

HMS Group Reports Rub 2.9 billion EBITDA for 6 months 2021

Moscow, Russia – September 27, 2021 – HMS Hydraulic Machines & Systems Group Plc (the “HMS Group”, or the “HMS”, or the “Group”) (LSE, MOEX: HMSG), the leading pump, oil & gas equipment and compressor manufacturer and provider of flow control solutions and related services in Russia and the CIS, today announces its financial results for the six months ended June 30, 2021.

Financial highlights 6m 2021:

- Revenue: Rub 25.8 bn (+32% yoy)
- EBITDA¹: Rub 2.9 bn (+36% yoy), EBITDA margin at 11.1%
- Operating profit: Rub 1.4 bn (+172% yoy)
- Profit for the period: Rub 378 mn

- Total debt: Rub 22.5 bn (-1% yoy)
- Net debt: Rub 16.6 bn (+2% yoy)
- Net debt-to-EBITDA LTM ratio: 2.91x

Operational highlights 6m 2021:

- Backlog²: Rub 56.0 bn (+28% yoy)
- Order intake³: Rub 30.9 bn (+58% yoy)

Forecast FY 2021:

- Revenue: Rub 60.0 bn
- EBITDA: Rub 6.5 bn

¹ EBITDA is defined as operating profit/(loss) adjusted for other operating income/expenses, depreciation and amortisation, amortisation of government grants, 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, ECL allowance and provision for impairment of trade and other receivables and other financial assets, 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.

² Backlog – Portfolio of uncompleted orders and contracts

³ Order intake – Portfolio of contracts and orders signed for a period

HMS GROUP PERFORMANCE

6 MONTHS 2021 FINANCIAL RESULTS

- Order intake was up to Rub 30.9 billion, by 58% yoy, compared with Rub 19.5 billion for 6m 2020. The industrial pumps and oil & gas equipment grew, while the compressors order intake was down. On the LTM basis, all the segments grew including the compressors, where the main contracts were signed in 2H 2020. In terms of contracts type, both recurring business and large contracts increased.
- Backlog was Rub 56.0 billion, up by 28% yoy, compared with Rub 43.7 billion at the end of 6m 2020, supported by all business segments. In terms of contracts type, both recurring business and large contracts grew, by 15% yoy and 48% yoy respectively, compared with the end of 6m 2020.
- Revenue was Rub 25.8 billion, up by 32% yoy, compared with Rub 19.5 billion for 6m 2020, based on revenue growth in the oil & gas equipment and compressors business segments.
- EBITDA was Rub 2.9 billion, up by 36% yoy, implying EBITDA margin of 11.1%.
- Revenue generated by large projects grew 145% yoy compared with 6m 2020. Revenue from recurring business declined 10% yoy. EBITDA from large contracts increased 145% yoy, and EBITDA from recurring business declined 58% yoy.
- Profit for the period was Rub 378 million, compared with loss for the period at Rub 314 million for 6m 2020.
- Free cash outflow was Rub 4.7 billion, compared with free cash outflow of Rub 1.5 billion for 6m 2020, due to the higher working capital requirements for execution of large contracts, that are within the normal quarterly volatility.

<i>in millions of Rub</i>	6m 2021	6m 2020	Change yoy	2Q 2021	1Q 2021	Change qoq
Orders	30,883	19,541	58%	12,444	18,439	-33%
Backlog	56,035	43,714	28%	56,035	59,029	-5%
Revenue	25,796	19,498	32%	14,605	11,191	31%
EBITDA	2,855	2,107	36%	1,547	1,308	18%
<i>EBITDA margin</i>	<i>11.1%</i>	<i>10.8%</i>		<i>10.6%</i>	<i>11.7%</i>	
Profit/(Loss) for the period	378	(314)	na	326	52	525%
Free cash outflow	(4,703)	(1,513)	na	(3,510)	(1,193)	na

EXPENSES AND OPERATING PROFIT

- Cost of sales was Rub 20.9 billion, up by 35% yoy, compared with Rub 15.5 billion for 6m 2020, fully due to the growth in materials and components costs (+54% yoy). Materials and components outpaced the growth in Cost of sales because of revenue growth and due to a higher share of material-intensive large contracts under execution.

