

## HMS Group Reports 3 months 2019 Loss of Rub 495 million

Moscow, Russia – June 18, 2019 – 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, 2019.

### Financial highlights 3 months 2019:

- Revenue: Rub 8.9 bn (+1% yoy)
- EBITDA<sup>1</sup>: Rub 501 mn (-54% yoy), EBITDA margin 5.7%
- Operating loss: Rub (238) mn
- Net loss (loss for the period): Rub (495) mn
  
- Total debt: Rub 18.8 bn (+10% yoy)
- Net debt: Rub 14.6 bn (-1% yoy)
- Net debt-to-EBITDA LTM ratio: 2.42x

### Operational highlights 3 months 2019:

- Backlog: Rub 45.3 bn (+11% yoy)
- Order intake: Rub 11.5 bn (+10% yoy)

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<sup>1</sup> EBITDA is defined as operating profit/loss from continuing operations 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 the acquisition, defined benefits scheme expense and provisions (including provision for obsolete inventory, provision for impairment of accounts receivable, 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

### RESULTS

<i>in millions of Rub</i>	3m 2019	3m 2018	Change yoy	1Q 2019	4Q 2018	Change qoq
Orders	11,487	10,408	10%	11,487	25,176	-54%
Backlog	45,347	40,865	11%	45,347	42,634	6%
Revenue	8,854	8,726	1%	8,854	20,757	-57%
EBITDA	501	1,080	-54%	501	2,302	-78%
<i>EBITDA margin</i>	5.7%	12.4%		5.7%	11.1%	
(Loss)/Profit for the period	(495)	19	na	(495)	772	na
Free cash flow	(1,228)	(2,906)	na	(1,228)	1,854	na
ROCE	10.8%	15.3%		10.8%	13.6%	

Order intake grew by 10% based on a larger order intake in the pumps business segment.

Backlog for HMS Group grew to Rub 45.3 billion by 11% compared with Rub 40.9 billion last year. Pumps and, for the most part, compressors made contribution to this growth. The growth was based on the recurring business, as backlog of large integrated contracts was 6% yoy lower.

Revenue was Rub 8.9 billion, up by 1%, compared with Rub 8.7 billion for 3m 2018. Compressors and pumps contributed to this growth. EBITDA was down by 54% yoy to Rub 501 million because of a decline in oil & gas equipment.

Revenue from recurring business was up by 70% yoy. Large projects' revenue decreased by 48% yoy. EBITDA from recurring business declined 58% yoy and large contracts was down by 52% yoy.

Higher revenue and lower EBITDA led to EBITDA margin decrease to 5.7% from 12.4% last year.

Depreciation and amortization was Rub 548 million, up 28% yoy, compared with Rub 428 million for 3m 2018.

Loss for the period was Rub (495) million, compared with profit for the period of Rub 19 million for 3m 2018.

An increase in free cash outflow to Rub (1.2) billion from Rub (2.9) billion for 3m 2018 was mainly due to a positive change in working capital.

ROCE decreased because of lower operating profit for the last twelve months and higher average capital employed.

## EXPENSES AND OPERATING PROFIT

<i>in millions of Rub</i>	3m 2019	3m 2018	Change yoy	Share of 3m 2019 revenue	Share of 3m 2018 revenue
<b>Cost of sales</b>	<b>7,265</b>	<b>6,548</b>	<b>11%</b>	<b>82.1%</b>	<b>75.0%</b>
Materials and components	4,770	4,008	19%	53.9%	45.9%
Labour costs incl. Social taxes	1,796	1,819	-1%	20.3%	20.8%
Construction and design and engineering services of subcontractors	381	322	18%	4.3%	3.7%
Depreciation and amortization	464	365	27%	5.2%	4.2%
Others	(147)	34	-527%	-1.7%	0.4%

Cost of sales was Rub 7.3 billion, up 11% yoy, compared with Rub 6.5 billion for 3m 2018. Materials and components (+19% yoy) almost fully attributed to this growth.

