



Capital Markets

# 9 months 2021 IFRS results

Conference call presentation



DECEMBER 16, 2021

# Financial results 9 months 2021



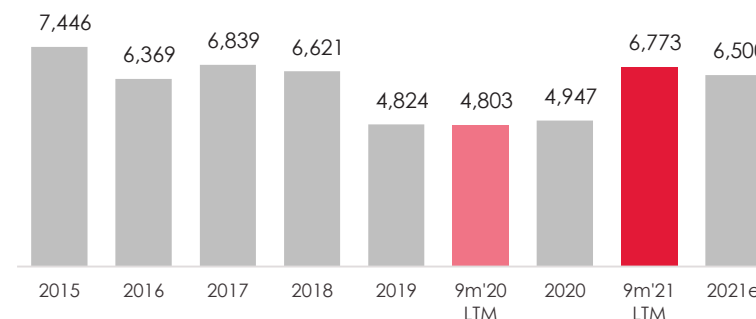
# HMS Group back to its regular financial performance along with recovery in the oil & gas equipment segment



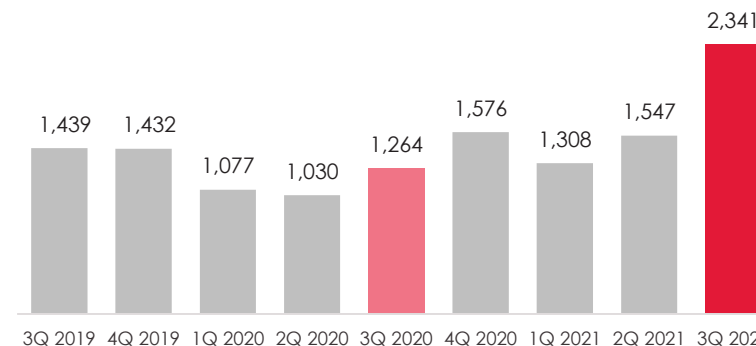
## Revenue and EBITDA grew due to continuing recovery in OGE

<i>in millions of Rub</i>	9m 2021	9m 2020	Chg, yoy	3Q 2021	2Q 2021	Chg, qoq
Revenue	41,122	31,477	31%	15,326	14,605	5%
EBITDA	5,197	3,371	54%	2,341	1,547	51%
Gross profit	8,351	6,311	32%	3,486	2,778	26%
Operating profit	3,183	1,215	162%	1,757	860	104%
Profit/(Loss) for the period	1,209	(224)	na	831	326	155%
EBITDA margin	12.6%	10.7%	193 bps	15.3%	10.6%	469 bps
Gross margin	20.3%	20.0%	26 bps	22.7%	19.0%	373 bps
Operating margin	7.7%	3.9%	388 bps	11.5%	5.9%	558 bps
Profit/(Loss) for the period margin	2.9%	-0.7%	365 bps	5.4%	2.2%	319 bps
Total debt	22,642	22,832	-1%	22,642	22,496	1%
Net debt	16,771	13,897	21%	16,771	16,581	1%
EBITDA LTM	6,773	4,803	41%	6,773	5,696	19%
Net debt to EBITDA LTM	2.48	2.89		2.48	2.91	

HMS EBITDA for the period, LTM 2015 – 2021 expected, Rub mn



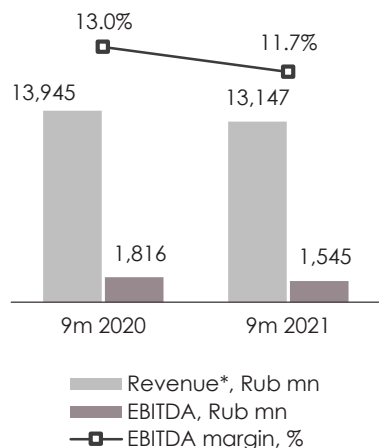
HMS EBITDA for the period, quarterly 3Q 2019 - 3Q 2021, Rub mn