<i>in millions of Rub</i>	6m 2021	6m 2020	Change yoy	Share of 6m 2021 revenue	Share of 6m 2020 revenue
Cost of sales	20,931	15,537	35%	81.1%	79.7%
Materials and components	14,961	9,703	54%	58.0%	49.8%
Labour costs incl Social taxes	3,718	3,524	6%	14.4%	18.1%
Depreciation and amortization	1,051	1,048	0%	4.1%	5.4%
Construction and design ⁴	1,189	1,065	12%	4.6%	5.5%
Others	11	197	-94%	0.0%	1.0%

- Gross profit grew to Rub 4.9 billion, by 23% yoy, compared with Rub 4.0 billion for 6m 2020.
- SG&A expenses⁵ were up a minor 1% yoy.
 Distribution & transportation expenses were down mainly due to lower transportation costs and expenses on insurance and advertising. As a share of revenue, they declined to 3.0%, compared with 4.6% for 6m 2020.
 General & administrative expenses were up to Rub 2.6 billion (+8% yoy). As a share of revenue, these expenses were down to 10.0%, compared with 12.3% for 6m 2020.
- Operating profit increased to Rub 1.4 billion (+172% yoy), compared with Rub 524 million for 6m 2020.

<i>in millions of Rub</i>	6m 2021	6m 2020	Change yoy	Share of 6m 2021 revenue	Share of 6m 2020 revenue
Gross profit	4,865	3,961	23%	18.9%	20.3%
Distribution & transportation	765	906	-16%	3.0%	4.6%
General & administrative	2,590	2,405	8%	10.0%	12.3%
SG&A expenses	3,354	3,311	1%	13.0%	17.0%
Other operating expenses	85	127	-33%	0.3%	0.6%
<i>Operating expenses ex. Cost of sales</i>	<i>3,439</i>	<i>3,437</i>	<i>0%</i>	<i>13.3%</i>	<i>17.6%</i>
Operating profit	1,426	524	172%	5.5%	2.7%
Finance costs	917	941	-3%	3.6%	4.8%

⁴ Construction and design and engineering services of subcontractors

⁵ SG&A expenses - Selling, General and Administrative Expenses, compiled of distribution & transportation expenses plus general & administrative ones

- Finance costs were Rub 917 million, down by 3% yoy, compared with Rub 941 million for 6m 2020, due to a lower level of average total debt within the reporting period compiled with reduced interest rates, compared with 6m 2020.
- Average interest rate was 8.09% p.a., compared with 8.21% p.a. last year.

<i>in millions of Rub</i>	6m 2021	6m 2020	Change yoy
Finance costs	917	941	-3%
Interest rate, average	8.09%	8.21%	
Interest rate Rub, average	8.21%	8.33%	

BUSINESS SEGMENTS PERFORMANCE

Industrial pumpsⁱ

- Order intake was Rub 12.5 billion, up by 56% yoy, compared with Rub 8.0 billion for 6m 2020, mainly due to a large nuclear pumps contract signed in 2Q 2021. Both recurring business and large contracts grew.
- Backlog was Rub 22.8 billion, up 16% yoy, compared with Rub 19.7 billion at the end of 6m 2020, due to the growth both in recurring business and large contracts.
- Revenue was down to Rub 8.0 billion (-4% yoy), compared with Rub 8.3 billion for 6m 2020.
- EBITDA was down 18% yoy to Rub 834 million, compared with Rub 1.0 billion for 6m 2020, due to a change in a mix of contracts where major deliveries are scheduled in 2H 2021. EBITDA margin was 10.4%, compared with 12.3% during 6m 2020.

