

HMS Group Reports Rub 1.3 billion EBITDA for 3 months 2021

Moscow, Russia – June 10, 2021 – HMS Hydraulic Machines & Systems Group Plc (the “HMS Group”, or the “HMS”, or 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, 2021.

Financial highlights 3m 2021:

- Revenue: Rub 11.2 bn (+23% yoy)
- EBITDA¹: Rub 1.3 bn (+21% yoy), EBITDA margin at 11.7%
- Operating profit: Rub 566 mn (+114% yoy)
- Profit for the period: Rub 52 mn

- Total debt: Rub 22.2 bn (+3% yoy)
- Net debt: Rub 13.1 bn (+7% yoy)
- Net debt-to-EBITDA LTM ratio: 2.52x

Operational highlights 3m 2021:

- Backlog²: Rub 59.0 bn (+25% yoy)
- Order intake³: Rub 18.4 bn (+50% 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

The end of March in 2020 was the start of the outbreak of the COVID-19 pandemic. So the financial effect for the period was very limited due to the short period of time between the start of economic downturn and the end of 3m 2020. In the first three months of 2020, HMS Group ran its business as usual.

3 MONTHS 2021 FINANCIAL RESULTS

- Order intake was up to Rub 18.4 billion, by 50% yoy, compared with Rub 12.3 billion for 3m 2020. All business segments, excluding the compressors, demonstrated growth. In terms of contracts type, large contracts increased almost six-fold mainly due to a Rub 7.5 billion oil & gas equipment contract signed in 1Q 2021.
- Backlog was Rub 59.0 billion, up by 25% yoy, compared with Rub 47.2 billion at the end of 3m 2020, mainly due to the oil & gas equipment and compressors business segments. In terms of contracts type, both recurring business and large contracts grew, by 6% yoy and 50% yoy respectively, compared with the end of 3m 2020.
- Revenue was Rub 11.2 billion, up by 23% yoy, compared with Rub 9.1 billion for 3m 2020, supported by the oil & gas equipment and compressors business segments.
- EBITDA was Rub 1.3 billion, up by 21% yoy, implying an EBITDA margin of 11.7%.
- Revenue generated by large projects almost tripled (+173% yoy) compared with 3m 2020. This increase was partly offset by lower revenue from recurring business (-18% yoy). EBITDA from large contracts increased 206% yoy, and EBITDA from recurring business declined 71% yoy.
- Profit for the period was Rub 52 million, compared with loss for the period at Rub 153 million for 3m 2020.
- Free cash outflow was Rub 1.2 billion, compared with free cash inflow of Rub 2.1 billion for 3m 2020, due to working capital requirements for execution of large contracts.

<i>in millions of Rub</i>	3m 2021	3m 2020	Change yoy	1Q 2021	4Q 2020	Change qoq
Orders	18,439	12,285	50%	18,439	15,304	20%
Backlog	59,029	47,240	25%	59,029	53,851	10%
Revenue	11,191	9,115	23%	11,191	15,000	-25%
EBITDA	1,308	1,077	21%	1,308	1,576	-17%
<i>EBITDA margin</i>	<i>11.7%</i>	<i>11.8%</i>		<i>11.7%</i>	<i>10.5%</i>	
Profit/(Loss) for the period	52	(153)	na	52	(593)	na
Free cash flow	(1,193)	2,091	na	(1,193)	2,074	na

EXPENSES AND OPERATING PROFIT

- Cost of sales was Rub 9.1 billion, up by 28% yoy, compared with Rub 7.1 billion for 3m 2020, supported by higher materials and components costs (+43% yoy). Materials and components outpaced the growth in Cost of sales due to a higher share of material-intensive large contracts under execution.