# Segments overview



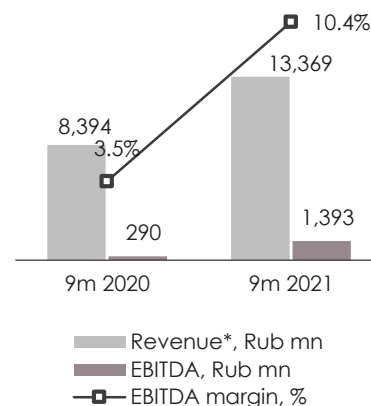
## Pumps



**Revenue -6% yoy**  
**EBITDA -15% yoy**

- Revenue down 6% to Rub 13.1 bn
- EBITDA was down 15% to Rub 1.5 bn
- Revenue and EBITDA down vs. 9m 2020 because of less earnings generated by nuclear contracts due to shifts in operating schedules caused by COVID-19
- EBITDA margin down to 11.7%

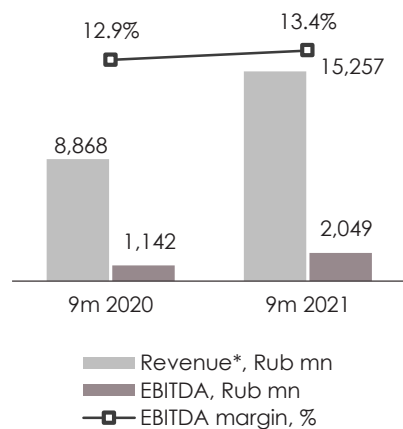
## Oil & gas equipment and projects



**Revenue +59% yoy**  
**EBITDA +380% yoy**

- Revenue and EBITDA grew due to large contracts
- EBITDA margin recovered to 10.4% due to a larger share of large contracts vs. comparable period

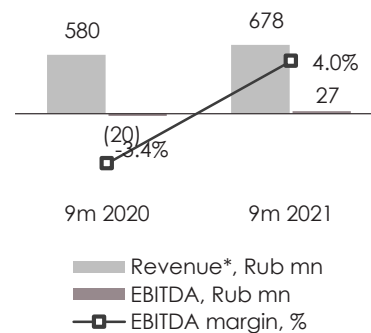
## Compressors



**Revenue +72% yoy**  
**EBITDA +79% yoy**

- Revenue was up to Rub 15.3 bn due to large contracts
- EBITDA was up to Rub 2.0 bn, fully due to execution of large contracts
- EBITDA margin was 13.4%

## Construction (TGS)



**Revenue +17% yoy**  
**EBITDA na**

- Expected growth in revenue and EBITDA

Source: Company data, IFRS

\* External revenue of a segment, that also includes intersegment revenue

# HMS costs & expenses structure



## Cost of sales\* was up 30% yoy

- Cost of sales increased 30% yoy due to an increase in Materials and components (+41% yoy)
- As a share of revenue, Cost of sales also down, to 79.7% from 80.0%

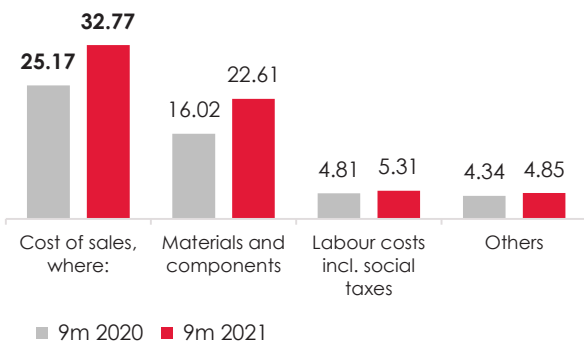
## Distribution and transportation expenses down 9% yoy

- As a share of revenue, distribution and transportation expenses were down to 3.0% from 4.3%
- Labour costs incl. social taxes up 8% yoy, after tough bailout package in 1H 2020
- Transportation expenses down 29% yoy

