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Hill & Smith PLC
12 March 2025

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Hill & Smith PLC

Full Year Results for the year ended 31 December 2024

Strong results with profit ahead of market expectations
Refreshed operating company framework and financial targets

Hill & Smith PLC ("Hill & Smith" or "the Group"), the leading provider of solutions that enhance the resilience of vital infrastructure and the built environment, announces its preliminary results for the year ended 31 December 2024.

Financial Results

	Underlying*					**Statutory**		
	31 Dec 2024	*31 Dec 2023*	***Reported %***	***Constant Currency %***	***OCC %***	***31 Dec 2024***	*31 Dec 2023*	*Change %*
Revenue	**£855.1.m**	£829.8m	***+3%***	***+5%***	**-**	**£855.1m**	£829.8m	*+3%*
Operating profit	**£143.5m**	£122.5m	***+17%***	***+20%***	***+12%***	**£115.4m**	£103.8m	*+11%*
Operating margin	**16.8%**	14.8%	***+200bps***			**13.5%**	12.5%	*+100bps*
Profit before tax	**£132.6m**	£111.9m	***+18%***			**£104.5m**	£93.2m	*+12%*
Earnings per share	**122.6p**	105.4p	***+16%***			**95.0p**	86.0p	*+10%*
Dividend per share	**49.0p**	43.0p	***+14%***			**49.0p**	43.0p	*+14%*

Key Highlights:

Strong trading performance

- Revenue up 5% on a constant currency basis. Return to organic revenue growth in H2
- Underlying operating profit growth of 20% on a constant currency basis
- Underlying operating margin expansion to 16.8% (2023: 14.8%)
- Underlying EPS up 16% to 122.6p

Good cash generation and returns

- Underlying cash conversion 99% (2023: 115%)
- ROIC up to 24.8% (2023: 22.0%)
- Covenant leverage at 0.3 times, providing significant flexibility to support both organic and inorganic investment
- Final dividend proposed of 32.5p, making a total dividend of 49.0p, up 14%

Active portfolio management

- Four value enhancing US acquisitions completed in FY24 for aggregate expected consideration of £58.5m
- Divestment in Q1 2025 of two non-core businesses
- M&A pipeline remains active

Strategic update following appointment of new CEO

- Refreshed purpose and operating company framework with an enhanced focus on priority end markets
- Updated financial framework with operating margin target increasing to 18%+ and ROIC increasing to 22%+, reflecting confidence in the Group's long term growth potential

Well-positioned in structurally growing infrastructure and built environment end markets, the Group is confident of making further good progress in FY25 and beyond

Rutger Helbing, Chief Executive Officer, commenting on the results, said:

"Hill & Smith has delivered another record set of results, underpinned by the excellent performance in our US businesses, which continue to benefit from strong demand for our infrastructure solutions. We have continued to actively manage our portfolio with four complementary acquisitions, and the successful divestment of two of our non core, loss making businesses at the beginning of 2025 further improves the quality of the portfolio.

"Since joining Hill & Smith in September 2024, I have visited our operating companies and spent time with our highly driven and talented teams. I now have a stronger understanding of our market leading products and services and have carried out a review of our strategy and business model.

"This exercise has increased my confidence that Hill & Smith is exposed to attractive infrastructure and built environment end markets with structural growth drivers, has agile and responsive operating companies, is well positioned to succeed and therefore has excellent prospects for further value creation for our shareholders.

"I am excited about the potential for the Group going forward as we continue to build on the strong momentum and we expect another year of good progress in 2025."

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There will be an in-person presentation for analysts and institutional investors this morning at 10:00am, hosted at Deutsche Numis, 45 Gresham Street, London EC2V 7BF, as well as a webcast and conference call with a facility for Q&A for virtual attendees. To register for the webcast, please use this link. For conference call details, please contact
jake.terry@mhpgroup.com. A copy of the presentation will be made available at https://hsgroup.com/investors/reports-and-presentations/

and-presentations/.

** All underlying measures exclude certain non-underlying items, which are as detailed in note 4 to the Financial Statements and described in the Financial Review. References to an underlying profit measure throughout this announcement are made on this basis. Non-underlying items are presented separately in the Consolidated Income Statement where, in the Directors' judgement, the quantum, nature or volatility of such items gives further information to obtain a proper understanding of the underlying performance of the business. Underlying measures are deemed alternative performance measures ("APMs") under the European Securities and Markets Authority guidelines and a reconciliation to the closest IFRS equivalent measure is detailed in note 3 to the financial statements. They are presented on a consistent basis over time to assist in comparison of performance.*

Where we refer to organic constant currency (OCC) movements, these exclude the impact of currency translation effects and acquisitions, disposals and closures of subsidiary businesses. In respect of acquisitions, the amounts referred to represent the amounts for the period in the current year that the business was not held in the prior year. In respect of disposals and closures of subsidiary businesses, the amounts referred to represent the amounts for the period in the prior year that the business was not held in the current year. Constant currency amounts are prepared using exchange rates which prevailed in the current year.

Notes to Editors

Hill & Smith PLC is a leading provider of solutions that enhance the resilience of vital infrastructure and the built environment. The Group employs c.4,500 people, with the majority employed by its autonomous, agile, customer focussed operating businesses based in the UK, USA and India. The Group office is in the UK and Hill & Smith PLC is quoted on the London Stock Exchange (LSE: HILS.L).

We have changed our divisional reporting structure from 1 January 2025 to better reflect the way the Group is now managed. The new divisional structure is as follows:

- *Galvanizing Services: comprising UK and US galvanizing operating companies*
- *US Engineered Solutions: comprising all US operating companies excluding Galvanizing Services*
- *UK and Rest of World Engineered Solutions: comprising all UK operating companies and India, excluding Galvanizing Services*

We will report under the new structure at our half-year results in August 2025.

Chief Executive's Review

2024 review

I am pleased to report that the Group has delivered a record set of full year results, underpinned by the excellent performance of our US businesses which continue to benefit from strong demand for our infrastructure products and solutions. Our US operations now account for 76% of Group underlying operating profit. As expected, our UK businesses delivered a resilient performance against a more challenging market backdrop, with subdued demand from certain public sector customers, particularly in the period leading up to the General Election.

Revenue for the full year was up 5% and underlying operating profit was up 20% on a constant currency basis. We saw a return to organic revenue growth in the second half, with strong year on year OCC revenue growth in our higher margin Engineered Solutions (+8%) and Galvanizing Services (+6%) businesses in the US. This was offset by ongoing subdued demand in the UK (-5% OCC revenue decline) and the impact of previously reported challenges in our US off grid solar lighting business. Underlying operating margin for the full year increased by 200 basis points to 16.8%, reflecting an improved portfolio mix, with good growth seen in our higher margin US businesses.

Engineered Solutions delivered excellent revenue and profit growth alongside margin expansion against a record 2023. Demand for our products and services remained strong across all our US businesses, which face into a range of attractive structural growth markets including electricity transmission and distribution and infrastructure construction.

Galvanizing Services delivered a record performance reflecting strong momentum in our higher margin US business, which delivered a 10% increase in volumes. Our UK business saw some market recovery in the second half with full year volumes 2% ahead of 2023.

As expected, revenue in Roads & Security was below 2023, due to a subdued UK market backdrop and lower customer demand in our US off grid solar lighting business against a strong prior year comparator. The division delivered good underlying operating profit growth compared to 2023, which included one-off operational improvement costs in US Roads and non-recurring charges relating to certain UK businesses.

We continue to successfully execute against our M&A strategy, with four complementary acquisitions made in 2024 for aggregate expected consideration of £58.5m. All our acquired businesses fit within our existing US Engineered Solutions portfolio and initial trading has been positive. Acquisitions contributed c.£46m revenue and c.£10m underlying operating profit in 2024. In addition, as part of our ongoing approach of active portfolio management, in the first quarter of 2025, we successfully divested two of our non core, loss making Roads & Security businesses (comprising £12.5m total revenue in 2024) which further improves the quality of the portfolio.

The Group continues to be highly cash generative and deliver strong returns, with cash conversion for the full year of 99% and return on invested capital (ROIC) increasing by 280 bps to 24.8%. The Group balance sheet continues to strengthen and year end covenant leverage of 0.3 times provides significant flexibility to support both organic and inorganic investment.

