



Capital Markets

# 6m 2020 IFRS results

Investor presentation



October 8, 2020

# Financial results for 6 months 2020



## Financial results for 6 months 2020



<i>Rub mn</i>	<b>6m 2020</b>	<b>6m 2019</b>	chg, yoy	<b>2q 2020</b>	<b>2q 2019</b>	chg, yoy	<b>2q 2020</b>	<b>1q 2020</b>	chg, qoq
Revenue	19,498	23,419	-17%	10,383	14,565	-29%	10,383	9,115	14%
EBITDA	2,107	1,953	8%	1,030	1,452	-29%	1,030	1,077	-4%
Gross profit	3,961	4,429	-11%	1,973	2,843	-31%	1,973	1,988	-1%
Operating profit	524	602	-13%	259	844	-69%	259	265	-2%
Loss/profit for the period	(314)	(178)	na	(161)	320	na	(161)	(153)	na
EBITDA margin	10.8%	8.3%	246 bps	9.9%	14.0%	-407 bps	9.9%	11.8%	-189 bps
Gross margin	20.3%	18.9%	140 bps	19.0%	27.4%	-838 bps	19.0%	21.8%	-281 bps
Operating margin	2.7%	2.6%	12 bps	2.5%	8.1%	-564 bps	2.5%	2.9%	-42 bps
Loss/profit for the period margin	-1.6%	-0.8%	-85 bps	-1.5%	3.1%	-463 bps	-1.5%	-1.7%	13 bps
Total debt	22,752	19,988	14%	22,752	19,988	14%	22,752	21,501	6%
Net debt	16,177	15,628	4%	16,177	15,628	4%	16,177	12,228	32%
EBITDA LTM	4,977	5,255	-5%	4,977	5,255	-5%	4,977	5,400	-8%
Net debt/EBITDA LTM	3.25	2.97		3.25	2.97		3.25	2.26	

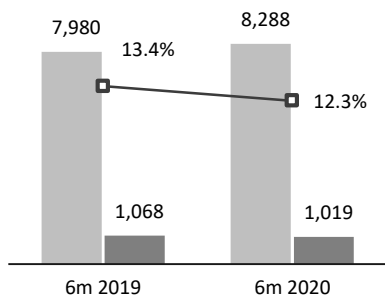
### FY2020 Guidance

- Revenue: Rub 50-55 bn
- EBITDA: Rub 4.7-5 bn
- Current operating results don't imply net income for FY2020
- It's unlikely that HMS will pay dividends for FY2020, taking into account expected annual results and aggregate macroeconomic risks

# Segments review



## Pumps

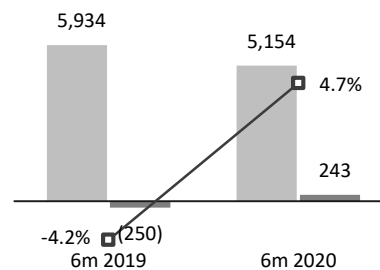


Revenue gross, Rub mn  
EBITDA, Rub mn  
EBITDA margin, %

**Revenue +4% yoy**  
**EBITDA -5% yoy**

- Revenue up by 4% to Rub 8.3 bn and EBITDA down by 5% to Rub 1 bn
- EBITDA margin declined to 12.3%

## Oil & gas equipment and projects

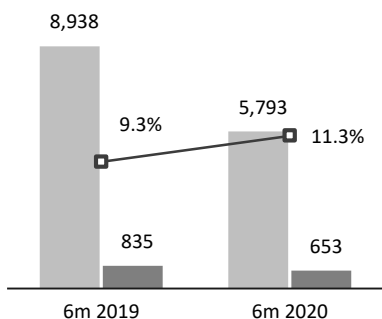


Revenue gross, Rub mn  
EBITDA, Rub mn  
EBITDA margin, %

**Revenue -13% yoy**  
**EBITDA na**

- Revenue down to Rub 5.2 bn (-13%) mainly due to transfer of revenue to 2H 2020 due to a temporary suspension of activity of HMS facilities, suppliers and clients due to the COVID-19
- EBITDA grew to Rub 243 mn vs. negative EBITDA of Rub 250 mn for 6m 2019 due to the recovery of HMS Neftemash