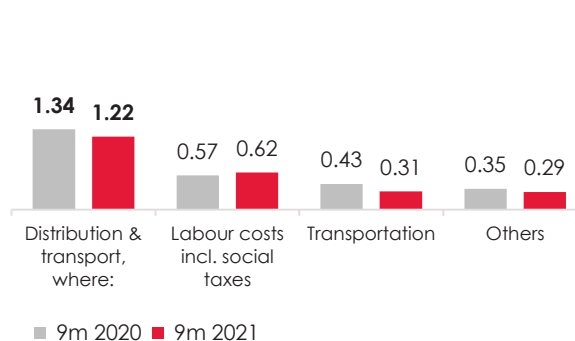
## General & administrative expenses up 7% yoy

- General & administrative expenses were up 7% yoy mainly due to labor costs increase (+9% yoy)
- As a share of revenue, general & administrative expenses was down to 9.4%, compared with 11.4% for 9m 2020

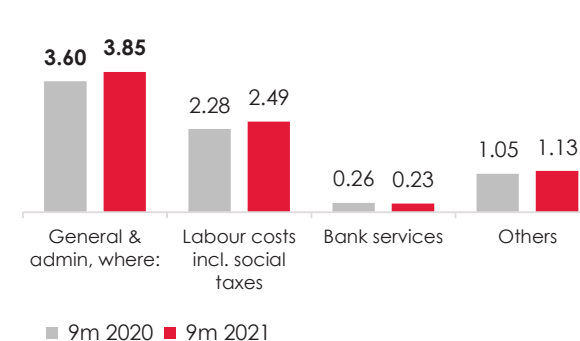
Cost of sales, 9m 2021 vs 9m 2020 in Rub bn



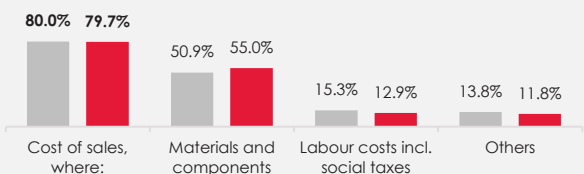
Distribution & transportation expenses, 9m 2021 vs 9m 2020 in Rub bn



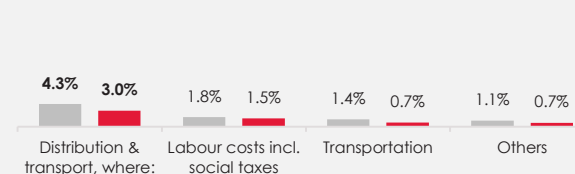
General & administrative expenses, 9m 2021 vs 9m 2020 in Rub bn



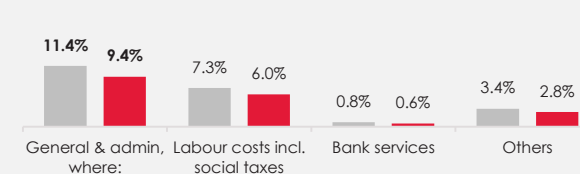
Share in revenue



Share in revenue



Share in revenue



Source: company data, IFRS accounts

Note: In Cost of sales analysis, 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