Strategic Update

Initial observations

Since joining Hill & Smith in September 2024, I have had the opportunity to visit our operating companies and spend time with our highly driven and talented teams. I have also carried out a review of the Group strategy and business model, working collaboratively with our Executive Committee and operating company senior leaders.

This has confirmed my view that the Group is exposed to attractive infrastructure and built environment end markets with structural growth drivers, has agile and responsive operating companies well positioned to succeed, and therefore has excellent prospects for further value creation for our shareholders. The Group has been highly successful in the past few years and to further underpin our growth ambitions, following the review of our strategy and business model, we have refreshed our purpose, end market focus and strategic framework.

Our refreshed purpose

Recognising that the Group has evolved over the years, we have redefined our purpose as: "We create value by providing solutions that enhance the resilience of vital infrastructure and the built environment." Our purpose crystallises what we want the Group to be and will serve as an important 'north star' for future strategic decision making.

Hill & Smith operating company framework

Linked to our refreshed purpose, we have refined the criteria we will use as a guide to inform our portfolio management and M&A approach going forward. A Hill & Smith operating company has a strong focus on customer service and a deep understanding of customer needs. This allows our businesses to create value add solutions for customers and to drive differentiation versus their competitors. Our businesses are experts in their specific manufacturing or industrial processes and are typically low to medium in capital intensity.

Alongside this, our decentralised operating model promotes a highly driven and entrepreneurial culture where we foster highly capable and agile local management teams who drive growth in both core and adjacent markets. Our objective is to develop high quality platform businesses with good potential for bolt-on M&A. Our local management teams play a key role in identifying potential M&A opportunities, building close relationships with owners and leading on acquisition integration.

An enhanced focus on priority end markets

We are focused on end markets which serve vital infrastructure and the built environment, which have multi decade growth drivers and benefit from secular tailwinds given the growing need for upgrade and renewal to maintain a properly functioning economy. Our particular focus is on businesses which are leaders in niche markets with high barriers to entry and where our offering is typically a small fraction of the total system cost for customers.

As part of our strategic update, we have carried out an assessment of the end markets where we currently operate to identify opportunities to both accelerate growth in our existing core markets and to expand in attractive adjacent markets. We have categorised our end markets into four groups:

- High growth emerging markets: including data centres, renewables and gigafactories
- Resilient growth anchors: including electrical transmission & distribution and water infrastructure
- Stable growth markets: including transport products, transport infrastructure and public construction
- Cyclically sensitive markets: including industrial, residential and commercial construction

About 68% of total Group revenue in 2024 was derived from the first three categories, however there is a regional difference, with these three categories representing c.75% of US revenue and c.50% of UK and India revenues.

This disciplined and enhanced focus on end market dynamics enables us to set the ambition for our operating companies to drive further long-term growth in the most attractive markets. It will also inform our future capital allocation, resource planning and portfolio management decision making. Our business model is proven, and these enhancements will further underpin our financial and strategic delivery.

Role of the centre and Group functions

We have a small central team who ensure that the right controls and KPIs are in place and support in setting the ambition for each operating company, enabling our businesses to deliver on their full potential. To date, this approach has worked well and going forward I see opportunities for the central team to provide additional support in certain strategic capabilities, such as business planning with more structured market intelligence, to further improve the quality of our plans, along with increased focus on talent management, to ensure we have the right capabilities to deliver on those plans. We encourage our operating companies to share best practice where relevant and there is potential to enhance this through the provision of advanced training in specific areas.

Active portfolio management

I see significant opportunities to use disciplined M&A to help us expand into new customers and end markets, as well as adjacent technologies, and ultimately accelerate our strategy. As part of our recent strategic update, we have assessed the attractiveness of the Group's infrastructure and built environment end markets with a focus on higher growth, higher margins and lower cyclicality. This assessment will inform our M&A and portfolio management decisions in the short to medium term to increase our exposure to the most attractive, structurally growing markets.

Effective delivery on our M&A strategy requires our central M&A team to work closely with our operating company leaders to source opportunities, supported by best-in-class execution and post-acquisition integration. Our M&A strategy is underpinned by a strong balance sheet capable of supporting organic growth while also allowing us to deploy capital to value enhancing acquisitions.

Our refreshed Medium Term Financial Framework

Our disciplined financial framework is one of the key foundations of the Group's long-term success. The ability to deliver organic growth through the cycle, alongside value enhancing acquisitions, will result in superior earnings growth. A clear focus on cash generation and returns enables the cash generated to be re-invested in high growth, high return opportunities. This is all delivered within a disciplined capital allocation framework while maintaining a strong balance sheet.

The strong financial performance since the framework was set two years ago, and the positive outlook for the Group, provide us with confidence to upgrade certain targets within the framework. Our refreshed annual performance targets are:

- Organic revenue growth: 5% -7%
- Total revenue growth including acquisitions: 10%+
- Operating profit margin: 18%+ (previously 15%+)
- Return on invested capital (ROIC): 22%+ (previously 18%+)
- Cash conversion: 80%+
- Covenant leverage: 1-2 times

In 2024, the Group performed well against most elements of the framework. The organic revenue performance was mixed, reflecting good growth in our higher margin Engineered Solutions and Galvanizing businesses in the US offset by a subdued market demand in the UK and specific challenges in our US off grid solar lighting business. The Group saw a return to organic revenue growth in the second half and we expect the portfolio to be able to deliver 5-7% organic growth through the cycle. Acquisitions contributed 6% constant currency revenue growth in the year, in line with the financial framework.

2024 operating profit margin expanded by 200bps to 16.8%, the increase reflecting the good volume growth in our higher margin US businesses. Going forward, we are confident that the Group can deliver 18%+ operating profit margin through the cycle given the structural growth drivers in the US, potential for UK market recovery and the flow through benefit of recent portfolio management actions. Linked to this, we have also upgraded our targets for return on invested capital to 22%+ to reflect the stronger returns generated by the current portfolio (24.8% in 2024), while also providing flexibility to deploy capital into value enhancing M&A where initial returns are typically below the targeted level.

Our cash conversion guideline remains unchanged, reflecting the Group's track record of strong cash generation, while also allowing for more significant investment in strategic growth capex, as appropriate, through the cycle. We aim to maintain a prudent balance sheet and as such our guideline on covenant leverage remains unchanged.

Our updated approach to capital allocation

The Group follows a disciplined approach to capital allocation. As a priority, we allocate capital to support organic growth, with a focus on higher return, structurally growing end markets. We require our operating companies to manage working capital efficiently and we invest in capital projects, talent and innovation to support future organic growth, with around half of 2024 capital expenditure allocated to growth investments.

Secondly, we allocate capital to inorganic investment, with a focus on businesses which have a clear alignment with our purpose, end market priorities and strategic framework with good long-term growth potential. We follow a structured approach to acquisitions based on an agreed set of criteria and expect acquisitions to achieve returns above our Group cost of capital within a three-year timeframe. Based on our highly cash generative model, we continue to target to reinvest around £50m - £70m each year on value enhancing acquisitions. In 2024 we invested £58.5m on four highly complementary US acquisitions. Our acquisition pipeline remains active and is focused on high quality, strategically aligned opportunities.

Thirdly, we aim to deliver a growing dividend, understanding the importance of providing consistent and growing returns to our shareholders. The ratio of covenant net debt to EBITDA is a key metric from a capital management perspective and we aim to maintain a prudent balance sheet, operating within a ratio of 1 to 2 times. The Board will consider returning surplus capital to shareholders through an appropriate mechanism if leverage is expected to fall below 0.5 times for a sustained period.

We use return on invested capital (ROIC) to measure our overall capital efficiency, with an updated target of achieving returns in excess of 22%, through the cycle. This target return is appropriate for a Group that intends to deploy capital into M&A each year where initial returns will likely be below the targeted level. We are pleased to report that the Group's ROIC in 2024 increased to 24.8% (2023: 22.0%), the improvement reflecting the strong trading with good growth in our higher margin businesses and our disciplined approach to capital allocation, which more than offset the impact of acquisitions in the year.

Our future divisional reporting structure
We have changed our divisional reporting structure in 2025 to better reflect the way the Group is now managed, following the introduction of a regional Group President structure at the start of 2024 and the exit of certain non-core Roads & Security businesses in Q1 2025. This enables a closer focus on geographic end markets and growth opportunities. The new divisional structure is as follows:

- US Engineered Solutions: comprising all US operating companies excluding Galvanizing Services
- UK and India Engineered Solutions: comprising all UK operating companies and India, excluding Galvanizing Services
- Galvanizing Services: no change

We will report under the new structure at our half-year results in August 2025.

