

HMS Group Reports 3m 2020 EBITDA of Rub 1.1 billion

Moscow, Russia – June 08, 2020 – HMS Group Plc (the “Group”) (LSE: 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 three months ended March 31, 2020.

Financial highlights 3m 2020:

- Revenue: Rub 9.1 bn (+3% yoy)
- EBITDA¹: Rub 1.1 bn (+115% yoy), EBITDA margin at 11.8%
- Operating profit: Rub 265 mn
- Loss for the period: Rub (153) mn

- Total debt: Rub 21.5 bn (+14% yoy)
- Net debt: Rub 12.2 bn (-17% yoy)
- Net debt-to-EBITDA LTM ratio: 2.26x

Operational highlights 3m 2020:

- Backlog: Rub 58.7 bn (+29% yoy)
- Order intake: Rub 23.1 bn (+101% yoy)

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.

GROUP PERFORMANCE

3 MONTHS 2020 FINANCIAL RESULTS

<i>in millions of Rub</i>	3m 2020	3m 2019	Change yoy	1Q 2020	4Q 2019	Change qoq
Orders	23,142	11,487	101%	23,142	15,970	45%
Backlog	58,720	45,347	29%	58,720	44,693	31%
Revenue	9,115	8,854	3%	9,115	14,732	-38%
EBITDA	1,077	501	115%	1,077	1,432	-25%
<i>EBITDA margin</i>	11.8%	5.7%		11.8%	9.7%	
Loss for the period	(153)	(498)	na	(153)	(45)	na
Depreciation & amortization	609	551	11%	609	594	3%
Free cash flow	2,091	(1,229)	na	2,091	2,646	-21%

Order intake demonstrated the twofold increase to Rub 23.1 billion, compared with Rub 11.5 billion for 3 months 2019, due to a large Rub 11.2 billion compressor contract signed in the reporting period.

Backlog also grew, to Rub 58.7 billion by 29% yoy, compared with Rub 45.3 billion last year, where all main business segments demonstrated growth, especially the compressors. In terms of contracts type, the large contracts were the main contributor to this growth.

Revenue increased to Rub 9.1 billion, up by 3%, compared with Rub 8.9 billion for 3 months 2019, due to the recovery of the oil & gas equipment business segment and better financial results of the pumps.

EBITDA was up to Rub 1.1 billion, compared with Rub 501 million (+115% yoy) mainly because of the oil & gas equipment and projects and partly because of the pumps.

Revenue from recurring business increased by 12% yoy, and revenue from large projects declined by 18% yoy. EBITDA from recurring business increased almost fourfold, and from large projects was up by 21% yoy. EBITDA margin was up to 11.8%, compared with 5.7% for 3 months 2019.

Loss for 3 months 2020 was Rub (153) million, compared with loss at Rub (498) million for 3 months 2019.

Depreciation & amortization was up 11% yoy to Rub 609 million, compared with Rub 551 million for 3 months 2019 because of assets acquired in 4Q 2018 and 1Q 2019.

Free cash flow turned positive and reached Rub 2.1 billion, compared with Rub (1.2) billion outflow for 3 months 2019, due a number of factors, including lower working capital, lower capex and absence of acquisitions in the reporting period.

EXPENSES AND OPERATING PROFIT

<i>in millions of Rub</i>	3m 2020	3m 2019	Change yoy	Share of 3m 2020 revenue	Share of 3m 2019 revenue
Cost of sales	7,127	7,268	-2%	78.2%	82.1%
Materials and components	4,246	4,770	-11%	46.6%	53.9%
Labour costs incl Social taxes	1,832	1,796	2%	20.1%	20.3%
Depreciation and amortization	526	467	13%	5.8%	5.3%
Construction and design and engineering services of subcontractors	734	381	93%	8.1%	4.3%
Others	(211)	(147)	44%	-2.3%	-1.7%

Cost of sales was down to Rub 7.1 billion by 2% yoy, compared with Rub 7.3 billion for 3 months 2019, due to lower Materials and components (-11% yoy) that was directly connected with a less share of large contracts under execution in the reporting period.

Gross profit grew 25% yoy to Rub 2.0 billion, compared with Rub 1.6 billion for 3 months 2019.