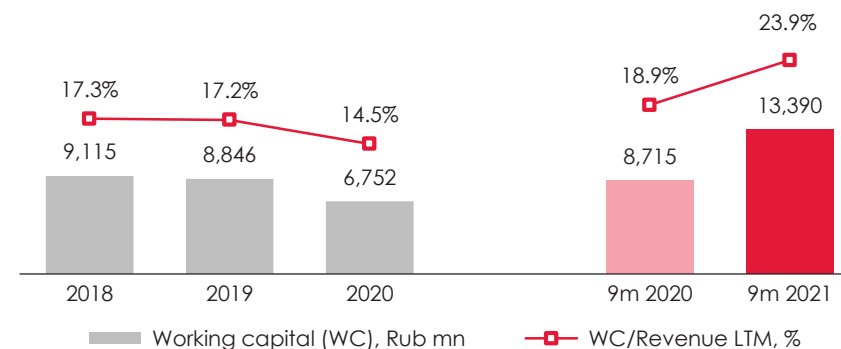
# Cash flow analysis



## Free Cash Outflow grew due to higher working capital requirements

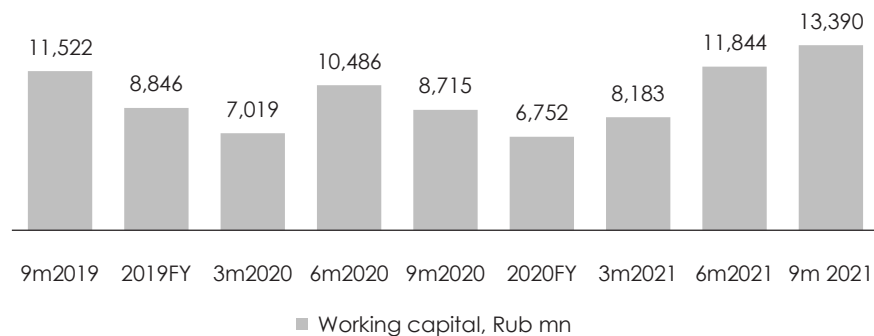
Cash flows performance, Rub mn	9m 2021	9m 2020
Operating cash flow	(3,502)	2,039 ↓
Investing cash flow, where:	(971)	(1,155) ↑
Maintenance capex	(1,011)	(1,141)
Acquisitions (M&A)	-	-
<b>Free cash flow*</b>	<b>(4,473)</b>	<b>884</b> ↓
Dividends	(548)	(446) ↑