Sustainability
Sustainability underpins the Group's growth strategy, and we remain committed to making progress against our sustainability focus areas and goals. The health and safety of our people remains a top priority, and I am pleased to report that we have delivered a 23% reduction in our Lost Time Incident rate (LTIR) to 0.33 in 2024. This reflects the enhancements made to our risk identification and assessment processes with an increased focus on accident prevention including the re-launch of our life saving rules. During the year, we successfully implemented a new Group health & safety management system to make incident and near miss reporting easier for our people and to improve root cause analysis. Given the improved health and safety performance, we have upgraded our LTIR targets to 0.275 for 2025 (previously 0.75) and to 0.1 for 2030 (previously 0.25).

Talented people are critical to the Group's success and during 2024 we launched a high potential programme, a first for the Group, with the aim of developing and nurturing individuals who we have identified as potential future leaders. We carried out our annual Group-wide engagement survey in September 2024 with 83% of our employees participating. It is disappointing that we did not see an increase in the overall engagement score in 2024 and this will be a significant area of focus for our leadership team in 2025.

Our focus on carbon reduction continues, with a 3% reduction in greenhouse gas emissions delivered in the year. During 2024 we engaged decarbonisation consultancies to conduct energy 'treasure hunts' in five of our sites, which has identified energy efficiency and carbon reduction opportunities that have been shared with the wider Group. Alongside this, our US companies started the transition to renewable energy contracts during the year and expect to complete this by the end of 2025, with our UK companies already fully transitioned.

Board Updates
I was delighted to join the Board as CEO in September 2024, with Alan Giddins reverting to his previous role of Non-Executive Chair following a short but comprehensive handover. Alan served as Executive Chair for over two years, during which time the Group has delivered significant organic and inorganic growth and made meaningful strategic progress. On behalf of the Board, I would like to thank Alan for his significant commitment and contribution, and personally for his support to me throughout the leadership transition. We are very pleased that he has agreed to continue as Chair of the Group to ensure continuity of leadership.

In January 2025, we announced that Hannah Nichols, Group CFO, will be leaving the Group at the end of March 2025 to take up the same position at another company. Hannah has played an important role in the success of Hill & Smith since being appointed CFO over five years ago, and we wish her well in her new role. The search for Hannah's successor is underway, and we are confident that we will find a high-quality candidate.

Having relocated to the US, Leigh-Ann Russell has today stepped down from the Board. I would like to thank Leigh-Ann for her significant contribution during her tenure. We will be looking to appoint a new Non-executive Director to the Board ahead of the AGM in May 2025.

Dividend
Given the strong trading performance and confidence in the Group's prospects, the Board is recommending a final dividend of 32.5p per share, making a total dividend for the year of 49.0p per share (2023: 43.0p), an increase of 14%. The final dividend, if approved, will be paid on 4 July 2025 to shareholders on the register on 30 May 2025.

Outlook
The Group is well positioned, with exposure to a range of infrastructure and built environment end markets with attractive growth drivers.

Our US businesses delivered around 76% of Group underlying operating profit in 2024 and we expect their strong trading momentum to continue in 2025, underpinned by investment to upgrade and onshore vital infrastructure and support technology change. We are closely monitoring the effect of current trade tensions on our businesses and supply chains however we do not see a significant impact at this time.

The outlook for our UK businesses in 2025 is likely to remain challenging given budgetary pressures in the public sector, however we are cautiously optimistic for some level of recovery. We continue to see attractive growth opportunities in our Indian business. Overall, we are confident of another year of good progress in 2025.

Our focus on structurally growing niche end markets, together with our proven M&A strategy and the benefits of our agile operating model, provides confidence that the Group will continue to make progress in the medium to longer term, in line with our updated strategic and financial framework.

Operational Review

Engineered Solutions

	£m		Reported	Constant	OCC
	2024	**2023**	%	currency %	%
Revenue	**418.7**	367.0	+14	+17	+5
Underlying operating profit [1]	**77.8**	64.4	+21	+25	+10
Underlying operating margin % [1]	**18.6%**	17.5%			
Statutory operating profit	**71.2**	59.7			

(1) Underlying measures are set out in note 3 to the Financial Statements and exclude certain non-underlying items, which are detailed in note 4 to the Financial Statements.

Our Engineered Solutions division provides a range of composite and steel solutions for infrastructure and the built environment including energy transmission and distribution, marine, rail and housing. The division also supplies engineered supports for the water, power and liquid natural gas markets and seismic protection solutions for infrastructure and commercial construction.

The division delivered an excellent performance in 2024, with 17% revenue and 25% profit growth on a constant currency basis, reflecting strong volume growth across our US businesses and the positive contribution from recent acquisitions. As a result, underlying operating margin increased by 110 bps to 18.6% (2023: 17.5%).

US
Our US Engineered Solutions portfolio continued to perform strongly in 2024 with 8% OCC revenue growth and further operating margin expansion.

Composites, our largest US business, delivered strong organic revenue and profit growth in 2024 against a record prior year comparator. This reflects strong demand for innovative composite solutions across a range of focus end markets including electrical grid infrastructure, cable management, industrial construction, water, and mass transit infrastructure. The business enters 2025 with a healthy order book and prospects for further growth are encouraging.

In July 2024 we completed the acquisition of Trident for an initial consideration after closing adjustments of £7.8m, with further consideration of up to £25.4m payable based on future revenues over the five years post-acquisition. Located in Illinois, Trident is a designer and supplier of highly resilient single and multi-layer composite utility poles, serving utility company needs across North America and the Caribbean. The acquisition is highly complementary to our existing product offering and increases our exposure to the attractive US electricity transmission and distribution market. Trident has been successfully integrated, and trading post acquisition has been positive.

Our business supplying structural steel products for electrical grid infrastructure delivered an excellent performance in 2024, with strong organic revenue and profit growth supported by high customer demand and a deliberate focus on higher margin projects. We consider US electrical transmission and distribution to be a very attractive end market with structural growth driven by the requirement to upgrade ageing infrastructure and increasing demands on the electric grid driving capacity expansion.

In 2024 we made two acquisitions in this subsector to help realise this growth potential. In January 2024 we acquired Capital Steel, based in New Jersey, for an initial consideration of £4.9m, and in September 2024 we acquired Whitlow, based in Georgia, for a consideration of £24.0m. These acquisitions expand our geographic footprint, providing access to new customers and significant cross selling and margin expansion opportunities. Both businesses have now been fully integrated and trading since acquisition has been ahead of our expectations. During the year we also completed the expansion of our existing facility at Burton, Ohio, which provides additional manufacturing capacity, and we have investment planned to increase our production output further in 2025.

Our engineered supports business delivered a record year, with organic growth driven by significant projects for clean water initiatives, battery plant production and semiconductor construction. In March 2024, we acquired FM Stainless, based in Georgia, for an initial consideration of £6.7m, a manufacturer of stainless steel pipe supports principally for the attractive water and waste water market, underpinned by multi-year water infrastructure investment. The integration into our existing business has gone smoothly and trading has been ahead of expectations. Given the positive demand outlook, we have invested in expanding our existing facility in Waggaman, Louisiana, and we expect the new facility to be fully operational in the second half of 2025.

The medium to long-term growth prospects across all our US Engineered Solutions businesses remain positive. We expect market growth to be supported by investment to upgrade critical infrastructure and onshore vital components.

UK and India

As expected, our UK businesses, which represented 19% of divisional revenue in 2024, saw revenue decline by 7%, partly due to pricing reflecting lower steel input costs, and as a result profit was lower than 2023. The industrial flooring business benefitted from good demand from data centre fabrication projects, however demand from smaller order customers was more subdued. Our building products business experienced a continuation of lower demand levels, reflecting the slowdown in UK house building, with a strong focus on cost management to maintain operating margins. Both businesses are cautiously optimistic that that they will see a return to growth in the second half of 2025.

Our engineered supports business in India delivered good organic growth in 2024, underpinned by international demand for LNG projects. The business enters 2025 with a robust order book and good medium term growth prospects.