<i>in millions of Rub</i>	6m 2021	6m 2020	Change yoy	2Q 2021	1Q 2021	Change qoq
Orders	12,495	8,015	56%	7,772	4,722	65%
Backlog	22,835	19,685	16%	22,835	19,203	19%
Revenue	7,990	8,288	-4%	4,373	3,617	21%
EBITDA	834	1,019	-18%	495	339	46%
EBITDA margin	10.4%	12.3%		11.3%	9.4%	

Oil and Gas equipment & projects (OGEP)ⁱⁱ

- Order intake grew to Rub 14.0 billion, up by 109% yoy, compared with Rub 6.7 billion during 6m 2020, due to the large Rub 7.5 billion contract signed in the reporting period.
- Backlog was Rub 14.9 billion, up by 79% yoy, compared with Rub 8.3 billion at the end of 6m 2020, supported by both regular business and large contracts.
- Revenue was Rub 8.3 billion, up by 62% yoy, compared with Rub 5.2 billion for 6m 2020, due to large contracts.
- EBITDA increased to Rub 818 million, up by 236% yoy, compared with Rub 243 million for 6m 2020 due to a larger share of large contracts in the reported period. EBITDA margin was 9.8%, compared with 4.7% for 6m 2020.

<i>in millions of Rub</i>	6m 2021	6m 2020	Change yoy	2Q 2021	1Q 2021	Change qoq
Orders	14,027	6,723	109%	2,603	11,424	-77%
Backlog	14,860	8,282	79%	14,860	16,156	-8%
Revenue	8,341	5,154	62%	3,952	4,390	-10%
EBITDA	818	243	236%	361	457	-21%
EBITDA margin	9.8%	4.7%		9.1%	10.4%	

Compressors ⁱⁱⁱ

- Order intake declined to Rub 2.4 billion, compared with Rub 4.6 billion for 6m 2020, due to less large contracts signed in the reporting period. On the LTM basis, the compressors' order intake is growing, because the main contracts were signed in 2H 2020.
- Backlog increased to Rub 17.1 billion, up 14% yoy, compared with Rub 15.1 billion at the end of 6m 2020, due to large contracts.
- Revenue was Rub 9.9 billion, up by 71% yoy, compared with Rub 5.8 billion for 6m 2020, mainly due to large contracts.
- EBITDA was Rub 978 million, up by 50% yoy, compared with Rub 653 million for 6m 2020, fully due to execution of large contracts. EBITDA margin was up to 9.9%, compared with 11.3% for 6m 2020.

<i>in millions of Rub</i>	6m 2021	6m 2020	Change yoy	2Q 2021	1Q 2021	Change qoq
Orders	2,381	4,594	-48%	2,043	337	506%
Backlog	17,132	15,058	14%	17,132	22,312	-23%
Revenue	9,927	5,793	71%	6,621	3,306	100%
EBITDA	978	653	50%	492	486	1%
EBITDA margin	9.9%	11.3%		7.4%	14.7%	

Construction ^{iv}

- Order intake equaled Rub 2.0 billion. Backlog grew to Rub 1.2 billion. This growth was related to an increase in a volume and price of a current construction contract under execution.
- Revenue was down to Rub 359 million, compared with Rub 406 million for 6m 2020. EBITDA was Rub (21) million, compared with Rub 39 million last year.

<i>in millions of Rub</i>	6m 2021	6m 2020	Change yoy	2Q 2021	1Q 2021	Change qoq
Orders	1,981	210	846%	26	1,955	-99%
Backlog	1,208	690	75%	1,208	1,358	-11%
Revenue	359	406	-12%	166	193	-14%
EBITDA	(21)	39	na	(3)	(18)	na
EBITDA margin	-5.8%	9.6%		-1.8%	-9.2%	

WORKING CAPITAL AND CAPITAL EXPENDITURES

- Working capital increased to Rub 11.8 billion (+13% yoy), compared with Rub 10.5 billion at the end of 6m 2020. Working capital changes are within the normal quarterly volatility.
- As a share of revenue LTM, working capital was at 22.4% vs. 22.1% at the end of 6m 2020.
- Maintenance capex was Rub 658 million, down by 11% yoy, compared with Rub 743 million during 6m 2020.