Gross profit was down 27% yoy to Rub 1.6 billion, compared with Rub 2.2 billion for 3m 2018.

<i>in millions of Rub</i>	3m 2019	3m 2018	Change yoy	Share of 3m 2019 revenue	Share of 3m 2018 revenue
Distribution and transportation	436	460	-5%	4.9%	5.3%
General and administrative	1,302	1,227	6%	14.7%	14.1%
<i>SG&amp;A expenses</i>	<i>1,738</i>	<i>1,687</i>	<i>3%</i>	<i>19.6%</i>	<i>19.3%</i>
Other operating expenses	89	61	46%	1.0%	0.7%
<i>Operating expenses ex. Cost of sales</i>	<i>1,827</i>	<i>1,748</i>	<i>5%</i>	<i>20.6%</i>	<i>20.0%</i>
Operating loss/profit	(238)	430	na	-2.7%	4.9%
Finance costs	416	380	10%	4.7%	4.4%

Distribution and transportation expenses was Rub 436 million, down 5% yoy, compared with Rub 460 million for 3m 2018, mainly due to a decrease in transportation expenses (-8% yoy). As a share of revenue, distribution and transportation expenses also was down to 4.9% compared with 5.3% last year.

General and administrative expenses was Rub 1.3 billion, up 6% yoy, compared with Rub 1.2 billion last year, mainly due to 8% yoy higher labour costs incl. social taxes. As a share of revenue, general and administrative expenses was up to 14.7% from 14.1% for 3m 2018.

SG&A expenses<sup>2</sup> was Rub 1.7 billion, that was 3% yoy higher than last year. As a share of revenue, they increased to 19.6% from 19.3%.

Operating loss was Rub (238) million compared with operating profit of Rub 430 million last year.

<sup>2</sup> SG&A expenses = Selling, General and Administrative Expenses = Distribution and transportation + General and administrative

<i>in millions of Rub</i>	<b>3m 2019</b>	<b>3m 2018</b>	<b>Change yoy</b>
<b>Finance costs</b>	<b>416</b>	<b>380</b>	<b>10%</b>
<i>Interest expenses</i>	412	374	10%
Interest rate, average	8.8%	9.0%	
Interest rate Rub, average	8.9%	9.1%	

Finance costs were Rub 416 million, up by 10% yoy, compared with Rub 380 million for 3m 2018. The main factor was an increase of interest expenses (+10% yoy) due to a higher total debt level. Average rates decreased to 8.8% p.a. from 9.0% p.a. within a one-year period.

## BUSINESS SEGMENTS PERFORMANCE

### Industrial pumps<sup>i</sup>

<i>in millions of Rub</i>	<b>3m 2019</b>	<b>3m 2018</b>	<b>Change yoy</b>	<b>1Q 2019</b>	<b>4Q 2018</b>	<b>Change qoq</b>
Orders	5,561	4,229	31%	5,561	6,141	-9%
Backlog	19,303	15,699	23%	19,303	17,152	13%
Revenue	3,241	2,997	8%	3,241	6,613	-51%
EBITDA	275	353	-22%	275	1,191	-77%
EBITDA margin	8.5%	11.8%		8.5%	18.0%	

Larger order intake of Rub 5.6 billion was fully attributable to recurring business.

Backlog grew by 23% yoy to Rub 19.3 billion because of more recurring orders received.

Revenue was Rub 3.2 billion, up 8% yoy, compared with Rub 3.0 billion for 3m 2018. EBITDA declined to Rub 275 million, by 22% yoy, from Rub 353 million, mainly due to a larger share of recurring business in the reporting period that had lower margins than large projects. EBITDA margin was down to 8.5% due to higher revenue and lower EBITDA.