<i>in millions of Rub</i>	3m 2021	3m 2020	Change yoy	Share of 3m 2021 revenue	Share of 3m 2020 revenue
Cost of sales	9,104	7,127	28%	81.4%	78.2%
Materials and components	6,081	4,246	43%	54.3%	46.6%
Labour costs incl Social taxes	1,806	1,832	-1%	16.1%	20.1%
Depreciation and amortization	537	526	2%	4.8%	5.8%
Construction and design ⁴	510	734	-31%	4.6%	8.1%
Others	170	(211)	na	1.5%	-2.3%

- Gross profit grew to Rub 2.1 billion, by 5% yoy, compared with Rub 2.0 billion for 3m 2020.
- SG&A expenses⁵ declined by 11% yoy due to decrease in distribution & transportation expenses. Distribution & transportation expenses were down 34% yoy, mainly due to lower transportation costs and expenses on insurance and advertising. As a share of revenue, they declined to 2.9%, compared with 5.4% for 3m 2020.
 General & administrative expenses stood at Rub 1.2 billion, down by 1% yoy. As a share of revenue, these expenses were down to 10.7%, compared with 13.3% for 3m 2020.
- All in all, this led to an operating profit of Rub 566 million, up by 114% yoy, compared with Rub 265 million during 3m 2020.

<i>in millions of Rub</i>	3m 2021	3m 2020	Change yoy	Share of 3m 2021 revenue	Share of 3m 2020 revenue
Gross profit	2,087	1,988	5%	18.6%	21.8%
Distribution & transportation	323	493	-34%	2.9%	5.4%
General & administrative	1,203	1,217	-1%	10.7%	13.3%
SG&A expenses	1,526	1,709	-11%	13.6%	18.8%
Other operating expenses	(5)	14	-134%	0.0%	0.2%
<i>Operating expenses ex. Cost of sales</i>	<i>1,521</i>	<i>1,723</i>	<i>-12%</i>	<i>13.6%</i>	<i>18.9%</i>
Operating profit	566	265	114%	5.1%	2.9%
Finance costs	459	481	-4%	4.1%	5.3%

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 459 million, down by 4% yoy, compared with Rub 481 million for 3m 2020. The main reason was lower interest expenses (-10% yoy) due to a lower level of average total debt within the reporting period compiled with reduced interest rates, compared with 3m 2020.
- Average interest rate was reduced to 7.99% p.a., compared with 8.23% p.a. last year.

<i>in millions of Rub</i>	3m 2021	3m 2020	Change yoy
Finance costs	459	481	-4%
Interest expenses	431	476	-10%
Interest rate, average	7.99%	8.23%	
Interest rate Rub, average	8.11%	8.37%	

BUSINESS SEGMENTS PERFORMANCE

Industrial pumpsⁱ

- Order intake was Rub 4.7 billion, up by 5% yoy, compared with Rub 4.5 billion for 3m 2020.
- Backlog was Rub 19.2 billion, down 8% yoy, compared with Rub 21.0 billion at the end of 3m 2020.
- Revenue stood at Rub 3.6 billion, down by 2% yoy.
- Lower recurring business margins compiled with less EBITDA generated by large contracts, consequently, led to the pumps' EBITDA of Rub 339 million, down by 29% yoy. EBITDA margin was 9.4%, compared with 12.8% during 3m 2020.

<i>in millions of Rub</i>	3m 2021	3m 2020	Change yoy	1Q 2021	4Q 2020	Change qoq
Orders	4,722	4,515	5%	4,722	4,429	7%
Backlog	19,203	20,961	-8%	19,203	18,227	5%
Revenue	3,617	3,693	-2%	3,617	6,311	-43%
EBITDA	339	474	-29%	339	1,116	-70%
EBITDA margin	9.4%	12.8%		9.4%	17.7%	

Oil and Gas equipment & projects (OGEP)ⁱⁱ

- Order intake grew to Rub 11.4 billion, by 132% yoy, compared with Rub 4.9 billion during 3m 2020, due to a large Rub 7.5 billion contract signed in the reporting period.
- Backlog was Rub 16.2 billion, up by 90% yoy, compared with Rub 8.5 billion at the end of 3m 2020, supported by both large contracts and regular business.
- Revenue was Rub 4.4 billion, up by 43% yoy, compared with Rub 3.1 billion for 3m 2020.
- EBITDA stood at Rub 457 million, up by 29% yoy, compared with Rub 354 million for 3m 2020 due to the recovery of the oil & gas business segment. EBITDA margin stood at 10.4%, compared with 11.5% for 3m 2020.