<i>in millions of Rub</i>	6m 2021	6m 2020	Change yoy	2Q 2021	1Q 2021	Change qoq
Working capital	11,844	10,486	13%	11,844	8,183	45%
Working capital / Revenue LTM	22.4%	22.1%		22.4%	16.9%	
Maintenance capex	658	743	-11%	217	440	-51%
Acquisitions	-	-		-	-	

DEBT POSITION

- Total debt down 1% yoy to Rub 22.5 billion, compared with Rub 22.8 billion at the end of 6m 2020.
- Net debt was Rub 16.6 billion, up by 2% yoy, compared with Rub 16.2 billion at the end of 6m 2020.
- Net debt to EBITDA LTM ratio was 2.91x, down from 3.25x at the end of 6m 2020.

<i>in millions of Rub</i>	6m 2021	6m 2020	Change yoy	2Q 2021	1Q 2021	Change qoq
Total debt	22,496	22,752	-1%	22,496	22,209	1%
Net debt	16,581	16,177	2%	16,581	13,053	27%
Net debt / EBITDA LTM	2.91	3.25		2.91	2.52	

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

BUYBACK PROGRAM

- After the reporting date, no GDRs have been purchased under the buyback program.
- Since the beginning of 2021, there have been 176,000 GDRs repurchased. Following the above transaction, the Company holds 257,960 of its GDRs in treasury (1.1% of its issued share capital).

DIVIDENDS

- The Board of Directors at the meeting on April 21, 2021, recommended payment of the final dividends in respect of FY 2020 in the amount of Rub 4.25 per one ordinary share (Rub 21.25 per one GDR). The dividends were approved at the AGM in June and paid on July 1, 2021, to shareholders on the HMS' register at close of business (UK time) on June 18, 2021.

BONDS

- On September 1, 2021, the Moscow Exchange registered an Exchange bonds program of one of HMS Group's facilities (JSC "HYDROMASHSERVICE"). The total volume of all the exchange bond issues placed within the program doesn't exceed Rub 15 billion, and the issue tenor is not more than 3,640 days from the date of the issue placement.

Webcast to discuss 6 months 2021 IFRS results

Date: Monday, September 27, 2021
Time: 12.00 (MOSCOW) / 10.00 (London)
HMS Group 6m 2021 IFRS results
Conference passcode: 1667366

To participate in the conference call, please dial in:

Russia Local: +7 495 213 1767
Russia Toll Free: 8 800 500 9283

UK Local: +44 (0)330 336 9125
UK Toll Free: 0800 358 6377

US Local: +1 323 794 2093
US Toll Free: 800 458 4121

Live link

<https://www.webcast-egs.com/hmsgroup20210927>

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HMS Group is the leading pump and compressor manufacturer, as well as provider of flow control solutions and related services to the oil and gas, nuclear and thermal power generation and water utilities sectors in Russia and the CIS. HMS Group's products are mission-critical elements of projects across a diverse range of industries. It has participated in a number of large-scale infrastructure projects in Russia, including providing pumps and modular equipment to the Vankor oil field and pumping stations on recent trunk pipelines projects linking Russia's core oil producing areas to export ports on the Pacific Ocean and Baltic Sea. HMS Group's global depository receipts ("GDRs") are listed under the symbol "HMSG" on the London Stock Exchange and the Moscow Exchange.

Press Release Information Accuracy Disclaimer

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Consolidated Statement of Financial Position at 30 June 2021 (unaudited)