<i>in millions of Rub</i>	3m 2020	3m 2019	Change yoy	Share of 3m 2020 revenue	Share of 3m 2019 revenue
Gross profit	1,988	1,586	25%	21.8%	17.9%
Distribution and transportation	493	436	13%	5.4%	4.9%
General and administrative	1,217	1,302	-7%	13.3%	14.7%
<i>SG&A expenses</i>	<i>1,709</i>	<i>1,738</i>	<i>-2%</i>	<i>18.8%</i>	<i>19.6%</i>
Other operating expenses	14	90	-85%	0.2%	1.0%
<i>Operating expenses ex. Cost of sales</i>	<i>1,723</i>	<i>1,828</i>	<i>-6%</i>	<i>18.9%</i>	<i>20.6%</i>
Operating profit/loss	265	(242)	na	2.9%	-2.7%
Finance costs	481	416	16%	5.3%	4.7%

Distribution and transportation expenses grew by 13% yoy, due to a higher transportation expenses (+53% yoy) that was because of increased deliveries of equipment produced under large compressor contracts to the remote regions of Russia. As a share of revenue, distribution and transportation expenses was up to 5.4% compared with 4.9% last year.

General and administrative expenses were down by 7% yoy to Rub 1.2 billion, compared with Rub 1.3 billion last year, due to the 8% yoy totaling decrease in labor costs and social taxes. As a share of revenue, general and administrative expenses were down to 13.3% from 14.7% for 3 months 2019.

SG&A expenses² declined by 2% yoy, and as a share of revenue were 18.8%, compared with 19.6% for 3 months 2019.

² SG&A expenses - Selling, General and Administrative Expenses, compiled of distribution & transportation expenses plus general & administrative ones

Operating profit was up to Rub 265 million, compared with operating loss of Rub (242) million last year.

<i>in millions of Rub</i>	3m 2020	3m 2019	Change yoy
Finance costs	481	416	16%
Interest expenses	476	412	16%
Interest rate, average	8.23%	8.76%	
Interest rate Rub, average	8.37%	8.91%	

Finance costs were up to Rub 481 million, compared with Rub 416 million for 3 months 2019, due to the increase of interest expenses (+16% yoy) because of a higher level of total debt (+14% yoy). Average rates decreased to 8.23% p.a. compared with 8.76% p.a. last year.

BUSINESS SEGMENTS PERFORMANCE

Industrial pumpsⁱ

<i>in millions of Rub</i>	3m 2020	3m 2019	Change yoy	1Q 2020	4Q 2019	Change qoq
Orders	4,515	5,561	-19%	4,515	6,369	-29%
Backlog	20,961	19,303	9%	20,961	19,572	7%
Revenue	3,693	3,241	14%	3,693	5,866	-37%
EBITDA	474	275	72%	474	728	-35%
EBITDA margin	12.8%	8.5%		12.8%	12.4%	

Order intake of industrial pumps declined by 19% yoy because of less orders for recurring business signed in the reporting period.

Backlog, in contrast, grew by 9% yoy to Rub 21.0 billion due to both recurring business and large contracts, mainly in the sphere of pumps for nuclear power plants.

Revenue was Rub 3.7 billion, up 14% yoy, compared with Rub 3.2 billion for 3 months 2019. The growth was based on large contracts.

EBITDA increased to Rub 474 million, by 72% yoy, compared with Rub 275 million for 3 months 2019, due to both recurring business and large contracts.

EBITDA margin was 12.8%, compared with 8.5% for 3 months 2019, because of a larger share of EBITDA generated by large contracts, compared with 3 months 2019.

Oil and Gas equipment & projects (OGEP)ⁱⁱ

<i>in millions of Rub</i>	3m 2020	3m 2019	Change yoy	1Q 2020	4Q 2019	Change qoq
Orders	4,934	3,008	64%	4,934	791	524%
Backlog	8,517	7,265	17%	8,517	7,426	15%
Revenue	3,076	2,406	28%	3,076	4,562	-33%
EBITDA	354	(130)	na	354	601	-41%
EBITDA margin	11.5%	-5.4%		11.5%	13.2%	

Order intake demonstrated 64% yoy growth to Rub 4.9 billion, compared with Rub 3.0 billion for 3 months 2019, which grew due to both recurring business and large contracts.

Backlog was up by 17% yoy to Rub 8.5 billion, compared with Rub 7.3 billion for 3 months 2019, based on large contracts.

Revenue grew by 28% yoy to Rub 3.1 billion, compared with Rub 2.4 billion for 3 months 2019. EBITDA was up to Rub 354 million, compared with Rub (130) million, and EBITDA margin was 11.5% vs. -5.4% for 3 months 2019. The upward trend was fully due to the recovery of the business segment.

Compressorsⁱⁱⁱ

<i>in millions of Rub</i>	3m 2020	3m 2019	Change yoy	1Q 2020	4Q 2019	Change qoq
Orders	13,490	2,900	365%	13,490	8,785	54%
Backlog	28,409	16,880	68%	28,409	16,067	77%
Revenue	2,194	2,932	-25%	2,194	4,558	-52%
EBITDA	221	377	-41%	221	280	-21%
EBITDA margin	10.1%	12.9%		10.1%	6.1%	

Order intake was up 365% yoy to Rub 13.5 billion, compared with Rub 2.9 billion, because of a large Rub 10.2 billion compressor contract signed in the reported period.