## Compressors

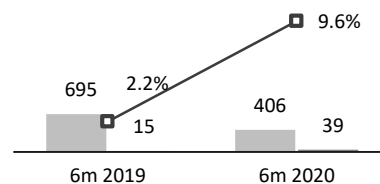


Revenue gross, Rub mn  
EBITDA, Rub mn  
EBITDA margin, %

**Revenue -36% yoy**  
**EBITDA -22% yoy**

- Revenue down to Rub 5.8 bn and EBITDA declined to Rub 653 mn due to delays in a number of large contracts mainly because of supplies disruptions due to the COVID-19
- EBITDA margin was up to 11.3%

## Construction



Revenue gross, Rub mn  
EBITDA, Rub mn  
EBITDA margin, %

**Revenue -42% yoy**  
**EBITDA +153% yoy**

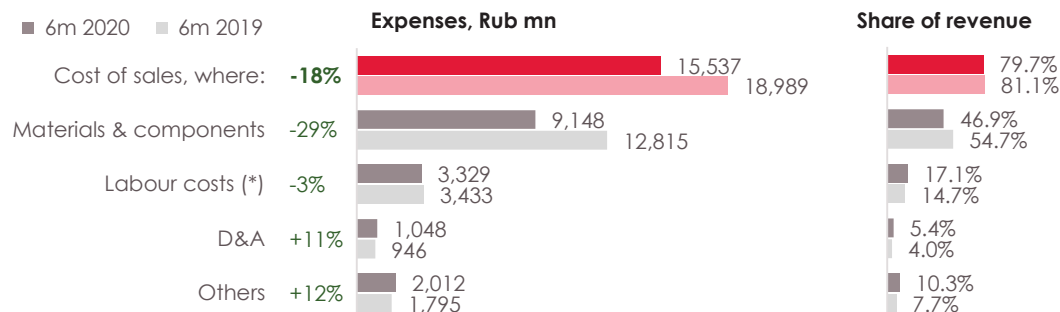
- Revenue was down by 42%
- EBITDA grew to Rub 39 mn

# HMS costs & expenses structure



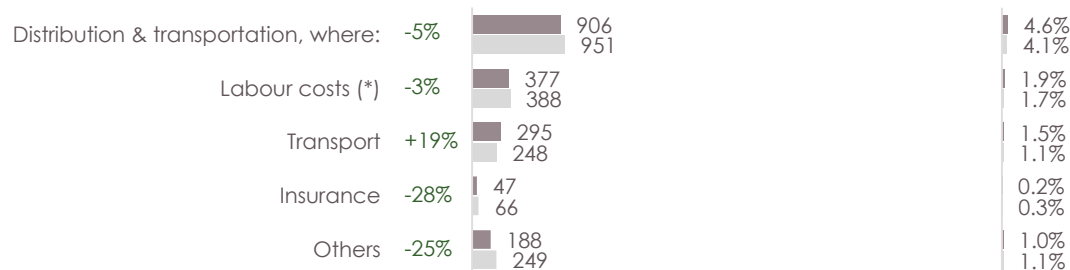
## Cost of sales down by 18% yoy

- Cost of sales went down due to the decrease in materials and components (-29% yoy) mainly because the share of large contracts under execution in the reporting period was less than in 6m 2019
- Labour costs were down by 3%