in thousands of Russian Roubles, unless otherwise stated

	30 June 2021	31 December 2020
ASSETS		
Non-current assets:		
Property, plant and equipment	14,384,553	14,684,279
Other intangible assets	1,590,627	1,743,399
Goodwill	3,190,624	3,255,984
Right-of-use assets	200,254	183,211
Investments in associates	94,933	94,307
Deferred income tax assets	815,368	786,455
Other long-term assets	5,733	42,252
Investment property	172,008	176,833
Total non-current assets	20,454,100	20,966,720
Current assets:		
Inventories	10,452,424	8,847,749
Trade and other receivables and other financial assets	12,835,583	15,598,766
Contract assets	11,379,208	6,201,354
Current income tax receivable	138,151	94,972
Cash and cash equivalents	5,915,041	10,360,588
Total current assets	40,720,407	41,103,429
TOTAL ASSETS	61,174,507	62,070,149
EQUITY AND LIABILITIES		
EQUITY		
Share capital	48,329	48,329
Share premium	3,523,535	3,523,535
Treasury shares	(93,775)	(33,055)
Other reserves	129,392	129,392
Currency translation reserve	578,984	646,427
Retained earnings	5,353,615	5,510,974
Equity attributable to the shareholders of the Company	9,540,080	9,825,602
Non-controlling interests	3,607,196	3,518,674
TOTAL EQUITY	13,147,276	13,344,276
LIABILITIES		
Non-current liabilities:		
Long-term borrowings	14,880,643	20,452,736
Deferred income tax liability	1,474,276	1,421,489
Retirement benefit obligations	637,311	646,213
Provisions for liabilities and charges	197,920	228,199
Lease liabilities	167,032	153,048
Other long-term payables	266,719	230,581
Total non-current liabilities	17,623,901	23,132,266
Current liabilities:		
Trade and other payables	20,234,212	17,969,950
Contract liabilities	1,404,426	4,304,845
Short-term borrowings	7,423,907	1,548,574
Provisions for liabilities and charges	528,003	589,762
Retirement benefit obligations	78,573	77,859
Lease liabilities	24,118	20,440
Current income tax payable	47,216	134,080
Other taxes payable	662,875	948,097
Total current liabilities	30,403,330	25,593,607
TOTAL LIABILITIES	48,027,231	48,725,873
TOTAL EQUITY AND LIABILITIES	61,174,507	62,070,149

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 30 June 2021 (unaudited)

in thousands of Russian Roubles, unless otherwise stated

	Six months ended 30 June 2021	Six months ended 30 June 2020
Revenue	25,795,798	19,498,083
Cost of sales	(20,931,033)	(15,537,017)
Gross profit	4,864,765	3,961,066
Distribution and transportation expenses	(764,521)	(905,929)
General and administrative expenses	(2,589,855)	(2,404,748)
Other operating expenses, net	(84,735)	(126,603)
Operating profit	1,425,654	523,786
Finance income	94,976	163,837
Finance costs	(916,536)	(941,454)
Share of results of associates	143	264
Profit/(loss) before income tax	604,237	(253,567)
Income tax expense	(226,484)	(60,144)
Profit/(loss) for the period	377,753	(313,711)
Profit/(loss) attributable to:		
Shareholders of the Company	305,134	(344,105)
Non-controlling interests	72,619	30,394
Profit/(loss) for the period	377,753	(313,711)
Other comprehensive income/(loss):		
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Remeasurement of post-employment benefit obligations	26,745	(5,721)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	(60,454)	299,070
Currency translation differences of associates	483	(23)
Other comprehensive (loss)/income for the period	(33,226)	293,326
Total comprehensive income/(loss) for the period	344,527	(20,385)
Total comprehensive income/(loss) attributable to:		
Shareholders of the Company	255,161	(47,380)
Non-controlling interests	89,366	26,995
Total comprehensive income/(loss) for the period	344,527	(20,385)
Basic and diluted earnings/(loss) per ordinary share for profit/(loss) attributable to the ordinary shareholders (RR per share)	2.63	(3.03)

