% yoy



Source: Company data, IFRS accounts

WORKING CAPITAL

11.5 RUB BN
+26% yoy



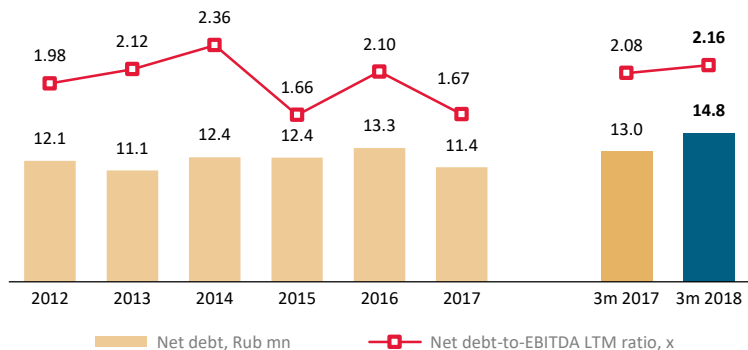
Source: Company data, IFRS accounts

STABLE FINANCIAL POSITION

LEVERAGE

14.8 RUB BN

+14% yoy

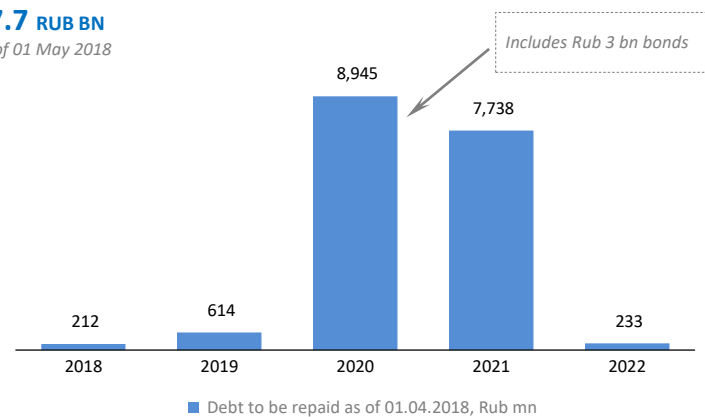


Source: Company data on 01 April, 2018, IFRS accounts

DEBT REPAYMENT

17.7 RUB BN

As of 01 May 2018

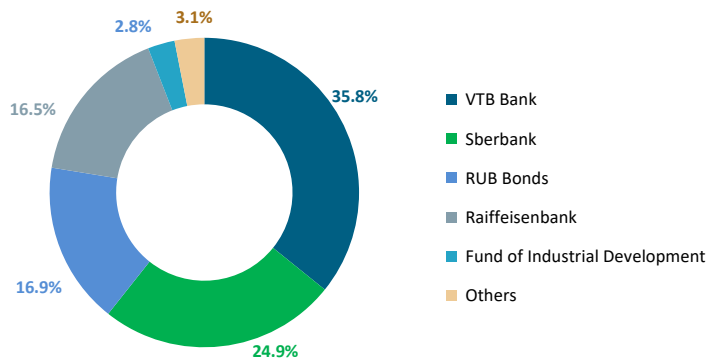


Source: Company data, management accounts

BANKS

17.7 RUB BN

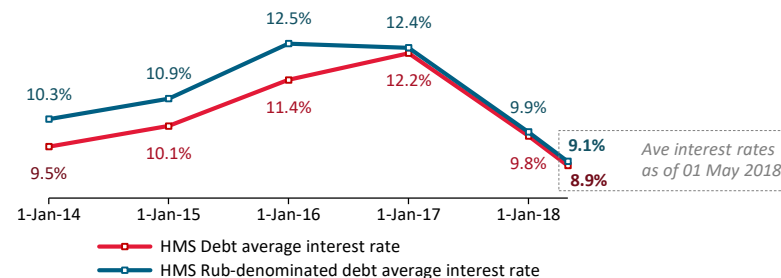
As of 01 May 2018



Source: Company data, management accounts

Comments

- **2018 3m Total debt** increased to **Rub 17.1 bn**
- **2018 3m Net debt** equaled **Rub 14.8 bn**
- **2018 3m Net Debt-to-EBITDA LTM ratio** amounted to **2.16x**
- Long-term debt: 99% of total debt portfolio
- Borrowings in Rub: 98% of total debt portfolio