Galvanizing Services

	£m		Reported	Constant	OCC
	2024	2023	%	currency %	%
Revenue	**197.8**	196.7	+1	+2	+2
Underlying operating profit [(1)]	**50.3**	45.7	+10	+13	+12
Underlying operating margin % [(1)]	**25.4%**	23.2%			
Statutory operating profit	**49.2**	43.8			

(1) Underlying measures are set out in note 3 to the Financial Statements and exclude certain non-underlying items, which are detailed in note 4 to the Financial Statements.

The Galvanizing Services division offers hot-dip galvanizing and powder coating services with multi-plant facilities in the US and the UK. Hot-dip galvanizing is a proven steel corrosion protection solution which significantly extends the service life of steel structures and products. The division benefits from a wide sectoral spread of customers who operate in a range of infrastructure end markets including industrial construction, roads and bridges, and transportation.

The division delivered a strong performance with revenue up 2% and underlying operating profit up 13% on a constant currency basis. Our higher margin US business delivered 7% revenue growth, reflecting strong customer demand, which was partly offset by lower revenue in the more challenging UK market, particularly in the first half. Operating margin increased by 220 bps to 25.4% due to the favourable geographical mix.

US

Our US galvanizing business delivered another impressive performance, with 6% OCC revenue growth and record operating profit. The strong revenue growth is attributable to a 9% organic increase in volumes, partly offset by pricing to reflect lower input costs. Volumes were sustained by strong demand from baseload customers in bridge and highway and transportation sectors, combined with continued growth in utility, data centre, clean energy segments and the onshoring of manufacturing. As a result, the business saw good margin expansion in the year and continues to deliver superior operating margins, with customers valuing the excellent service, product quality and additional services provided by the dedicated local teams.

The outlook for US galvanizing in 2025 remains strong, with ongoing investment in infrastructure, bridge construction, grid expansion and data centres expected to support continued volume growth. The business is well positioned geographically and, in the medium term, expects to benefit from larger privately funded construction projects and several large semiconductor chip manufacturing plants already in construction.

UK

2024 was a challenging year for UK galvanizing with the 2023 market slowdown continuing into the first half of 2024. While H1 volumes were lower than H1 2023, the business saw good volume growth in the second half supported by sales actions and some market recovery with full year volumes 2% ahead of prior year. Market pressure on pricing impacted average selling prices and as a result revenue was 4% lower than 2023. The business enhanced its focus on customer service with simplified operational and commercial structures, strengthened divisional management and local decision making to encourage an entrepreneurial culture.

While infrastructure and structural steel markets are expected to be stable in 2025, we expect good growth in energy transmission and cable management, linked to data centre growth. Alongside this, the business is working to offset the impact of expected higher employment costs from April 2025 through productivity improvements and cost recovery actions.

Roads & Security

	£m		Reported	Constant	OCC
	2024	2023	%	currency %	%
Revenue	**238.6**	266.1	-10	-9	-9
Underlying operating profit [(1)]	**15.4**	12.4	+24	+26	+26
Underlying operating margin % [(1)]	**6.5%**	4.7%			
Statutory operating (loss)/profit	**(5.0)**	0.3			

(1) Underlying measures are set out in note 3 to the Financial Statements and exclude certain non-underlying items, which are detailed in note 4 to the Financial Statements.

The Roads & Security division supplies products and services to support the delivery of safe road and highway infrastructure, alongside a range of security products to protect people, buildings and infrastructure from infrastructure, alongside a range of security products to protect people, buildings and infrastructure from attack. In addition, the division includes two businesses which are market leaders in the provision of off-grid solar lighting and power solutions.

Revenue was 9% lower than last year on a constant currency basis, attributable to lower H1 revenue in our US off grid solar lighting business, as previously announced, coupled with a challenging market backdrop for certain UK businesses. Underlying operating profit was 26% ahead of 2023 at constant currency, the prior year including one-off operational improvement costs for US Roads and non-recurring charges relating to certain UK businesses.

UK Roads
While revenue was 4% lower than 2023 on an OCC basis, underlying operating profit was ahead of the prior year. Our rental barrier business delivered a robust performance with revenue and profit growth, underpinned by good levels of operations activity and favourable outcomes on scheme completions. The wider UK roads portfolio was impacted by reduced demand and budgetary pressures seen in certain central and local government customers. As expected, revenue in our off-grid solar business was below the prior year, however the opportunity pipeline for 2025 is encouraging. 2023 included certain one-off charges for product installation rectification in our off grid solar business and legacy contract provisions in a divested car parking solutions business, which contributed to the year on year profit improvement.

We expect 2025 to remain challenging due to continued budgetary pressures and diminished visibility of project pipeline following delays to the release of Road Investment Strategy 3. Our agile market leading businesses remain focused on cost management and diversification and are well placed to benefit and deliver healthy returns when the market recovers.

US Roads
Our US Roads portfolio comprises two businesses: our off-grid solar lighting solutions business and our roadside safety products business.

As previously highlighted, revenue and profit in our off grid solar lighting business were significantly below 2023, particularly in the first half, a strong comparator, with softer demand from our largest customer as they realigned inventory levels. The business is taking steps to innovate and diversify its customer base and the medium term outlook for the business remains positive, underpinned by a drive towards efficient off grid solar solutions. The planned move to a new leased facility successfully took place in June and positions the business well to deliver against its growth strategy.

Performance in the road traffic safety product business was ahead of 2023, with focused pricing and cost transformation actions. While the performance of the core barrier and attenuator product lines has been encouraging, supported by good customer demand, we will be taking action to address the non-core, low margin message board product line, in order to improve the quality of the business. The continued challenges in message boards have led to an impairment of goodwill and acquisition intangibles of £10.6m, and a further £2.6m of impairments relating to other assets utilised in the message boards business, all of which were recognised in non-underlying items.

UK Security
Revenue in our small UK security division declined by 6%, with operating profit at similar levels to the prior year. Our UK security businesses face challenging end markets with high levels of competition, so we are taking steps to improve the quality of our portfolio. In February 2025 we sold Parking Facilities, a loss-making perimeter access security business. Our core Security portfolio focuses on higher quality growth opportunities including security barrier operations and data centre perimeter security, and the 2025 outlook is positive.

Australia Roads
In January 2025 we divested Hill & Smith Pty Limited, our subscale, loss making Australian roads business.

Financial Review

Results
The Group has delivered a strong set of 2024 results. Revenue was £855.1m (2023: £829.8m), up 3% on a reported basis. Revenue was flat on an OCC basis and 5% higher on a constant currency basis. The strong organic revenue growth seen in our higher margin US Engineered Solutions and US Galvanizing businesses was offset by declines in the UK, with a challenging market backdrop, and lower demand in our US off grid solar lighting business. Underlying operating profit was £143.5m (2023: £122.5m), an increase of 17% on a reported basis. OCC growth was 12% and constant currency growth was 20%. Operating margins improved to 16.8% (2023: 14.8%) reflecting the benefits of volume growth in our higher margin US businesses. Underlying profit before taxation was £132.6m (2023: £111.9m). Reported operating profit was £115.4m (2023: £103.8m) and reported profit before tax was £104.5m (2023: £93.2m). Underlying earnings per share increased to 122.6p (2023: 105.4p) and reported earnings per share was 95.0p (2023: 86.0p).

The principal reconciling items between underlying and reported operating profit are the £13.2m write down of goodwill, acquisition intangible and other assets relating to our US Roads business, Hill & Smith Inc., and the amortisation of other acquisition intangibles of £9.9m. Note 4 to the financial statements provides further details on the Group's non-underlying items.

Cash generation
The Group continues to be highly cash generative, delivering 99% underlying cash conversion in 2024. We expect the Group to continue to deliver strong cash conversion in 2025, in line with our financial framework and consistent with historic levels. The calculation of our underlying cash conversion ratio can be found in note 3 to the financial statements.

Operating cash flow before movement in working capital was £175.2m (2023: £151.4m). The working capital inflow in the year was £0.6m (2023: £22.8m inflow) with a continued focus on working capital efficiency . Working capital as a percentage of annualised sales was 15.2% (2023: 15.9%) and debtor days were 62 days (2023: 58 days).

Capital expenditure of £28.6m (2023: £31.8m) represents a multiple of depreciation and amortisation of 1.3 times (2023: 1.5 times). During the year we made capital investments to support organic growth including the expansion and upgrade of our engineered supports facility in Louisiana, investment in tooling and systems in our US composites business, and the purchase of an automated kettle line in one of our US galvanizing plants.