## Working capital grew 54% yoy WC/Revenue LTM ratio at 23.9%

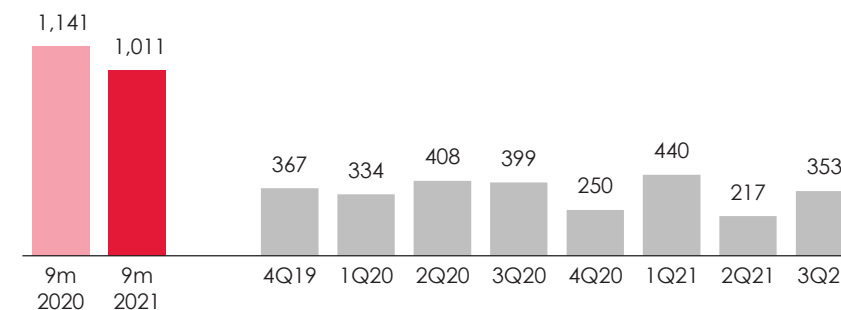


## Operating cash flow fluctuates following Working capital

HMS Working capital quarterly volatility  
9m2019 - 9m2021, Rub mn



## Capex was down 11% yoy to Rub 1.0 bn



Source: Company data, IFRS

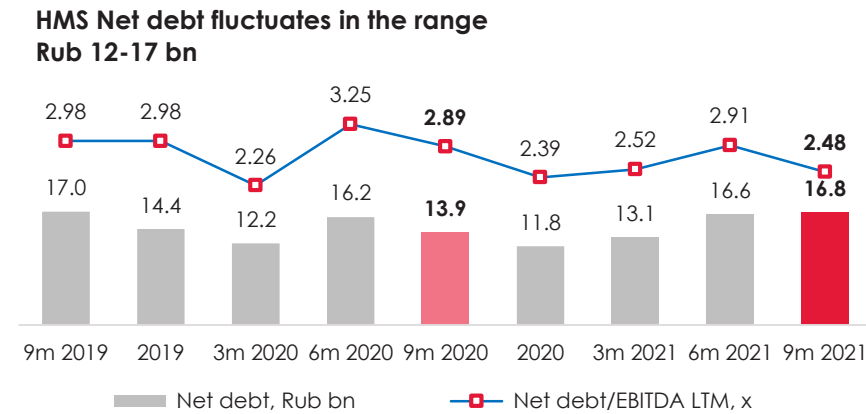
(\* ) Free cash flow before dividends

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