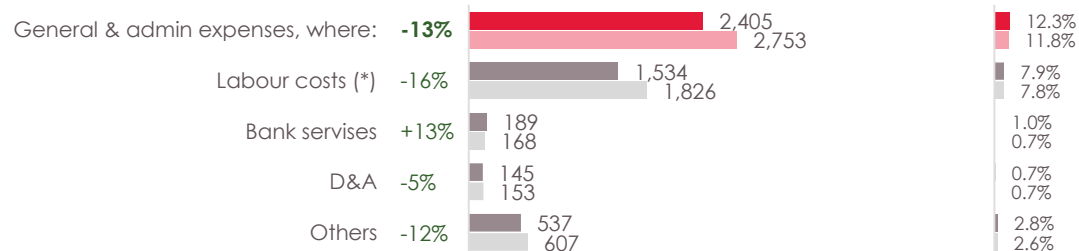
## Distribution & transportation down by 5% yoy

- Distribution & transportation expenses declined mainly as a results of implemented cost-optimization program



## General & administrative was down by 13% yoy

- General & administrative expenses declined by 13% yoy mainly due to decreased labour costs (-16% yoy) as the result of the cost-optimization program



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

(\*) Herein, labour costs includes social taxes

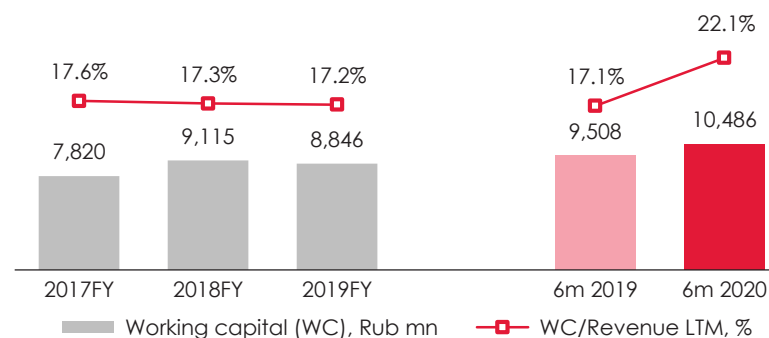
# Cash flow analysis



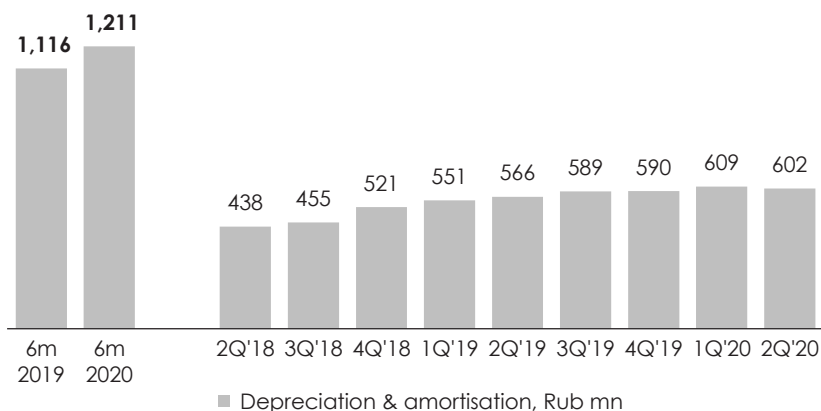
**Free cash outflow of Rub (1.5) bn due to the working capital volatility, which was used for large projects execution**

Cash flow performance, Rub mn	6m 2020	6m 2019
Operating CF	(742)	(470)
Investing CF, where	(772)	(1,448)
Acquisition	0	(670)
<b>Free CF</b>	<b>(1,513)</b>	<b>(1,918)</b>
Dividends	392	457

**Working capital grew to Rub 10.5 bn by 10% yoy due to a quarterly volatility, related to execution of large contracts, compiled with payment terms pressure from clients**