Net financing costs were £10.9m (2023: £10.6m). The net cost of pension fund financing under IAS 19 was £0.1m (2023: £0.3m), and the amortisation of costs relating to refinancing activities was £0.5m (2023: £0.6m).

The Group generated £108.6m of free cash flow in the year (2023: £104.8m), providing funds to support our acquisition strategy and dividend policy.

Net debt and financing
Net debt at the end of the year amounted to £96.9m (31 December 2023: £108.4m). Outflows in the year included £34.5m for the 2023 interim and final dividends and £47.4m on M&A activity, principally the four US acquisitions in the year. Net debt at the year end includes lease liabilities under IFRS 16 of £49.0m (31 December 2023: £43.7m), the increase being primarily due to our US off-grid solar business moving to a larger leased facility in June.

The Group's principal financing facilities comprise a £250m revolving credit facility, which expires in November 2027 and 70m senior unsecured notes with maturities in June 2026 and June 2029, together with a further £6.7m of on-demand local overdraft arrangements. Throughout the year the Group has operated well within these facilities and at 31 December 2024, the Group had £265.4m of headroom (£259.0m committed, £6.4m on demand). Approximately 55% of the Group's drawn debt at 31 December 2024 is subject to fixed interest rates, providing a hedge against recent market movements.

The principal borrowing facilities are subject to covenants that are measured biannually in June and December, being net debt to EBITDA of a maximum of 3.0 times and interest cover of a minimum of 4.0 times. The ratio of covenant net debt to EBITDA at 31 December 2024 was 0.3 times (31 December 2023: 0.4 times) and interest cover was 20.4 times (31 December 2023: 17.3 times).

Return on Invested Capital

Return on invested capital
The Group continued to deliver strong returns in 2024, achieving a return on invested capital of 24.8% (2022: 22.0%), the increase reflecting the faster growth in our larger, higher margin US businesses which are typically lower in capital intensity.

Tax
The underlying effective tax rate for the year was 25.6% (FY 2023: 24.6%). The reported tax charge for the period was £28.1m (2023: £24.4m) and includes a £5.9m credit (2023: £3.2m credit) in respect of non-underlying items, principally relating to impairment charges and the amortisation of acquisition intangibles. Cash tax paid in the period was £26.5m (2023: £31.7m).

Exchange rates
The Group is exposed to movements in exchange rates when translating the results of its overseas operations into Sterling. Retranslating 2023 revenue and underlying operating profit using average exchange rates for 2024 would have reduced revenue by £15.4m and underlying operating profit by £3.4m, mainly due to Sterling's overall depreciation against the US Dollar. A one cent movement in the average US Dollar rate currently results in an adjustment of approximately £4.0m to the Group's annual revenues and £1.0m to annual underlying operating profit.

Non-underlying items
The total non-underlying items charged to operating profit in the Consolidated Income Statement amounted to £28.1m (2023: £18.7m). The items were mainly non-cash related and included the following:

- Impairment charges of £13.2m in respect of goodwill, acquisition intangible and other assets of Hill & Smith Inc., the Group's US road safety products business
- Losses on the remeasurement of Parking Facilities and Hill & Smith Pty as assets held for sale at the end of the year amounting to £3.1m
- Amortisation of acquisition intangible assets of £9.9m
- Expenses related to acquisitions and disposals of £1.9m, including a credit of £1.0m in respect of previously accrued deferred consideration relating to the National Signal acquisition.

The non-cash element of these charges was £25.2m. Further details are set out in note 4 to the Financial Statements.

Pensions
The Group operates defined benefit pension plans in the UK and the USA. The IAS 19 deficit of these plans at 31 December 2024 was £0.8m, a reduction of £3.3m from 31 December 2023 (£4.1m). The deficit of the UK scheme, the largest employee benefit obligation in the Group, was £0.2m (31 December 2023: £3.4m), the reduction mainly due to the Group's deficit recovery payments in the year.

The Group continues to be actively engaged in dialogue with the UK schemes' Trustees with regards to management, funding and investment strategies.

Going concern
After making enquiries, the Directors have reasonable expectations that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and for the period to 30 June 2026. Accordingly, they continue to adopt the going concern principle.

When making this assessment, the Group considers whether it will be able to maintain adequate liquidity headroom above the level of its borrowing facilities and to operate within the financial covenants on those facilities. The Group has carefully modelled its cash flow outlook for the period to June 2026, considering the ongoing uncertainties in global economic conditions. In this "base case" scenario, the forecasts indicate significant liquidity headroom will be maintained above the Group's borrowing facilities and financial covenants will be met throughout the period, including the covenant tests at 30 June 2025, 31 December 2025 and 30 June 2026.

The Group has also carried out "reverse stress tests" to assess the performance levels at which either liquidity headroom would fall below zero or covenants would be breached in the period to 30 June 2026. The Directors do not consider the resulting performance levels to be plausible given the Group's strong trading performance in the period and the resilience of the end markets in which we operate.

Rutger Helbing — Chief Executive

Hannah Nichols — Chief Financial Officer

Consolidated Income Statement

	Notes	2024 Underlying £m	2024 Non-underlying* £m	2024 Total £m	2023 Underlying £m	2023 Non-underlying* £m	2023 Total £m
Revenue	2	**855.1**	**-**	**855.1**	829.8	-	829.8
Cost of sales		**(513.3)**	**-**	**(513.3)**	(513.1)	-	(513.1)
Gross profit		**341.8**	**-**	**341.8**	316.7	-	316.7
Distribution costs		**(26.8)**	**-**	**(26.8)**	(24.7)	-	(24.7)
Administrative expenses		**(172.0)**	**(28.1)**	**(200.1)**	(169.9)	(18.7)	(188.6)
Other operating income		**0.5**	**-**	**0.5**	0.4	-	0.4
Operating profit	2,3	**143.5**	**(28.1)**	**115.4**	122.5	(18.7)	103.8
Financial income	5	**0.5**	**-**	**0.5**	0.5	-	0.5
Financial expenses	5	**(11.4)**	**-**	**(11.4)**	(11.1)	-	(11.1)
Profit before taxation		**132.6**	**(28.1)**	**104.5**	111.9	(18.7)	93.2
Taxation	6	**(34.0)**	**5.9**	**(28.1)**	(27.6)	3.2	(24.4)
Profit for the year attributable to the owners of the parent		**98.6**	**(22.2)**	**76.4**	84.3	(15.5)	68.8
Basic earnings per share	7			**95.0p**			86.0p
Diluted earnings per share	7			**93.9p**			85.0p

* The Group's definition of non-underlying items is included in note 1 and further details on non-underlying items are included in note 4.

Consolidated Statement of Comprehensive Income

	Notes	2024 £m	2023 £m
Profit for the year		**76.4**	68.8
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas operations		**5.6**	(19.4)
Exchange differences on foreign currency borrowings designated as net investment hedges		**(0.6)**	4.2
Items that will not be reclassified subsequently to profit or loss			
Actuarial loss on defined benefit pension schemes		**(0.2)**	(0.4)
Taxation on items that will not be reclassified to profit or loss	6	**-**	0.1
Other comprehensive income/(loss) for the year		**4.8**	(15.5)
Total comprehensive income for the year attributable to owners of the parent		**81.2**	53.3

Consolidated Statement of Financial Position

	Notes	2024 £m	2023 £m
Non-current assets			
Intangible assets		**236.0**	205.7
Property, plant & equipment		**185.1**	184.4
Right-of-use assets		**43.2**	41.8
Corporation tax receivables		**-**	1.6
Deferred tax assets	6	**0.1**	0.4
		464.4	433.9
Current assets			
Assets held for sale	10	**12.7**	2.5
Inventories		**100.1**	106.1
Trade and other receivables		**162.5**	137.3
Current tax assets		**1.3**	0.8
Cash and cash equivalents	11	**55.0**	34.4
		331.6	281.1
Total assets	2	**796.0**	715.0
Current liabilities			
Liabilities held for sale	10	**(6.9)**	-
Trade and other liabilities		**(133.5)**	(119.6)
Current tax liabilities		**(0.7)**	(3.9)
Provisions		**(7.1)**	(6.6)
Lease liabilities		**(9.1)**	(8.0)
Loans and borrowings	11	**(0.8)**	(1.4)
		(158.1)	(139.5)
Net current assets		**173.5**	141.6
Non-current liabilities			
Other liabilities		**(11.2)**	(1.0)
Provisions		**(2.3)**	(2.6)
Deferred tax liabilities		**(12.3)**	(9.9)
Retirement benefit obligations		**(0.8)**	(4.1)
Lease liabilities		**(36.9)**	(35.7)
Loans and borrowings	11	**(98.7)**	(97.7)
		(162.2)	(151.0)
Total liabilities		**(320.3)**	(290.5)
Net assets		**475.7**	424.5
Equity			
Share capital		**20.1**	20.0
Share premium		**47.0**	44.6
Other reserves		**4.9**	4.9
Translation reserve		**27.9**	22.9
Retained earnings		**375.8**	332.1
Total equity		**475.7**	424.5