### Oil and Gas equipment & projects (OGEP)<sup>ii</sup>

<i>in millions of Rub</i>	<b>3m 2019</b>	<b>3m 2018</b>	<b>Change yoy</b>	<b>1Q 2019</b>	<b>4Q 2018</b>	<b>Change qoq</b>
Orders	3,008	3,436	-12%	3,008	3,203	-6%
Backlog	7,265	13,655	-47%	7,265	6,658	9%
Revenue	2,406	5,111	-53%	2,406	4,346	-45%
EBITDA	(130)	828	na	(130)	166	na
EBITDA margin	-5.4%	16.2%		-5.4%	3.8%	

Order intake decreased to Rub 3.0 billion from Rub 3.4 billion, due to less contracts signed in the reporting period.

Backlog went down to Rub 7.3 billion from Rub 13.7 billion, because in the reporting period there were less contracts signed than revenue recognized. Both recurring business and large contracts declined.

Revenue was down 53% yoy to Rub 2.4 billion, compared with Rub 5.1 billion for 3m 2018. EBITDA and EBITDA margin turned negative due to the lack of large contracts under execution combined with a mix of recurring contracts, which had margins lower than usual.

### Compressors<sup>iii</sup>

<i>in millions of Rub</i>	3m 2019	3m 2018	Change yoy	1Q 2019	4Q 2018	Change qoq
Orders	2,900	2,995	-3%	2,900	15,811	-82%
Backlog	16,880	7,777	117%	16,880	16,688	1%
Revenue	2,932	1,880	56%	2,932	9,371	-69%
EBITDA	377	99	279%	377	1,320	-71%
EBITDA margin	12.9%	5.3%		12.9%	14.1%	

Order intake declined by minor 3% yoy to Rub 2.9 billion, compared with Rub 3.0 billion, due to a couple of large contracts signed for 3m 2018.

Backlog gained 117% yoy to Rub 16.9 billion compared with Rub 7.8 billion last year due to both recurring business and large contracts.

Revenue was up to Rub 2.9 billion and EBITDA grew to Rub 377 million, based both on recurring business and large contracts. EBITDA margin increased to 12.9% compared with 5.3% for 3m 2018.

### Construction<sup>iv</sup>

<i>in millions of Rub</i>	3m 2019	3m 2018	Change yoy	1Q 2019	4Q 2018	Change qoq
Orders	18	(253)	na	18	20	-9%
Backlog	1,899	3,736	-49%	1,899	2,137	-11%
Revenue	336	382	-12%	336	537	-37%
EBITDA	11	(122)	na	11	23	-51%
EBITDA margin	3.3%	-31.8%		3.3%	4.2%	

Order intake equaled Rub 18 million. Backlog declined to Rub 1.9 billion, compared with Rub 3.7 billion last year, due to execution of two large contracts signed in 2017-2018.

Revenue was Rub 336 million, down 12% yoy, from Rub 382 million for 3m 2018. EBITDA was positive Rub 11 million, compared with negative EBITDA of Rub (122) million last year.

### **WORKING CAPITAL AND CAPITAL EXPENDITURES**

<i>in millions of Rub</i>	3m 2019	3m 2018	Change yoy	1Q 2019	4Q 2018	Change qoq
Working capital	8,843	11,535	-23%	8,843	9,130	-3%
Working capital / Revenue LTM	17%	27%		17%	17%	
Capital expenditures	506	334	52%	506	893	-43%

Working capital was Rub 8.8 billion, down by 23% yoy, due to completion of a number of large contracts, which required a substantial level of working capital. As a share of revenue, working capital declined to 17% from 27% in the comparing period.

Capital expenditures were Rub 506 million, up 52% yoy, compared with Rub 334 million last year.

#### DEBT POSITION

<i>in millions of Rub</i>	<b>3m 2019</b>	<b>3m 2018</b>	<b>Change yoy</b>	<b>1Q 2019</b>	<b>4Q 2018</b>	<b>Change qoq</b>
Total debt	18,845	17,140	10%	18,845	19,360	-3%
Long-term debt	17,899	16,140	11%	17,899	18,198	-2%
Short-term debt	945	1,000	-5%	945	1,162	-19%
Net debt	14,650	14,842	-1%	14,650	13,065	12%
Net debt / EBITDA LTM	2.42x	2.16x		2.42x	1.97x	

Total debt was Rub 18.8 billion compared with Rub 17.1 billion for 3m 2018. Net debt was Rub 14.6 billion, down by 1% yoy, compared with Rub 14.8 billion for 3m 2018.