Backlog increased by 68% yoy to Rub 28.4 billion, compared with Rub 16.9 billion last year, also because of large contracts.

Revenue was down by 25% yoy to Rub 2.2 billion, compared with Rub 2.9 billion, and EBITDA declined by 41% yoy to Rub 221 million, compared with Rub 377 million, due to revenue and EBITDA going down from both recurring business and large contracts. EBITDA margin was down to 10.1% compared with 12.9% for 3 months 2019.

Construction^{iv}

<i>in millions of Rub</i>	3m 2020	3m 2019	Change yoy	1Q 2020	4Q 2019	Change qoq
Orders	203	18	1003%	203	25	701%
Backlog	834	1,899	-56%	834	1,628	-49%
Revenue	237	336	-29%	237	295	-20%
EBITDA	23	11	103%	23	(78)	-129%
EBITDA margin	9.5%	3.3%		9.5%	-26.4%	

Order intake equaled Rub 203 million. Backlog was down to Rub 834 million.

Revenue was down to Rub 237 million, compared with Rub 336 million for 3 months 2019. EBITDA was Rub 23 million, compared with Rub 11 million last year.

WORKING CAPITAL AND CAPITAL EXPENDITURES

<i>in millions of Rub</i>	3m 2020	3m 2019	Change yoy	1Q 2020	4Q 2019	Change qoq
Working capital	7,019	8,843	-21%	7,019	8,846	-21%
Working capital / Revenue LTM	13.6%	16.8%		13.6%	17.2%	
Capex	334	506	-34%	334	367	-9%
Acquisition	0	670		-	-	

Working capital declined to Rub 7.0 billion, down by 21% yoy, compared with Rub 8.8 billion for 3 months 2019. As a share of revenue, working capital was 13.6%, compared with 16.8% for 3 months 2019.

Capital expenditures were Rub 334 million, down by 34% yoy, compared with Rub 506 million last year, as the result of the implemented austerity measures.

DEBT POSITION

<i>in millions of Rub</i>	3m 2020	3m 2019	Change yoy	1Q 2020	4Q 2019	Change qoq
Total debt	21,501	18,845	14%	21,501	24,321	-12%
Net debt	12,228	14,650	-17%	12,228	14,369	-15%
Net debt / EBITDA LTM	2.26	2.42		2.26	2.98	

Total debt increased to Rub 21.5 billion, up by 14% yoy, compared with Rub 18.8 billion for 3 months 2019. Net debt, in contrast, went down to Rub 12.2 billion, by 17% yoy, compared with Rub 14.7 billion for 3 months 2019.

Net debt to EBITDA LTM ratio decreased to 2.26x compared with 2.42x for 3 months 2019 and 2.98x at the end of 2019.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE & FINANCIAL MANAGEMENT

FY2020 FORECASTS

Based on 3 months 2020 results and current pipeline of contracts, HMS expects revenue to be in the range of Rub 50-55 billion, and EBITDA – around Rub 5.5 billion.

LONG-TERM INCENTIVE PLAN (LTIP)

In May and June 2020, HMS' managers acquired 344,667 depository receipts of the company, which is equal to 1.47% of share capital, following the grant of awards under HMS' LTIP for the 2017 award year.

LARGE CONTRACTS

After the reporting date, HMS announced the signature of a Rub 1.4 billion oil & gas equipment contract, to deliver skids, vessels and a refrigerant compressor at the client's facility.

Also, in May 2020, HMS signed a Rub 5.7 billion framework contract to conduct design and exploration works at an oil & gas field, located in Russia.

DIVIDENDS

On June 2, 2020, the Board of Directors recommended the payment of the final dividends in respect of FY2019 in the amount of Rub 3.41 per one ordinary share (i.e. Rub 17.05 per one depositary receipt), subject to the approval of the company's shareholders at the Annual General meeting to be held on June 29, 2020.

Subject to such approval, the dividends may be paid on June 30, 2020, to shareholders on HMS' register at close of business (UK time) on June 19, 2020.

COVID-19 AND FALL IN OIL PRICES

Starting from early 2020, a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Russian economy.

In addition to that, in March-April 2020, oil prices dropped significantly, which resulted in immediate weakening of Russian Rouble against major currencies.

DUE TO THE SITUATION WITH COVID-19, HMS GROUP WILL NOT HOLD THE WEBCAST

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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.

Press Release Information Accuracy Disclaimer

Information published in press releases was accurate at the time of publication but may be superseded by subsequent releases or other information.

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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.