Consolidated Statement of Changes in Equity

	Notes	Share capital £m	Share premium £m	Other reserves £m	Translation reserve £m	Retained earnings £m	Total Equity £m
At 1 January 2023		20.0	42.8	4.9	38.1	289.2	395.0
Comprehensive income							
Profit for the year		-	-	-	-	68.8	68.8
Other comprehensive loss for the year		-	-	-	(15.2)	(0.3)	(15.5)
Transactions with owners recognised directly in equity							
Dividends	8	-	-	-	-	(28.0)	(28.0)
Credit to equity of share-based payments		-	-	-	-	3.7	3.7
Own shares held by employee benefit trust		-	-	-	-	(1.6)	(1.6)
Satisfaction of long-term incentive and deferred bonus awards		-	-	-	-	(1.0)	(1.0)
Tax taken directly to the Consolidated Statement of Changes in Equity	6	-	-	-	-	1.3	1.3
Shares issued		-	1.8	-	-	-	1.8
At 31 December 2023		20.0	44.6	4.9	22.9	332.1	424.5
Comprehensive income							
Profit for the year		**-**	**-**	**-**	**-**	**76.4**	**76.4**
Other comprehensive income for the year		**-**	**-**	**-**	**5.0**	**(0.2)**	**4.8**
Transactions with owners recognised directly in equity							
Dividends	8	**-**	**-**	**-**	**-**	**(34.5)**	**(34.5)**
Credit to equity of share-based payments		**-**	**-**	**-**	**-**	**3.4**	**3.4**
Own shares held by employee benefit trust		**-**	**-**	**-**	**-**	**1.6**	**1.6**
Satisfaction of long-term incentive and deferred bonus awards		**-**	**-**	**-**	**-**	**(2.8)**	**(2.8)**
Tax taken directly to the Consolidated Statement of Changes in Equity	6	**-**	**-**	**-**	**-**	**(0.2)**	**(0.2)**
Shares issued		**0.1**	**2.4**	**-**	**-**	**-**	**2.5**
At 31 December 2024		**20.1**	**47.0**	**4.9**	**27.9**	**375.8**	**475.7**

Consolidated Statement of Cash Flows

	Notes	2024 £m	2023 £m
Profit before tax		**104.5**	93.2
Add back net financing costs	5	**10.9**	10.6
Operating profit	2,3	**115.4**	103.8
Adjusted for non-cash items:			
Share-based payments		**3.4**	4.1
Loss on disposal of subsidiaries		**-**	4.2
(Gain) / loss on disposal of non-current assets		**(0.4)**	0.2
Loss / (gain) on disposal of assets held for sale		**0.2**	(0.7)
Depreciation of owned assets		**20.8**	19.7
Amortisation of intangible assets		**11.1**	9.6
Right-of-use asset depreciation		**10.4**	9.3
Gain on lease termination		**(0.6)**	(0.1)
Release of accrued contingent consideration		**(1.7)**	-
Research & development expenditure credit		**(0.5)**	-
Impairment of non-current assets		**14.0**	1.3
Loss on remeasurement of assets held for sale		**3.1**	-
Operating cash flow before movement in working capital	11	**175.2**	151.4
Decrease in inventories		**9.3**	15.0
(Increase)/decrease in receivables		**(11.8)**	8.0

Increase/(decrease) in payables		**3.1**	(0.2)
Increase in insurance reimbursement asset		**(3.8)**	-
Decrease in provisions and employee benefits		**(3.4)**	(0.8)
Net movement in working capital		**(6.6)**	22.0
Cash generated by operations	11	**168.6**	173.4
Purchase of assets for rental to customers		**(2.3)**	(2.3)
Income taxes paid		**(26.5)**	(31.7)
Interest paid		**(8.8)**	(8.9)
Interest paid on lease liabilities		**(2.0)**	(1.3)
Net cash from operating activities		**129.0**	129.2
Interest received		**0.5**	0.5
Proceeds on disposal of non-current assets		**1.1**	0.8
Proceeds on disposal of assets held for sale		**2.3**	2.5
Purchase of property, plant and equipment		**(21.3)**	(26.7)
Purchase of intangible assets		**(5.0)**	(2.8)
Acquisitions of subsidiaries	9	**(44.5)**	(48.4)
Deferred consideration in respect of prior year acquisitions		**(2.1)**	(2.8)
Disposals of subsidiaries		**-**	(0.2)
Net cash used in investing activities		**(69.0)**	(77.1)
Issue of new shares		**2.5**	1.8
Purchase of shares for employee benefit trust		**(1.2)**	(2.6)
Dividends paid	8	**(34.5)**	(28.0)
Costs associated with refinancing during the year		**-**	(0.5)
Repayment of lease liabilities		**(9.0)**	(9.4)
Cash paid on early termination of lease contract		**(0.1)**	-
New loans and borrowings	11	**62.5**	73.9
Repayment of loans and borrowings	11	**(63.7)**	(76.3)
Net cash used in financing activities		**(43.5)**	(41.1)
Net increase in cash and cash equivalents net of bank overdraft		**16.5**	11.0
Cash and cash equivalents net of bank overdraft at the beginning of the year		**34.4**	24.8
Effect of exchange rate fluctuations		**0.4**	(1.4)
Cash and cash equivalents net of bank overdraft and overdraft classified as held for sale at the end of the year	11	**51.3**	34.4

1. Group Accounting Policies

Hill & Smith PLC is a company incorporated in the UK.

Basis of preparation

The consolidated financial statements comprise the financial statements of the Company, Hill & Smith PLC, and its subsidiaries as at 31 December 2024. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the Group Financial Statements from the date that control commences until the date that control ceases.

In preparing the consolidated financial statements, management has considered the impact of climate change. This included an assessment of assets with indefinite and long lives and how they could be impacted by measures taken to address global warming. Physical climate change presents a relatively low risk to the Group's future business operations and transition risks are also expected to have a relatively low impact when considered together with the mitigating actions that the Group intends to take. As such, no issues were identified that would impact the carrying values of such assets or have any other impact on the financial statements.

Measurement convention

The Group Financial Statements are prepared on the historical cost basis except where the measurement of balances at fair value is required as explained below. The Group Financial Statements are presented in Sterling and all values are stated in million (£m) rounded to one decimal place, except where otherwise indicated.

Going concern and liquidity risk

In determining the appropriate basis of preparation of its financial statements, the Directors are required to assess whether the Group can continue in operational existence for the foreseeable future, at least 12 months from the date of approval of these financial statements. The Group's going concern assessment period is the 18-month period from the balance sheet date to 30 June 2026 (referred to throughout as 'the going concern period'). When making this assessment, the Group considers whether it will be able to maintain adequate liquidity headroom above the level of its borrowing facilities and to operate within the financial covenants on those facilities during the going concern period.

At 31 December 2024, the Group had £308.1m of committed borrowing facilities, of which only £28.5m matures within the going concern period, and a further £6.7m of on-demand facilities. The Group's principal debt facilities include: its core £250m revolving credit facility, which expires in November 2027; 70m of US Senior Unsecured Notes, one tranche (35m) of which is due to expire in June 2026 and the second tranche (35m) is due to expire in June 2029; and other local committed borrowing facilities of £2.1m. The amount drawn down under these committed facilities at 31 December 2024 was £100.7m, which together with cash and cash equivalents (including any overdrafts classified as held for sale) of £51.6m gave total headroom of £265.4m (£259m committed, £6.4m on demand). The Group has not made any changes to its principal borrowing facilities between 31 December 2024 and the date of approval of these financial statements. The only significant changes to liquidity headroom during that period were the disposals of Hill & Smith Pty and Parking Facilities which positively impacted headroom.