<i>in millions of Rub</i>	3m 2021	3m 2020	Change yoy	1Q 2021	4Q 2020	Change qoq
Orders	11,424	4,934	132%	11,424	3,331	243%
Backlog	16,156	8,517	90%	16,156	9,318	73%
Revenue	4,390	3,076	43%	4,390	2,890	52%
EBITDA	457	354	29%	457	(49)	na
EBITDA margin	10.4%	11.5%		10.4%	-1.7%	

Compressorsⁱⁱⁱ

- Order intake stood at Rub 337 million, compared with Rub 2.6 billion for 3m 2020, due to less contracts signed in the reporting period.
- Backlog increased to Rub 22.3 billion, compared with Rub 16.9 billion at the end of 3m 2020, supported by large contracts.
- Revenue was Rub 3.3 billion, up by 51% yoy, compared with Rub 2.2 billion, due to large contracts.
- EBITDA was Rub 486 million, up by 120% yoy, compared with Rub 221 million for 3m 2020, fully due to execution of large contracts. EBITDA margin was up to 14.7%, compared with 10.1% for 3m 2020.

<i>in millions of Rub</i>	3m 2021	3m 2020	Change yoy	1Q 2021	4Q 2020	Change qoq
Orders	337	2,633	-87%	337	7,511	-96%
Backlog	22,312	16,928	32%	22,312	24,765	-10%
Revenue	3,306	2,194	51%	3,306	6,080	-46%
EBITDA	486	221	120%	486	796	-39%
EBITDA margin	14.7%	10.1%		14.7%	13.1%	

Construction^{iv}

- Order intake equaled Rub 2.0 billion. Backlog stood at Rub 1.4 billion.
- Revenue was down to Rub 193 million, compared with Rub 237 million for 3m 2020. EBITDA was Rub (18) million, compared with Rub 23 million last year.

<i>in millions of Rub</i>	3m 2021	3m 2020	Change yoy	1Q 2021	4Q 2020	Change qoq
Orders	1,955	203	866%	1,955	32	6002%
Backlog	1,358	834	63%	1,358	1,541	-12%
Revenue	193	237	-19%	193	138	40%
EBITDA	(18)	23	-179%	(18)	(43)	na
EBITDA margin	-9.2%	9.5%		-9.2%	-31.2%	

WORKING CAPITAL AND CAPITAL EXPENDITURES

- Working capital increased to Rub 8.2 billion, by 17% yoy, compared with Rub 7.1 billion at the end of 3m 2020. As a share of revenue LTM, working capital stood at 16.9%, compared with 13.6% for 3m 2020.
- Maintenance capex was Rub 440 million, up by 32% yoy, compared with Rub 334 million during 3m 2020

<i>in millions of Rub</i>	3m 2021	3m 2020	Change yoy	1Q 2021	4Q 2020	Change qoq
Working capital	8,183	7,019	17%	8,183	6,752	21%
Working capital / Revenue LTM	16.9%	13.6%		16.9%	14.5%	
Maintenance capex	440	334	32%	440	250	76%
Acquisitions	-	-		-	-	

DEBT POSITION

- Total debt up to Rub 22.2 billion, by 3% yoy, compared with Rub 21.5 billion at the end of 3m 2020.
- Net debt was Rub 13.1 billion, up by 7% yoy, compared with Rub 12.2 billion at the end of 3m 2020.
- Net debt to EBITDA LTM ratio stood at 2.52x.

<i>in millions of Rub</i>	3m 2021	3m 2020	Change yoy	1Q 2021	4Q 2020	Change qoq
Total debt	22,209	21,501	3%	22,209	22,175	0%
Net debt	13,053	12,228	7%	13,053	11,814	10%
Net debt / EBITDA LTM	2.52	2.26		2.52	2.39	

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

BUYBACK PROGRAM

- After the reporting date, no GDRs have been purchased under the buyback program.