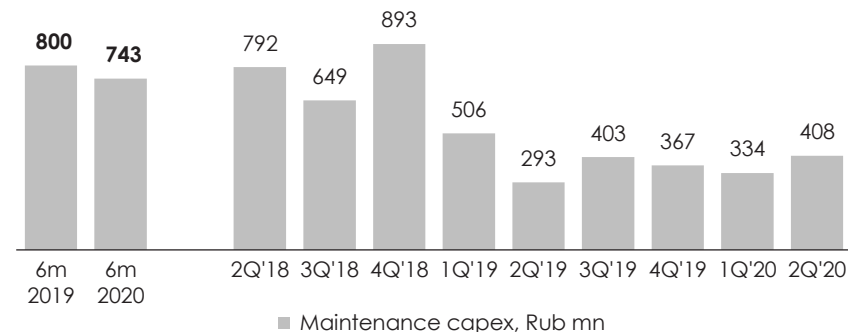


**Depreciation & amortization was up 8% yoy**



**Capex down 7% yoy to Rub 743 mn**

**Capex down due to the cost-optimization program, implemented in 1H 2019 and continued in 2020**



# Credit portfolio, changes in 2H 2020



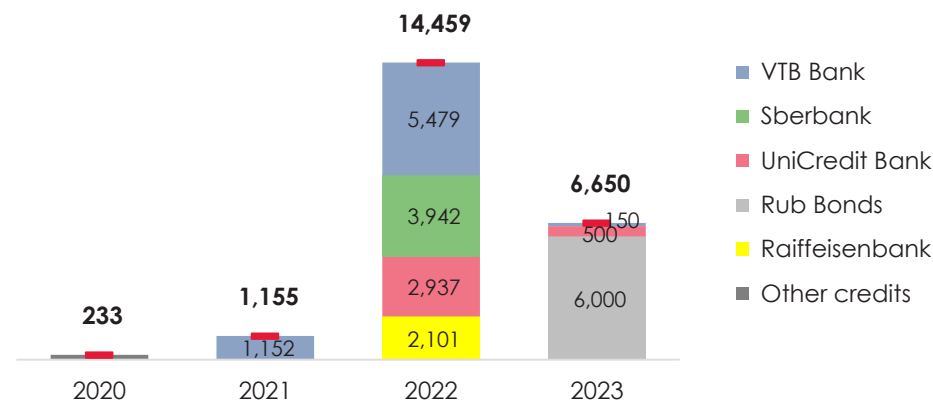
## HMS moved main repayments to 2022-2023

### Completed refinancing:

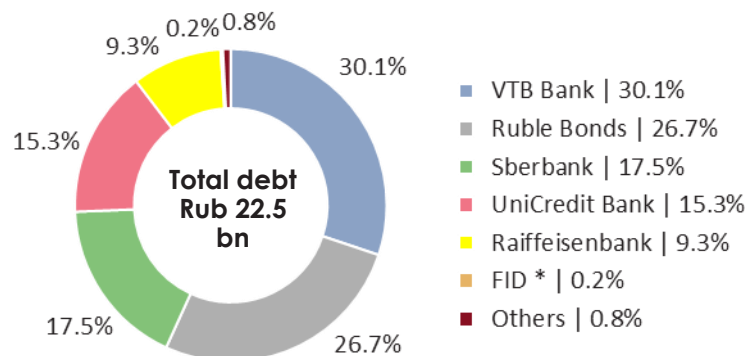
- July. Emission of 3-year ruble bonds with 8.15% coupon rate and refinancing of credits with maturity in 2021 – Sberbank of Rub 2.1 bn and Raiffeisenbank of Rub 0.9 bn
- September. Raiffeisenbank: prolongation of the remaining part of the credit (Rub 2.1 bn) till Feb 2022
- October. Emission of 3-year ruble bonds with 7.95% coupon rate and refinancing of credits

**The short-term goal: full refinancing of 2021 and partly – of 2022, with postponement of payments to 2023-2024 – in process**