The principal borrowing facilities are subject to covenants that are measured biannually in June and December, being net debt to EBITDA of a maximum of 3.0x and interest cover of a minimum of 4.0x, based on measures as defined in the facilities agreements which are adjusted from the equivalent IFRS amounts. The ratio of net debt to EBITDA at 31 December 2024 was 0.3 times and interest cover was 20.4 times.

The Group has carefully modelled its cash flow outlook for the going concern period, taking account of the current global economic conditions. In this 'base case' scenario, the forecasts indicate significant liquidity headroom will be maintained above the Group's borrowing facilities and financial covenants will be met throughout the period, including the covenant tests at 30 June 2025, 31 December 2025 and 30 June 2026. The base case scenario assumes full repayment of the first tranche of US Senior Unsecured Notes (35m) which are due to expire in June 2026.

The Group has carried out stress tests against the base case to determine the performance levels that would result in a breach of covenants or a reduction of headroom against its borrowing facilities to nil. For a breach of covenants to occur during the relevant period, the Group would need to experience a sustained revenue reduction of 32% compared with current expectations throughout the going concern period. A reduction in headroom against borrowing facilities to nil would occur if the Group experienced a sustained revenue reduction of 33% compared with current expectations for the going concern period. The Directors do not consider any of these scenarios to be plausible given the generally positive outlook across the infrastructure markets in which the Group operates. The Directors also noted the Group's ability to continue its operations throughout the COVID-19 pandemic, noting that revenues fell by only 22% in the second quarter of 2020, the worst-affected period. Furthermore, the Group has several mitigating actions under its control including minimising capital expenditure to critical requirements, reducing levels of discretionary spend, rationalising its overhead base and curtailing future dividend payments which, although not forecast to be required, could be implemented in order to be able to meet the covenant tests and to continue to operate within borrowing facility limits.

After making these assessments, the Directors have reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence during the going concern period. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

New IFRS standards and interpretations adopted during 2024

The following amendments and interpretations applied for the first time in 2024, and therefore were adopted by the Group:

- Amendments to IAS 1 - Classification of liabilities as current or non-current and non-current liabilities with covenants
- Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback
- Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements

These amendments have not had a material impact on the financial statements.

The principal exchange rates used were as follows:

	2024		2023	
	Average	Closing	Average	Closing
Sterling to US Dollar (£1 = USD)	**1.28**	**1.25**	1.24	1.27
Sterling to Indian Rupee (£1 = INR)	**106.95**	**107.22**	102.68	106.08
Sterling to Australian Dollar (£1 = AUD)	**1.94**	**2.02**	1.87	1.87

Non-underlying items

Non-underlying items are presented separately in the Consolidated Income Statement where, in the Directors' judgement, the quantum, nature or volatility of such items gives further information to obtain a fuller understanding of the underlying performance of the business. The following are included by the Group in its assessment of non-underlying items:

- Gains or losses arising on disposal, closure, restructuring or reorganisation of businesses that do not meet the definition of discontinued operations
- Amortisation of intangible fixed assets arising on acquisitions, which can vary depending on the nature, size and frequency of acquisitions in each financial period
- Expenses associated with acquisitions and disposals, comprising professional fees incurred, any consideration which, under IFRS 3 is required to be treated as a post-acquisition employment expense, and changes in contingent consideration payable on acquisitions
- Impairment charges in respect of tangible or intangible fixed assets, or right-of-use assets
- Changes in the fair value of derivative financial instruments
- Significant past service items or curtailments and settlements relating to defined benefit pension obligations resulting from material changes in the terms of the schemes.

The non-underlying tax charge or credit comprises the tax effect of the above items.

Details in respect of the non-underlying items recognised in the current and prior year are set out in note 4 to the Financial Statements.

2. Segmental information

Business segment analysis

The Group has three reportable segments which are Engineered Solutions, Roads & Security and Galvanizing Services. The Group's internal management structure and financial reporting systems differentiate between these segments, and, in reporting, management have taken the view that they comprise a reporting segment on the basis of the following economic characteristics:

- The **Engineered Solutions** segment contains a group of businesses supplying products characterised by a degree of engineering expertise, to public and private customers involved in the construction of facilities serving the utilities and other infrastructure markets;
- The **Roads & Security** segment contains a group of businesses supplying products designed to ensure the safety and security of roads and other national infrastructure, many of which have been developed to address national and international safety standards, to customers involved in the construction of that infrastructure; and
- The **Galvanizing Services** segment contains a group of companies supplying galvanizing and related materials coating services to companies in a wide range of markets including construction, agriculture and infrastructure.

Corporate costs are allocated to reportable segments in proportion to the revenue of each of those segments.

Segmental Income Statement

	2024			2023		
	Revenue £m	Reported Operating Profit £m	Underlying operating profit* £m	Revenue £m	Reported Operating Profit £m	Underlying operating profit* £m
Engineered Solutions	**418.7**	**71.2**	**77.8**	367.0	59.7	64.4

Roads & Security	**238.6**	**(5.0)**	**15.4**	266.1	0.3	12.4
Galvanizing Services	**197.8**	**49.2**	**50.3**	196.7	43.8	45.7
Group	**855.1**	**115.4**	**143.5**	829.8	103.8	122.5
Net financing costs		**(10.9)**	**(10.9)**		(10.6)	(10.6)
Profit before taxation		**104.5**	**132.6**		93.2	111.9
Taxation		**(28.1)**	**(34.0)**		(24.4)	(27.6)
Profit after taxation		**76.4**	**98.6**		68.8	84.3

* Underlying operating profit is stated before non-underlying items as defined in note 1 and is the measure of segment profit used by the Chief Operating Decision Maker, who is the Chief Executive. The reported operating profit columns are included as additional information.

Transactions between operating segments are on an arm's length basis similar to transactions with third parties. Galvanizing Services sold £4.9m (2023: £5.2m) of products and services to Roads & Security and £3.3m (2023: £2.5m) of products and services to Engineered Solutions. Engineered Solutions sold £0.1m (2023: £0.6m) of products and services to Roads & Security. These internal revenues, along with revenues generated from within their own segments, have been eliminated on consolidation.

In the following tables, revenue from contracts with customers is disaggregated by primary geographical market, major product/service lines and timing of revenue recognition. Revenue by primary geographical market is defined as the end location of the Group's product or service. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Engineered Solutions		Roads & Security		Galvanizing Services		Total	
Primary geographical markets	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
UK	**74.9**	80.6	**146.3**	155.0	**80.9**	83.9	**302.1**	319.5
Rest of Europe	**9.4**	8.2	**13.5**	11.0	**-**	-	**22.9**	19.2
North America	**316.4**	259.2	**74.5**	90.4	**116.9**	112.8	**507.8**	462.4
The Middle East	**10.0**	12.5	**1.2**	1.9	**-**	-	**11.2**	14.4
Rest of Asia	**6.2**	5.5	**0.5**	0.7	**-**	-	**6.7**	6.2
Rest of the world	**1.8**	1.0	**2.6**	7.1	**-**	-	**4.4**	8.1
	418.7	367.0	**238.6**	266.1	**197.8**	196.7	**855.1**	829.8
Major product/service line								
Manufacture, supply and installation of products	**418.7**	367.0	**215.0**	241.2	**-**	-	**633.7**	608.2
Galvanizing Services	**-**	-	**-**	-	**197.8**	196.7	**197.8**	196.7
Rental of assets to customers	**-**	-	**23.6**	24.9	**-**	-	**23.6**	24.9
	418.7	367.0	**238.6**	266.1	**197.8**	196.7	**855.1**	829.8
Timing of revenue recognition								
Products and services transferred at a point in time	**212.7**	172.7	**174.9**	208.1	**197.8**	196.7	**585.4**	577.5
Products and services transferred over time	**206.0**	194.3	**63.7**	58.0	**-**	-	**269.7**	252.3
	418.7	367.0	**238.6**	266.1	**197.8**	196.7	**855.1**	829.8

Total assets by geography

	2024 £m	2023 £m
UK	**292.8**	262.8
Rest of Europe	**4.0**	3.6
North America	**473.9**	419.6
Asia	**17.4**	16.0
Rest of the world	**7.9**	13.0
Total Group	**796.0**	715.0

3. Alternative Performance Measures

The Group presents Alternative Performance Measures ("APMs") in addition to its statutory results. These are presented in accordance with the Guidelines on APMs issued by the European Securities and Markets Authority. The principal APMs are:

- Underlying profit before taxation
- Underlying operating profit
- Underlying operating margin
- Organic and constant currency measures of change in revenue and underlying operating profit
- Underlying cash conversion ratio
- Capital expenditure to depreciation and amortisation ratio
- Covenant net debt to EBITDA ratio
- Underlying earnings per share. A reconciliation of statutory earnings per share to underlying earnings per share is provided in note 7.