Source: Company data as of 01 April 2018, management accounts, IFRS accounts

Financial results

Business & Outlook

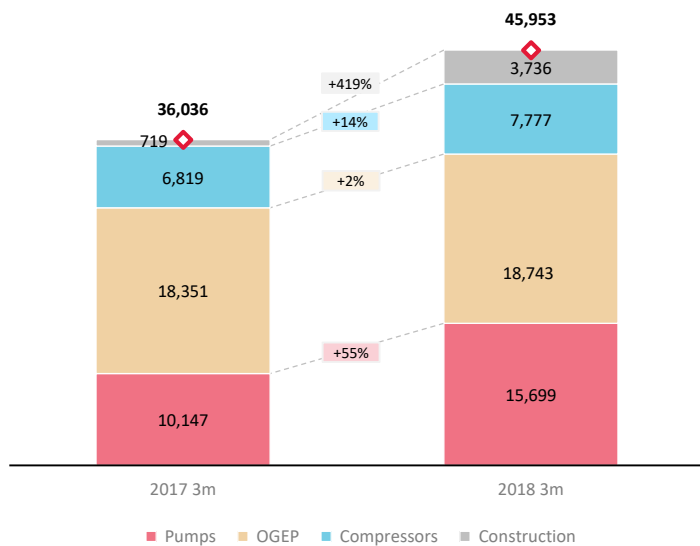


BACKLOG & ORDER INTAKE

BACKLOG

46.0 RUB BN

+28% yoy

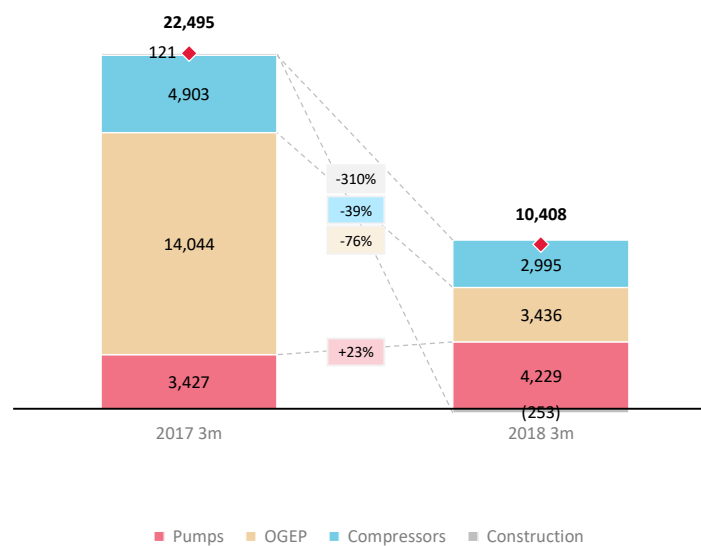


	3m 2017	chg	3m 2018
Total Backlog, where	36.0	+28%	46.0
Recurring business	20.1	+24%	25.0
Large integrated projects	16.0	+32%	21.0

ORDER INTAKE

10.4 RUB BN

-54% yoy



	3m 2017	chg	3m 2018
Total Order intake, where	22.5	-54%	10.4
Recurring business	7.5	+1%	7.6
Large integrated projects	15.0	-81%	2.8

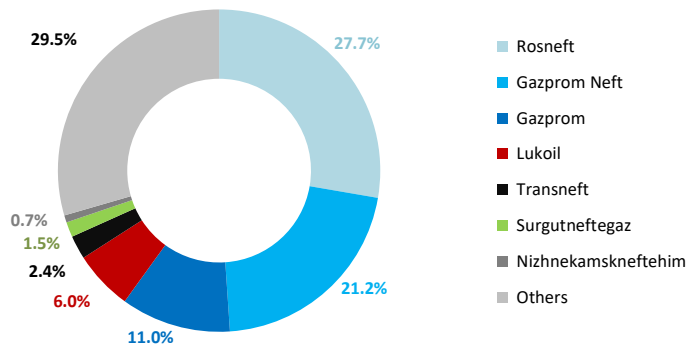
Source: Company data, management accounts