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 are subject to the approval at the AGM on June 24, 2021. Subject to such approval, the dividends may be paid on July 1, 2021, to shareholders on the HMS' register at close of business (UK time) on June 18, 2021 (the "Record date").

MOEX LISTING

- On May 21, 2021, HMS Group's GDRs have been listed on the Moscow Exchange.
- On May 25, 2021, the Moscow Exchange commenced trading of HMS' GDRs under the "HMSG" ticker. These GDRs continue trading on the Main Market of the London Stock Exchange.

Webcast to discuss 3 months 2021 IFRS results

Date: Thursday, June 10, 2021

Time: 2.30 PM (MOSCOW) / 12.30 PM (London) / 7.30 AM (NY)

HMS Group 3m 2021 IFRS results

Conference passcode: 6189356

To participate in the conference call, please dial in:

Russia Local: +7 499 609 1260

Russia Toll Free: 8 800 100 9471

UK Local: +44 (0)330 027 1846

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US Local: +1 334 777 6978

US Toll Free: 800 367 2403

Live link

<https://www.webcast-egs.com/hmsgroup20210610>

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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.

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LEI: 254900DDFETNLASV8M53

Consolidated Statement of Financial Position at 31 March 2021 (unaudited)

in thousands of Russian Roubles, unless otherwise stated

	31 March 2021	31 December 2020
ASSETS		
Non-current assets:		
Property, plant and equipment	14,669,855	14,684,279
Other intangible assets	1,686,765	1,743,399
Goodwill	3,229,718	3,255,984
Right-of-use assets	180,671	183,211
Investments in associates	96,327	94,307
Deferred income tax assets	785,583	786,455
Other long-term assets	32,104	42,252
Investment property	174,421	176,833
Total non-current assets	20,855,444	20,966,720
Current assets:		
Inventories	9,807,812	8,847,749
Trade and other receivables and other financial assets	15,544,287	15,598,766
Contract assets	6,744,322	6,201,354
Current income tax receivable	169,566	94,972
Cash and cash equivalents	9,156,029	10,360,588
Total current assets	41,422,016	41,103,429
TOTAL ASSETS	62,277,460	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	710,901	646,427
Retained earnings	5,553,565	5,510,974
Equity attributable to the shareholders of the Company	9,871,947	9,825,602
Non-controlling interests	3,536,933	3,518,674
TOTAL EQUITY	13,408,880	13,344,276
LIABILITIES		
Non-current liabilities:		
Long-term borrowings	18,398,671	20,452,736
Deferred income tax liability	1,415,292	1,421,489
Retirement benefit obligations	663,438	646,213
Provisions for liabilities and charges	200,894	228,199
Lease liabilities	150,902	153,048
Other long-term payables	278,683	230,581
Total non-current liabilities	21,107,880	23,132,266
Current liabilities:		
Trade and other payables	18,642,755	17,969,950
Contract liabilities	3,636,178	4,304,845
Short-term borrowings	3,638,794	1,548,574
Provisions for liabilities and charges	555,459	589,762
Retirement benefit obligations	79,265	77,859
Lease liabilities	20,683	20,440
Current income tax payable	94,250	134,080
Other taxes payable	1,093,316	948,097
Total current liabilities	27,760,700	25,593,607
TOTAL LIABILITIES	48,868,580	48,725,873
TOTAL EQUITY AND LIABILITIES	62,277,460	62,070,149