# Net debt/EBITDA LTM of HMS Group at 2.48x

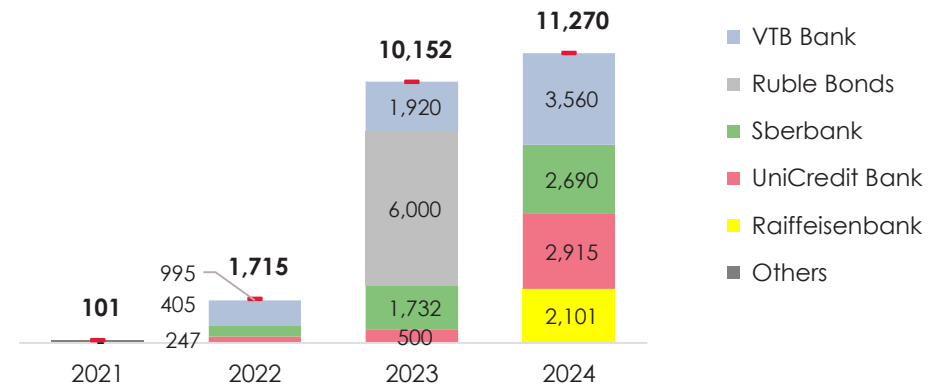


9m 2021 Net debt/EBITDA LTM 2.48x vs  
9m 2020 Net debt/EBITDA LTM 2.89x

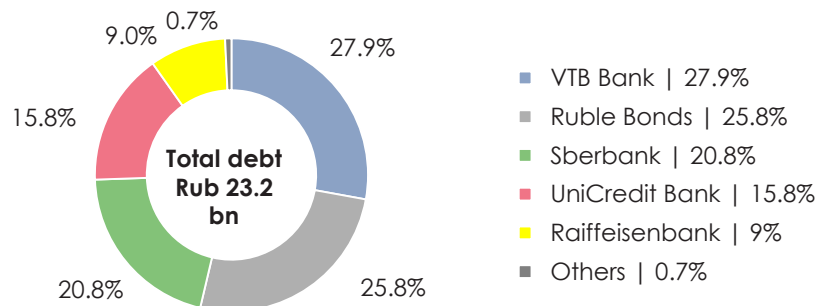


Debt repayment schedule in Dec 2021, Rub mn

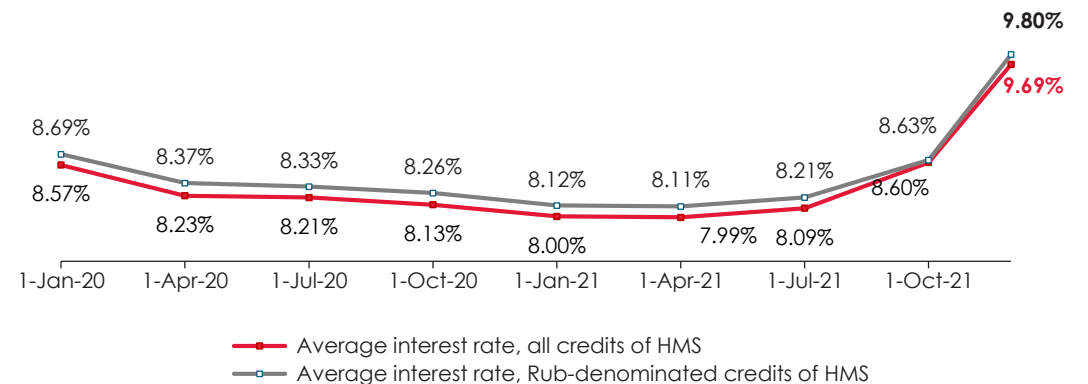
Total debt Rub 23.2 bn



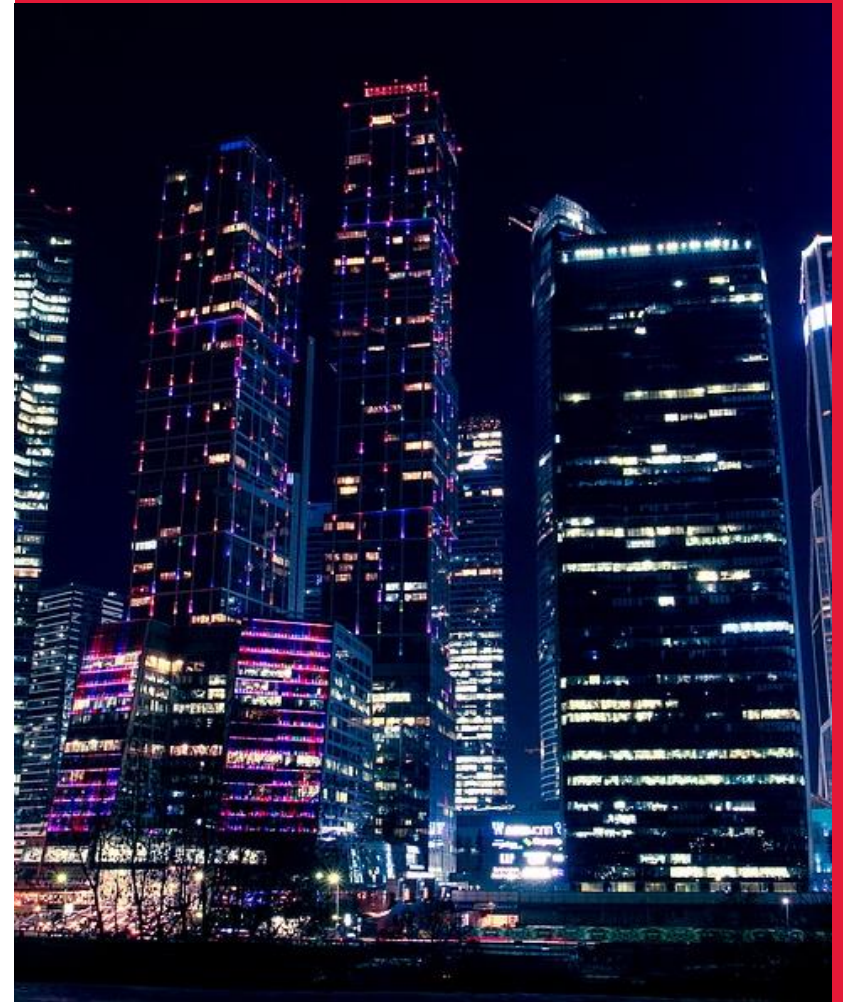
Structure of HMS creditors in Dec 2021



Average interest rate up to 9.69% pa after refinancing in Dec 2021