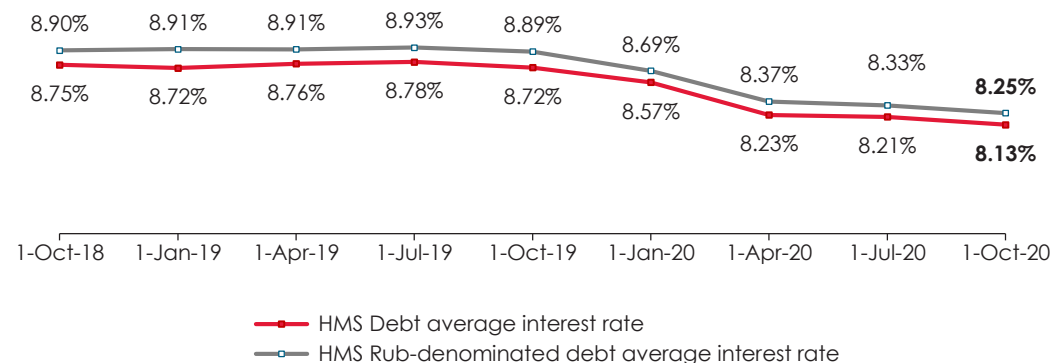
## Debt repayment schedule as of today, Rub mn



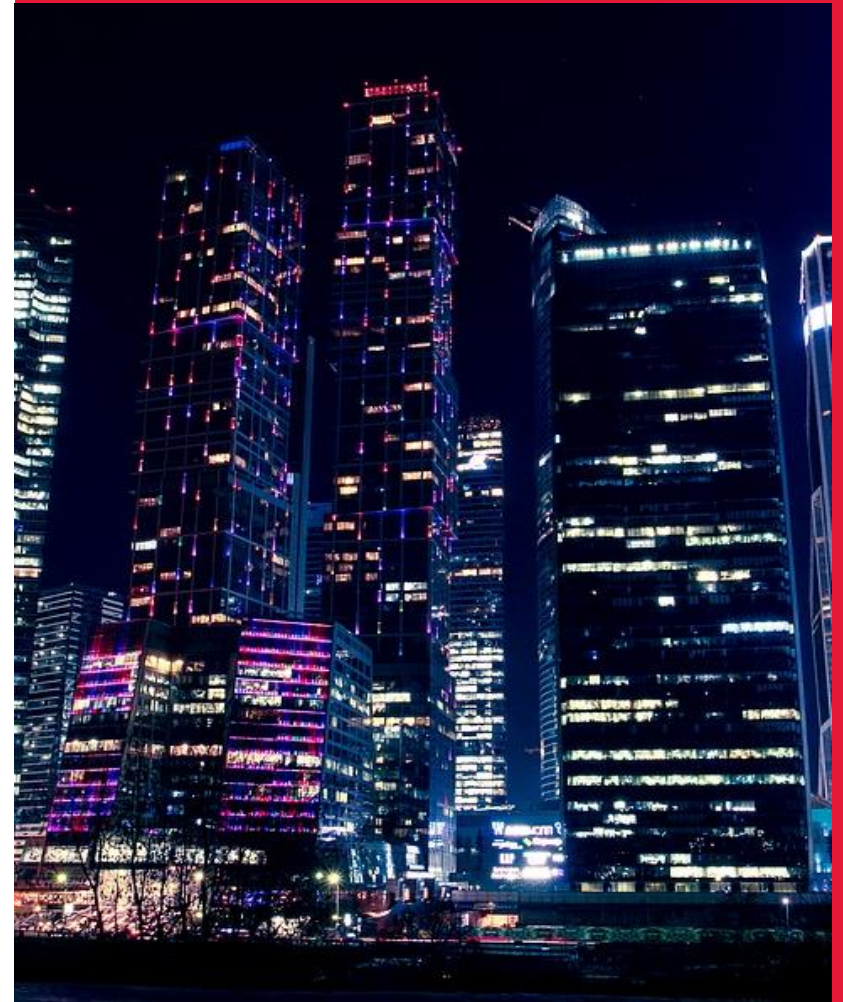
## Structure of HMS creditors as of today