Net debt to EBITDA LTM ratio increased to 2.42x compared with 2.16x last year.

If compared with the end of 2018, total debt declined by 3% qoq. Net debt, in contrast, was up 12% qoq.

#### DIVIDENDS

The Board of Directors of HMS Group recommended total dividends for 2018 of Rub 9.81 per ordinary share (Rub 49.05 per GDR), of which Rub 3.84 per share (Rub 19.20 per GDR) have been already distributed as interim dividends in January 2019.

If approved at the Annual General Meeting of Shareholders on the 21<sup>st</sup> of June, final dividends of Rub 5.97 per ordinary share (Rub 29.85 per GDR) will be distributed on the 1<sup>st</sup> of July, 2019.

#### SHARE BUY-BACKS

HMS Group repurchased 61,162 global depositary receipts during the three months of 2019.

After the reporting date, the company repurchased 133 GDRs. In total, HMS has purchased 1,204,282 GDRs on the open market. In May 2019, a part of the repurchased GDRs was awarded to HMS executive directors and PDMRs under the Long Term Incentive Plan.

## **MANAGEMENT PURCHASES**

During the first three months of 2019, HMS managers purchased 14,500 of the company's GDRs using their own funds.

## **SIGNIFICANT EVENTS AFTER THE REPORTING DATE & FINANCIAL MANAGEMENT**

### **FINANCIAL MANAGEMENT**

As of the 1<sup>st</sup> June, 2019, average interest rate increased to 8.8% p.a. compared to 8.7% p.a. at the beginning of 2019. According to management accounts, total debt increased to Rub 19.6 billion, and net debt was up to Rub 15.6 billion due to working capital, required for execution of large projects.

### **LONG-TERM INCENTIVE PLAN**

In May 2019, HMS Executive Directors and PDMRs acquired an interest over the Company's Global depositary receipts following the grant of awards under the Company's Long Term Incentive Plan ("LTIP") for the 2016 award year.

The awards were a part of a grant of GDRs to seventeen Company's managers as a Motivational Package for the 2016 Award year under the LTIP. The total amount paid to the LTIP participants was 414,118 GDRs, which is equal to 1.77 percent of the Company's issued share capital.

Further details of the transactions above are available here:

[Press release on HMS management increase of its share in the charter capital](#)

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**WEBCAST TO DISCUSS 3 MONTHS 2019 IFRS FINANCIAL RESULTS**

**Date:** Wednesday, June 19, 2019

**Time:** 10.30 AM (MOSCOW) / 8.30 AM (London) / 9.30 AM (CET)

**Speaker:**

Inna Kelekhsaeva – Deputy Head of Capital markets

**Q&A session:**

Kirill Molchanov – First Deputy General Director and Co-Founder

Alexander Rybin – Head of Capital markets

To participate in the conference call, please dial in:

Russia Local: +7 495 646 9315

UK Local: +44 207 194 3759

UK Toll Free: 0800 376 6183

US Local: +1 646 722 4916

US Toll Free: +1 844 286 0643

Conference ID: 72741694#

Title: HMS Group 3 months 2019 IFRS results

**Webcast meeting:**

To access the live event, click on the link:

<https://webcasts.eqs.com/hmsgroup20190619>

Please, dial in 5-10 minutes prior to the scheduled start time. Pre-registration is available.

We will share materials on [HMS' investor website](#) ahead of the webcast.

**Contacts:**

Investor Relations, [ir@hms.ru](mailto:ir@hms.ru)

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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 depositary receipts ("GDRs") are listed under the symbol "HMSG" on the London Stock Exchange.

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<sup>i</sup> 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.

<sup>ii</sup> 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.

<sup>iii</sup> 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.

<sup>iv</sup> The construction provides construction works for projects for customers in the oil upstream and midstream, gas upstream.