# Business & Outlook



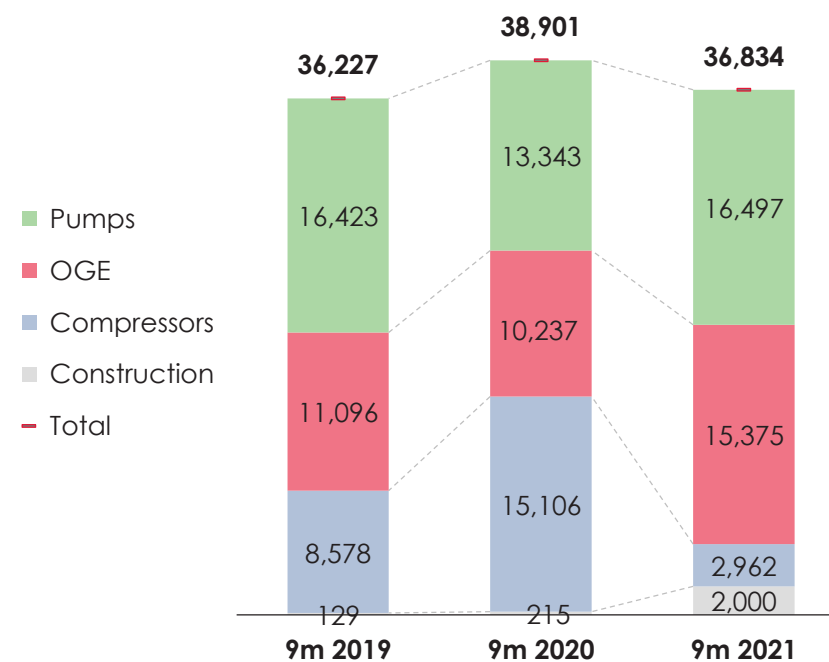
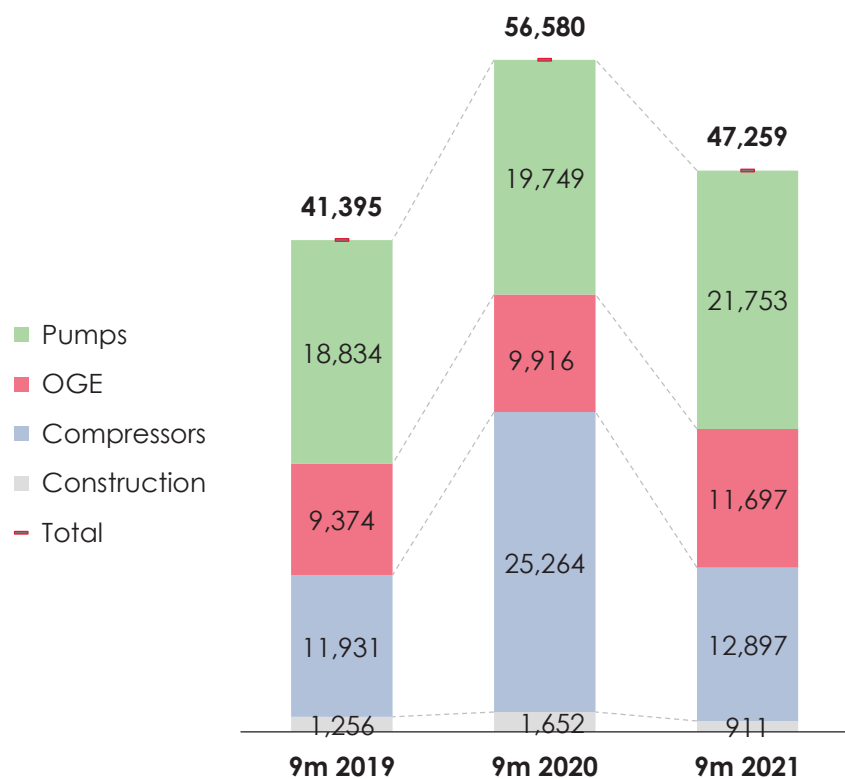


# Backlog and Order intake

Backlog decreased but in the same time company is working on a number of opportunities in 2022

— Backlog<sup>1</sup> -16% yoy

— Order intake<sup>2</sup> -5% yoy



Source: Company data, management accounts

Note: Backlog and order intake portfolios are the Obskiy LNG contract adjusted for past periods