HMS REVENUE STRUCTURE

REVENUE BY TOP-7 CLIENTS

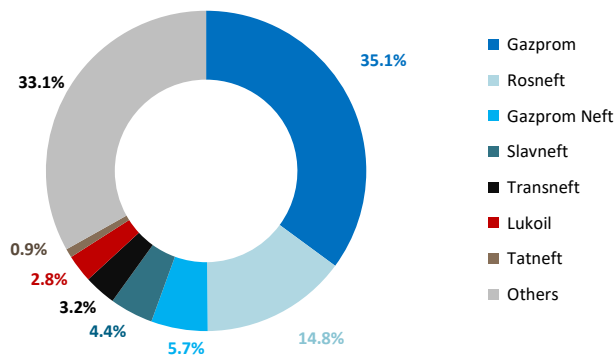
REVENUE 3m 2017

9.8 RUB BN



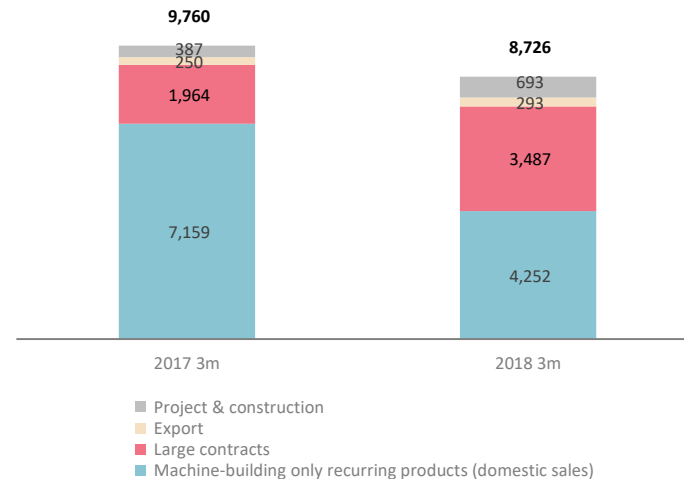
REVENUE 3m 2018

8.7 RUB BN



Source: Company data, Management accounts

REVENUE BY PRODUCTS' TYPE



Source: Company data, IFRS accounts

Comments

- A stable number of large clients generates revenue from both large contracts and recurring business
- Around 6 thousand of other clients create a “safety cushion” with recurring business
- Revenue was down due to a decline in revenue, generated by machine-building only recurring products

Capital markets

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HMS Hydraulic Machines & Systems Group Plc is listed on the London Stock Exchange (Main market, IOB):

Identifier	Number	Number of shares outstanding
ISIN	RegS: US40425X4079 144A: US40425X3089	117,163,427
Ratio	1 GDR : 5 Shares	
Ticker	HMSG	
Bloomberg	HMSG LI	
Reuters	HMSGq.L	



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Notes to the presentation and formulas used for some figures' calculations

- All figures in millions of Russian Rubles, unless otherwise stated
- Management of the Group assesses the performance of operating segments based on a measure of adjusted EBITDA, which is derived from the consolidated financial statements prepared in accordance with IFRS
- **EBITDA** is defined as operating profit/loss from continuing operations adjusted for other operating income/expenses, depreciation and amortisation, impairment of assets, excess of fair value of net assets acquired over the cost of acquisition, defined benefits scheme expense and provisions (including provision for obsolete inventory, provision for impairment of accounts receivable, unused vacation allowance, warranty provision, provision for legal claims, tax provision and other provisions). This measurement basis, therefore, excludes the effects of a number of non-recurring income and expenses on the results of the operating segments
- **EBIT** is calculated as **Gross profit** minus **Distribution & transportation expenses** minus **General & administrative expenses** minus **Other operating expenses**
- **Total debt** is calculated as **Long-term borrowings** plus **Short-term borrowings**
- **Net debt** is calculated as **Total debt** minus **Cash & cash equivalents** at the end of the period
- **ROCE** is calculated as **EBIT LTM** divided by **Average Capital Employed (Total debt + Total equity)**
- **ROE** is calculated as **Total equity period average** divided by **Profit for the period**
- **Operating profit adj. & Profit for the year adj.** are deferred as adjusted by impairment of PPE, investment property and goodwill
- **Working capital** is calculated as Inventories plus Trade and other receivables, excluding Short-term loans issued, Bank deposits and Promissory notes receivable, plus Current income tax receivable minus Trade and other payables minus Short-term provisions for liabilities and charges minus Current income tax payable minus Other taxes payable
- **Capex** = Organic capex = Purchase of PPE + Purchase of intangible assets
- **Backlog** is calculated as the preceding backlog plus new or additional customer orders booked during the reporting period, less amounts of contract value booked as revenue under "Russian GAAP" on an unconsolidated basis under the relevant contracts, plus or minus adjustments made in the judgment of the Group's management. The Group may also make certain adjustments to bookings to reflect amendment, expiry or termination of contracts, cancellation of orders, changes in price terms under contracts or orders, or other factors affecting the amount of potential revenue which the Group believes may be recognized under such contracts. The Group's backlog estimates are not an indication of potential revenues. Actual revenues and other measures of financial performance under IFRS may differ materially from any estimate of backlog, and changes in backlog between periods may have limited or no correlation to changes in revenue or any other measure of financial performance under IFRS
- *At 31 December 2017 and 2016, the unsecured non-bank loan in amount of RR 500,000 with initial maturity in 2018-2020 was presented within the current portion of long-term borrowings due to the breach of certain financial covenants related to operational performance of the large investment project, financed by this loan (Notes 34, 36). The creditor had not requested early repayment of the loan as of the date when these consolidated financial statements were authorised for issuance. The schedule of debt repayment on the slide 7 is shown in accordance with agreements with lenders, without covenants breach*