## HMS average interest rate declined to 8.13% p.a.



# Business & Outlook



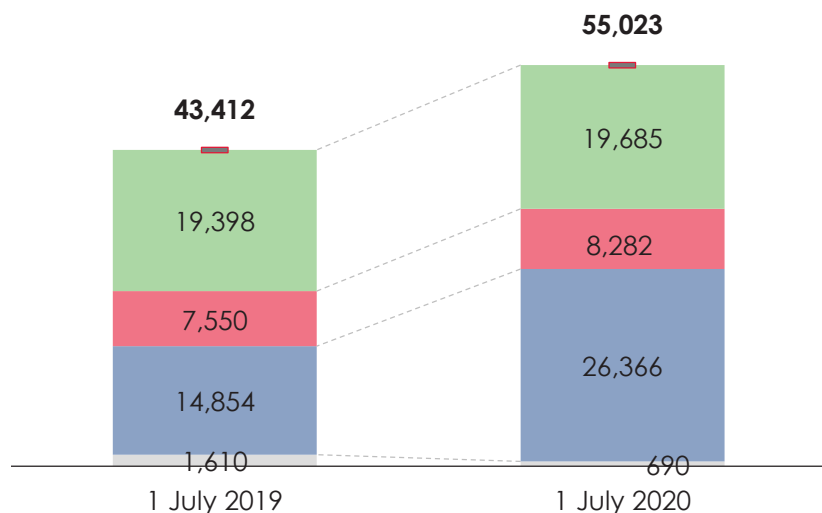


# Backlog was up by 27% yoy, and order intake grew 24% yoy



**Backlog grew to Rub 55.0 bn by 27% yoy, mainly thanks to the compressors**

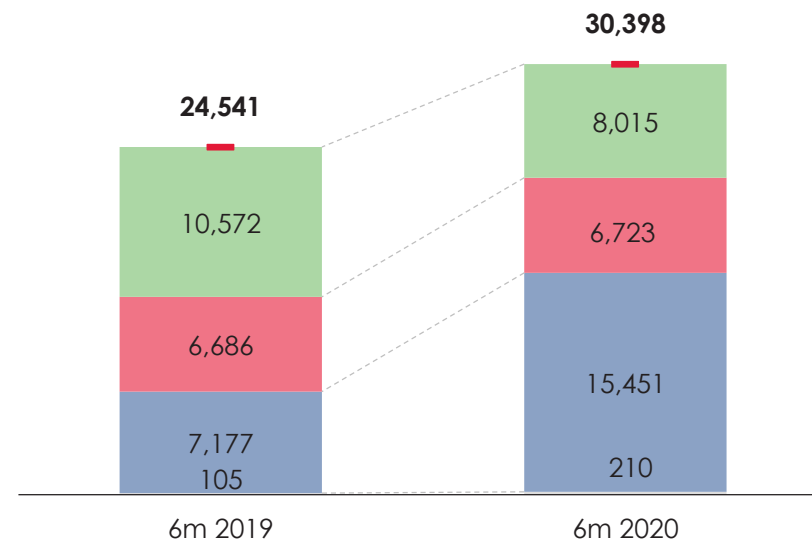
- Pumps
- Oil & gas equipment and projects
- Compressors
- Construction



	1 Jul 2019	Chg, yoy	1 Jul 2020
<b>Total in Rub bn, where:</b>	<b>43.4</b>	<b>27%</b>	<b>55.0</b>
Large projects	17.0	51%	25.6
Recurring business	26.4	11%	29.4

