

Building a robust platform for growth

11 April 2024

Against a tough trading background in FY24, Speedy Hire has taken steps to build a platform for long term sustainable growth through the launch of its Velocity strategy. While progress has been more strategic than financial in the year – although we note positive underlying cash flow was achieved - new business wins, the acquisition of Green Power Hire and a transitioned B&Q model all suggest that profitability is likely to move ahead again from FY25 onwards.

Speedy's FY24 pre close statement echoed January's trading update, pointing to successful new business wins with National customers but also some mobilisation and adverse seasonal effects. Stated group revenue of c.£420m infers that H2 was slightly ahead of H124's reported £208.5m. While closing year earnings expectations nudged down further, the prospect of year-on-year progress from FY25 onwards appears to be intact. Flagged net debt of c.£102m (pre IFRS16) compares to c.£92m at the end of FY23; as c.£20m cash consideration was paid for Green Power Hire, this suggests that underlying net cash inflow was in the order of £10m (ie after c.£12m cash dividends). By inference, most of this underlying cash inflow was generated in H2, suggesting good cash collection in the period and especially from a flagged end Q3 £117m net debt position.

The launch of Speedy's Velocity strategy in FY24 laid out clear group financial (FY28 revenue of £650m, EBITDA margin 28% with conservative gearing metrics) and operational ambitions (to deliver sustainable growth from an efficient digital and data-driven platform). The primary enabling actions are expected to be in place by the end of FY26, though there is clear capacity to accommodate an earnings recovery and growth beginning in FY25. Notwithstanding market conditions, the company has taken clear strides in FY24 towards achieving its five-year targets, investing accordingly.

Speedy's ESG credentials have been in evidence for some time and with an accelerating emphasis since 2020 as reflected in industry recognition. Sustainability is embedded within Velocity and visible actions taken during FY24 have focused in this area. These include an exclusive supply partnership with Niftylift (hydrogen-powered access equipment), the acquisition of Green Power Hire in October (battery storage units) and establishing a new JV with AFC Energy (hydrogen-powered generators). Speedy's scale and presence puts it in a clearly favourable position to be an early adopter of sustainable equipment technologies and a facilitator of construction supply chain de-carbonisation.

Valuation: Conventional valuation metrics show Speedy Hire on a single digit PER multiple for FY24, which is expected to represent the earnings trough for this cycle. Expectations are for earnings to rise above FY22 (and back towards FY20) over the next couple of years, compressing Speedy's PER further. Expected dividend payouts track earnings, but this still represents a FY24 yield above 7%. Speedy's share price is also trading on a c.27% discount to its reported H124 NAV. Lastly, we note that directors have acquired additional shares since the FY24 pre-close statement was announced.

Company Data

EPIC	SDY
Price (last close)	25.75p
52 weeks Hi/Lo	38.95p/23.40p
Market cap	£119m
FY24 net cash/(debt)*	£(102)m
*Pre IFRS16 basis	
Avg. daily volume	1.4m

Share Price, p



Source: ADVFN

Description

Speedy Hire is the UK and Ireland's leading provider of tools, specialist equipment and services operating from a nationwide network of c.180 depots. Its activities comprise:

Hire (59% FY23 revenue); generated from a broad range of plant, equipment and tool assets as well as transportation & repair income), **Services (40%);** includes third party asset re-hire, training, testing and the sale of fuel & other consumables, and **Other (c.1%);** asset disposals.

During FY24, Speedy transitioned its trade/retail presence with B&Q to a digital fulfilment model.

SDY also has two JV operations: Speedy Zholdas (in Kazakhstan, since 2013) and Speedy Hydrogen Services (UK, launched in H224).

Toby Thorrington (Analyst)

020 7065 2690
toby@equitydevelopment.co.uk

Hannah Crowe

020 7065 2692
hannah@equitydevelopment.co.uk

Summary financials

Year to March (£m)	2022	2023	2024E	2025E	2026E
Revenue £m	386.8	440.6	422.0	442.0	462.0
EBIT £m	32.1	32.7	27.0	35.0	39.0
PTP adjusted £m	29.6	30.7	17.0	23.0	30.0
EPS adjusted p	4.12	4.92	2.8	3.8	4.9
DPS p	2.20	2.60	2.0	2.0	3.0
P/E (x)	6.3	5.2	9.1	6.8	5.3
Dividend yield (%)	8.5%	10.1%	7.8%	7.8%	11.7%

Source: Company Annual Reports, Consensus estimates: Koyfin



Contacts

Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

andy@equitydevelopment.co.uk

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

Equity Development Limited is regulated by the Financial Conduct Authority

Disclaimer

Equity Development Limited ('ED') is retained to act as financial adviser for its corporate clients, some or all of whom may now or in the future have an interest in the contents of this document. ED produces and distributes research for these corporate clients to persons who are not clients of ED. In the preparation of this report ED has taken professional efforts to ensure that the facts stated herein are clear, fair and not misleading, but makes no guarantee as to the accuracy or completeness of the information or opinions contained herein.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom ('FSMA'). Any reader of this research should not act or rely on this document or any of its contents. This report is being provided by ED to provide background information about the subject of the research to relevant persons, as defined by the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

Research produced and distributed by ED on its client companies is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent as defined by the FCA but is 'objective' in that the authors are stating their own opinions. This document is prepared for clients under UK law. In the UK, companies quoted on AIM are subject to lighter due diligence than shares quoted on the main market and are therefore more likely to carry a higher degree of risk than main market companies.

ED may in the future provide, or may have in the past provided, investment banking services to the subject of this report. ED, its Directors or persons connected may at some time in the future have, or have had in the past, a material investment in the Company. ED, its affiliates, officers, directors and employees, will not be liable for any loss or damage arising from any use of this document to the maximum extent that the law permits.

More information is available on our website www.equitydevelopment.co.uk

Equity Development, 2nd Floor, Park House, 16-18 Finsbury Circus, London EC2M 7EB

Contact: info@equitydevelopment.co.uk | 020 7065 2690