Consolidated Statement of Cash Flows for 6m 2021 (unaudited)

in thousands of Russian Roubles, unless otherwise stated

	Six months ended 30 June 2021	Six months ended 30 June 2020
Cash flows from operating activities		
Profit/(loss) before income tax	604,237	(253,567)
Adjustments for:		
Depreciation and amortisation	1,208,328	1,210,967
(Gain)/loss from disposal of property, plant and equipment and intangible assets	(23,071)	4,548
Finance income	(94,976)	(163,837)
Finance costs	916,536	941,454
Change in retirement benefits obligations	32,778	34,835
Change in warranty provision	(53,133)	76,070
Change in expected credit losses allowance for trade and other receivables and other financial assets and allowance for impairment of non-financial assets	3,435	30,578
Change in allowance for obsolete inventories	40,208	1,300
Change in provision for legal claims	15,800	13,401
Share-based compensation	12,500	29,460
Foreign exchange (gain)/loss, net	(28,974)	15,063
Amortisation of government grants	(15,562)	(15,562)
Share of results of associates	(143)	(264)
Operating cash flows before working capital changes	2,617,963	1,924,446
Increase in inventories	(1,646,820)	(1,267,369)
Decrease in trade and other receivables	2,874,978	1,652,074
(Increase)/decrease in contract assets	(5,183,717)	860,673
Increase/(decrease) in accounts payable and accrued liabilities	1,597,269	(3,445,237)
(Decrease)/increase in contract liabilities	(2,900,419)	1,650,330
Decrease in other taxes payable	(285,338)	(671,572)
Cash (used in)/from operations	(2,926,084)	703,345
Income tax paid	(327,500)	(555,558)
Interest paid	(913,654)	(1,061,544)
Interest received	95,142	172,052
Net cash used in operating activities	(4,072,096)	(741,705)
Cash flows from investing activities		
Repayment of loans advanced	1,401	2,536
Loans advanced	(2,205)	(18,406)
Interest received	-	1,000
Proceeds from sale of property, plant and equipment, net of VAT	27,054	18,765
Purchase of property, plant and equipment, net of VAT	(528,868)	(511,335)
Acquisition of intangible assets, net of VAT	(128,693)	(231,256)
Repayment of contingent consideration liability	-	(33,000)
Net cash used in investing activities	(631,311)	(771,696)
Cash flows from financing activities		
Repayments of borrowings	(3,085,640)	(3,826,233)
Proceeds from borrowings	3,420,035	2,314,701
Repayment of the lease liabilities principal	(9,965)	(19,805)
Buy back of issued shares	(60,720)	-
Dividends related to Long-term Incentive Program	-	(5,660)
Dividends paid to non-controlling shareholders of subsidiaries	(395)	(92)
Dividends paid to the shareholders of the Company	-	(391,942)
Net cash from/(used in) financing activities	263,315	(1,929,031)
Net decrease in cash and cash equivalents	(4,440,092)	(3,442,432)
Effect of exchange rate changes on cash and cash equivalents and effect of translation to presentation currency	(5,455)	64,537
Cash and cash equivalents at the beginning of the period	10,360,588	9,952,118
Cash and cash equivalents at the end of the period	5,915,041	6,574,223

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- ⁱ The industrial pumps business segment designs, engineers, manufactures and supplies a diverse range of pumps and pump-based integrated solutions to customers in the oil and gas, power generation and water utilities sectors in Russia, the CIS and internationally. The business segment's principal products include customized pumps and integrated solutions as well as pumps built to standard specifications; it also provides aftermarket maintenance and repair services and other support for its products.
- ⁱⁱ The oil and gas equipment and projects business segment manufactures, installs and commissions modular pumping stations, automated metering equipment, oil, gas and water processing and preparation units and other equipment and systems for use primarily in oil extraction and transportation. The segment's core products are equipment packages and systems installed inside a self-contained, free-standing structure which can be transported on trailers and delivered to and installed on the customer's site as a modular but fully integrated part of the customer's technological process.
- ⁱⁱⁱ The compressors business segment designs, engineers, manufactures and supplies a diverse range of compressors and compressor-based solutions, including compressor units and compressor stations, to customers in the oil and gas, metals and mining and other basic industries in Russia. The business segment's principal products include customized compressors, series-produced compressors built to standard specifications, and compressor-based integrated solutions.
- ^{iv} The construction provides construction works for projects for customers in the oil upstream and midstream, gas upstream.