**Order intake grew to Rub 30.4 bn by +24% yoy mainly due to compressors**

- Pumps
- Oil & gas equipment and projects
- Compressors
- Construction



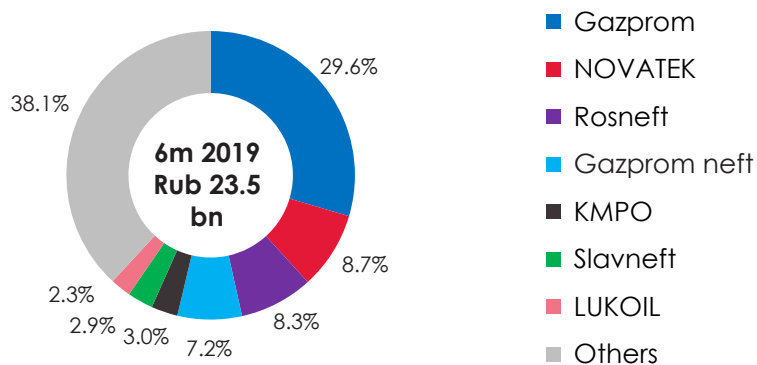
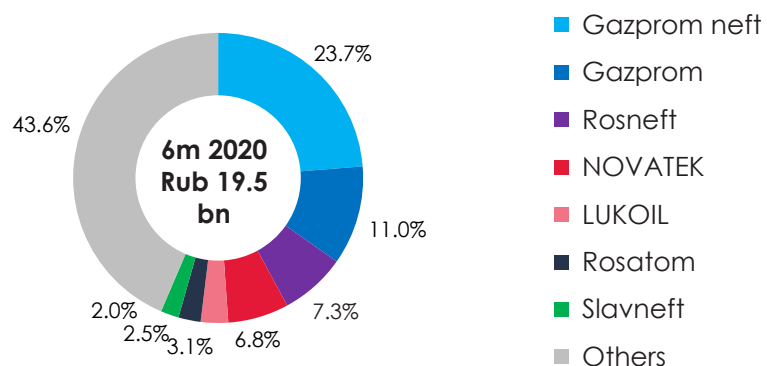
	6m 2019	Chg, yoy	6m 2020
<b>Total in Rub bn, where:</b>	<b>24.5</b>	<b>24%</b>	<b>30.4</b>
Large projects	7.0	66%	11.5
Recurring business	17.6	7%	18.9

# Revenue structure by clients and contracts type



## Top-7 largest clients' share down to 56%

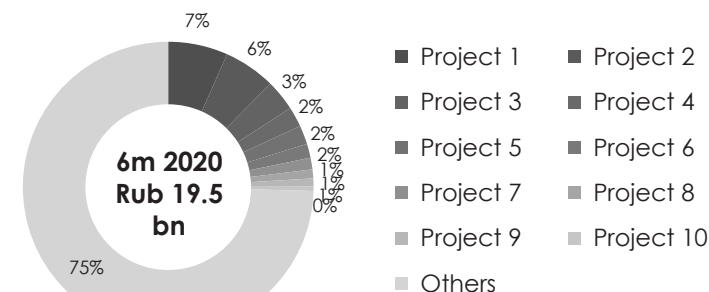
Other clients' share increased to 44% vs 38% in the compared period (6m 2019)



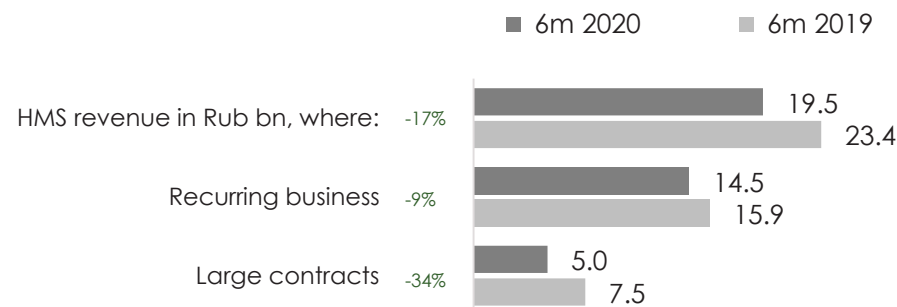
## Share of revenue, generated by the largest contract, does not exceed 10%

HMS Group doesn't depend on the one only contract:

10 largest projects generated 26% of 6m 2020 revenue



## Recurring business stood at Rub 14.5 bn





HMS Hydraulic Machines & Systems Group Plc is listed on the London Stock Exchange (Main market, IOB)

Number of shares outstanding: 117,163,427

ISIN            RegS: US40425X4079

                  144A: US40425X3089

Ratio          1 GDR : 5 Shares

Ticker         HMSG

Bloomberg    HMSG LI

Reuters       HMSGq.L

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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