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the three months ended 31 March 2021 (unaudited)

in thousands of Russian Roubles, unless otherwise stated

	Three months ended 31 March 2021	Three months ended 31 March 2020
Revenue	11,190,623	9,115,230
Cost of sales	(9,103,584)	(7,127,211)
Gross profit	2,087,039	1,988,019
Distribution and transportation expenses	(322,858)	(492,562)
General and administrative expenses	(1,202,761)	(1,216,646)
Other operating income/(expenses), net	4,705	(13,732)
Operating profit	566,125	265,079
Finance income	46,385	93,068
Finance costs	(459,418)	(481,025)
Share of results of associates	90	165
Profit/(loss) before income tax	153,182	(122,713)
Income tax expense	(101,069)	(30,078)
Profit/(loss) for the period	52,113	(152,791)
Profit/(loss) attributable to:		
Shareholders of the Company	42,591	(142,408)
Non-controlling interests	9,522	(10,383)
Profit/(loss) for the period	52,113	(152,791)
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	72,126	688,595
Currency translation differences of associates	1,930	2,768
Other comprehensive income for the period	74,056	691,363
Total comprehensive income for the period	126,169	538,572
Total comprehensive income attributable to:		
Shareholders of the Company	107,065	545,695
Non-controlling interests	19,104	(7,123)
Total comprehensive income for the period	126,169	538,572
Basic and diluted earnings/(loss) per ordinary share for profit/(loss) attributable to the ordinary shareholders (RR per share)	0.37	(1.26)

Consolidated Statement of Cash Flows for 3m 2021 (unaudited)
in thousands of Russian Roubles, unless otherwise stated

	Three months ended 31 March 2021	Three months ended 31 March 2020
Cash flows from operating activities		
Profit/(loss) before income tax	153,182	(122,713)
Adjustments for:		
Depreciation and amortisation	617,872	609,317
(Gain)/loss from disposal of property, plant and equipment and intangible assets	(12,261)	14,381
Finance income	(46,385)	(93,068)
Finance costs	459,418	481,025
Change in retirement benefits obligations	15,971	20,440
Change in warranty provision	(18,113)	43,233
Change in expected credit losses allowance for trade and other receivables and other financial assets and allowance for impairment of non-financial assets	(343)	17,896
Change in allowance for obsolete inventories	16,654	(3,201)
Change in provision for legal claims	(10,387)	19,221
Share-based compensation	-	14,731
Foreign exchange gain, net	(47,451)	(86,381)
Amortisation of government grants	(7,781)	(7,744)
Share of results of associates	(90)	(165)
Operating cash flows before working capital changes	1,120,286	906,972
Increase in inventories	(925,567)	(431,026)
Decrease in trade and other receivables	208,465	1,668,684
(Increase)/decrease in contract assets	(521,453)	366,310
(Increase)/decrease in income tax receivable	(74,552)	143,024
Increase/(decrease) in accounts payable and accrued liabilities	498,011	(2,184,550)
(Decrease)/increase in contract liabilities	(668,667)	2,874,360
Increase/(decrease) in other taxes payable	214,070	(226,866)
Cash (used in)/from operations	(149,407)	3,116,908
Income tax paid	(208,800)	(248,466)
Interest paid	(460,365)	(536,937)
Interest received	44,479	103,289
Net cash (used in)/from operating activities	(774,093)	2,434,794
Cash flows from investing activities		
Repayment of loans advanced	641	2,320
Loans advanced	(503)	(17,205)
Proceeds from sale of property, plant and equipment, net of VAT	21,020	5,356
Purchase of property, plant and equipment, net of VAT	(393,370)	(244,585)
Acquisition of intangible assets, net of VAT	(47,105)	(89,701)
Net cash used in investing activities	(419,317)	(343,815)
Cash flows from financing activities		
Repayments of borrowings	(491,930)	(3,596,731)
Proceeds from borrowings	541,929	690,792
Repayment of the lease liabilities principal	(4,654)	(9,220)
Buy back of issued shares	(60,720)	-
Dividends paid to non-controlling shareholders of subsidiaries	(363)	(92)
Net cash used in financing activities	(15,738)	(2,915,251)
Net decrease in cash and cash equivalents	(1,209,148)	(824,272)
Effect of exchange rate changes on cash and cash equivalents and effect of translation to presentation currency	4,589	145,232
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	9,156,029	9,273,078

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.