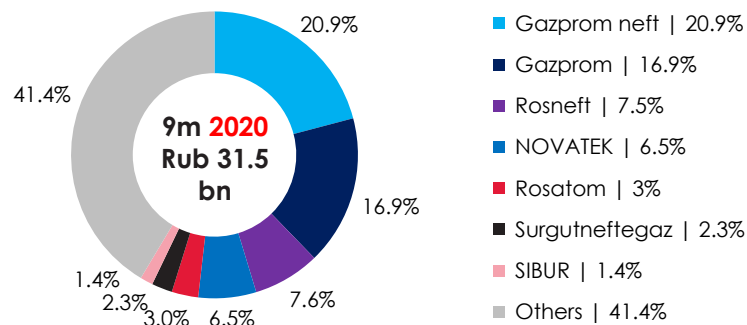
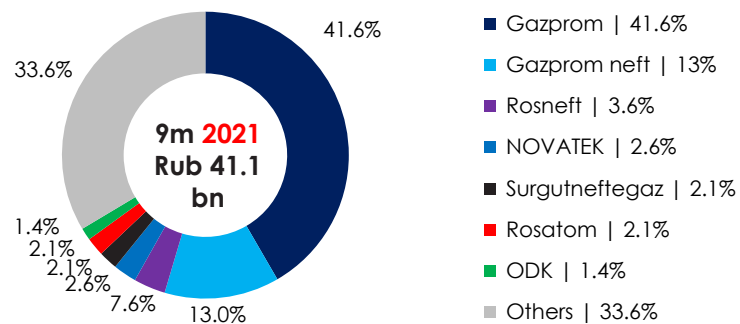
1) Backlog - Portfolio of orders under execution

2) Order intake – Portfolio of orders and contracts, signed within a period

# Revenue structure by clients and contracts type

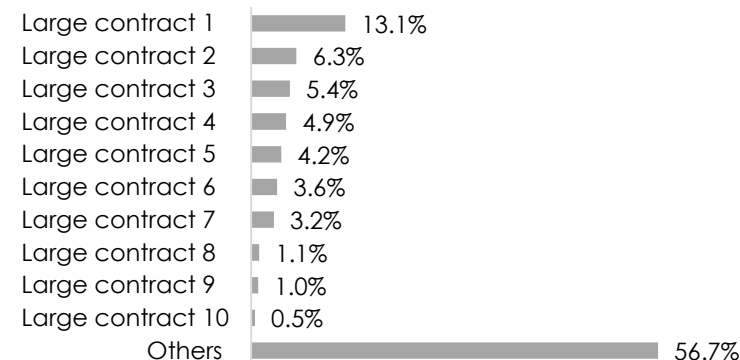


## Top-7 clients of HMS Group

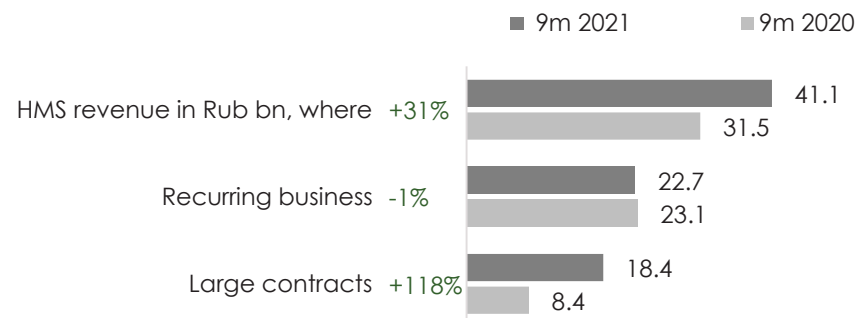


## OGE Rub 7.5 bn contract generated 13.1% of 9m 2021 HMS revenue

### 10 largest projects generated 43% of 9m 2021 revenue



## Large contracts were the contributor to HMS growth in revenue





HMS Hydraulic Machines & Systems Group Plc

Company's GDRs is listed on:

- London Stock Exchange (Main market, IOB)
- Moscow Exchange (1<sup>st</sup> level)

Number of shares outstanding: 117,163,427

Number of issued GDRs: 6,676,593

ISIN            RegS: US40425X4079

                  144A: US40425X3089

Ratio          1 GDR : 5 Shares

Ticker         HMSG

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### Capital markets

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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) 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.
- **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 **Long-term lease liabilities (non-current)** plus **Short-term borrowings** plus **Short-term lease liabilities (current)**
- **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
- **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