All underlying measures exclude certain non-underlying items, which are detailed in note 4. References to an underlying profit measure are made on this basis and, in the opinion of the Directors, aid the understanding of the underlying business performance as they exclude items whose quantum, nature or volatility gives further information to obtain a fuller understanding of the underlying performance of the business. APMs are presented on a consistent basis over time to assist in comparison of performance.

Reconciliation of underlying to reported profit before tax

	2024 £m	2023 £m
Underlying profit before tax	**132.6**	111.9
Non-underlying items included in operating profit (note 4)	**(28.1)**	(18.7)
Reported profit before tax	**104.5**	93.2

Reconciliation of underlying to reported operating profit by segment

	Engineered Solutions		Roads & Security		Galvanizing		Total	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
Underlying operating profit	**77.8**	64.4	**15.4**	12.4	**50.3**	45.7	**143.5**	122.5
Non-underlying items:								
Amortisation of acquisition intangibles	**(5.1)**	(3.0)	**(3.7)**	(4.2)	**(1.1)**	(1.2)	**(9.9)**	(8.4)
Business reorganisation costs	**-**	-	**-**	(0.2)	**-**	-	**-**	(0.2)
Impairment of assets	**-**	-	**(13.2)**	(0.6)	**-**	-	**(13.2)**	(0.6)
Loss on remeasurement of assets held for sale	**-**	-	**(3.1)**	-	**-**	-	**(3.1)**	-
Expenses related to acquisitions and disposals	**(1.5)**	(1.7)	**(0.4)**	(2.9)	**-**	(0.7)	**(1.9)**	(5.3)
Loss on disposal of subsidiaries	**-**	-	**-**	(4.2)	**-**	-	**-**	(4.2)
Reported operating profit/(loss)	**71.2**	59.7	**(5.0)**	0.3	**49.2**	43.8	**115.4**	103.8

Calculation of underlying operating margin

	Engineered Solutions		Roads & Security		Galvanizing		Total	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
Underlying operating profit	**77.8**	64.4	**15.4**	12.4	**50.3**	45.7	**143.5**	122.5
Revenue	**418.7**	367.0	**238.6**	266.1	**197.8**	196.7	**855.1**	829.8
Underlying operating margin (%)	**18.6%**	17.5%	**6.5%**	4.7%	**25.4%**	23.2%	**16.8%**	14.8%

Measures of organic and constant currency change in revenue and underlying operating profit

Organic constant currency measures exclude the impact of currency translation movements, acquisitions, disposals and closures of subsidiary businesses. In respect of acquisitions, the amounts referred to represent the amounts for the period in the current year that the business was not held in the prior year. In respect of disposals and closures of subsidiary businesses, the amounts referred to represent the amounts for the period in the prior year that the business was not held in the current year. Constant currency amounts are prepared using exchange rates which prevailed in the current year.

	Engineered Solutions		Roads & Security		Galvanizing Services		Total	
	Revenue £m	Underlying operating profit £m	Revenue £m	Underlying operating profit £m	Revenue £m	Underlying operating profit £m	Revenue £m	Underlying operating profit £m
2023	**367.0**	**64.4**	**266.1**	**12.4**	**196.7**	**45.7**	**829.8**	**122.5**
Impact of exchange rate movements from 2023 to 2024	(9.0)	(2.1)	(2.9)	(0.2)	(3.5)	(1.1)	(15.4)	(3.4)
2023 translated at 2024 exchange rates (A)	**358.0**	**62.3**	**263.2**	**12.2**	**193.2**	**44.6**	**814.4**	**119.1**
Acquisition, disposals and closures	44.1	9.4	(1.9)	-	1.3	0.4	43.5	9.8
Organic growth/(decline) (B)	16.6	6.1	(22.7)	3.2	3.3	5.3	(2.8)	14.6
2024 (C)	**418.7**	**77.8**	**238.6**	**15.4**	**197.8**	**50.3**	**855.1**	**143.5**
Organic growth % (B divided by A)	**4.6%**	**9.8%**	**-8.6%**	**26.2%**	**1.7%**	**11.9%**	**-0.3%**	**12.3%**
Constant currency change % ((C-A) divided by A)	**17.0%**	**24.9%**	**-9.3%**	**26.2%**	**2.4%**	**12.8%**	**5.0%**	**20.5%**

Calculation of underlying cash conversion ratio

	2024 £m	2023 £m
Underlying operating profit	**143.5**	122.5
Calculation of adjusted operating cash flow:		
Cash generated by operations	**168.6**	173.4
Purchase of assets for rental to customers	**(2.3)**	(2.3)
Purchase of property, plant and equipment	**(21.3)**	(26.7)
Purchase of intangible assets	**(5.0)**	(2.8)
Repayment of lease liabilities	**(9.0)**	(9.4)
Proceeds on disposal of non-current assets and assets held for sale	**3.4**	3.3
Defined benefit pension scheme deficit payments	**3.7**	3.7
Add back: Cash flows relating to non-underlying items	**4.0**	1.9
Adjusted operating cash flow	**142.1**	141.1
Underlying cash conversion (%)	**99%**	115%

Calculation of capital expenditure to depreciation and amortisation ratio

	2024 £m	2023 £m
Calculation of capital expenditure:		
Purchase of assets for rental customers	**2.3**	2.3
Purchase of property, plant and equipment	**21.3**	26.7
Purchase of intangible assets	**5.0**	2.8
	28.6	31.8
Calculation of depreciation and amortisation:		
Depreciation of property, plant and equipment	**20.8**	19.7
Amortisation of development costs	**1.1**	1.0
Amortisation of other intangible assets	**0.1**	0.2
	22.0	20.9
Capital expenditure to depreciation and amortisation ratio	**1.3x**	1.5x

Calculation of covenant net debt to EBITDA ratio

	2024 £m	2023 £m
Net debt	**96.9**	108.4
Lease liabilities	**(46.0)**	(43.7)
Lease liabilities classified as held for sale	**(3.0)**	-
Amounts related to refinancing	**1.5**	2.0
Covenant net debt (A)	**49.4**	66.7
Underlying operating profit	**143.5**	122.5
Depreciation of owned assets	**20.8**	19.7
Right-of-use asset depreciation	**10.4**	9.3
Amortisation of development costs	**1.1**	1.0
Amortisation of other intangible assets	**0.1**	0.2
Underlying EBITDA	**175.9**	152.7
Adjusted for:		
Lease payments	**(11.0)**	(10.4)
Share-based payments expense	**3.4**	4.1
Annualised EBITDA of subsidiaries acquired/disposed	**5.5**	3.5
Covenant EBITDA (B)	**173.8**	149.9
Covenant net debt to EBITDA (A divided by B)	**0.3**	0.4

4. Non-underlying items

Included in operating profit

	2024 £m	2023 £m
Loss on disposal of subsidiaries	**-**	(4.2)
Business reorganisation costs	**-**	(0.2)
Impairment of assets (a)	**(13.2)**	(0.6)
Loss on remeasurement of assets held for sale (b)	**(3.1)**	-
Amortisation of acquisition intangibles	**(9.9)**	(8.4)
Expenses related to acquisitions and disposals (c)	**(1.9)**	(5.3)
Total non-underlying items	**(28.1)**	(18.7)

Notes:

a) The impairment charge of £13.2m relates to H&S Inc., the Group's US road products business, comprising £8.6m of goodwill and £2.0m of acquisition intangible assets, and a further £1.5m relating to property, plant and equipment, £0.7m relating to other intangible assets and £0.4m relating to right-of-use assets. In assessing the carrying value of the H&S Inc. CGU, the projected cash flows showed that its message boards division, operating out of Garland, Texas, is not expected to generate sufficient future cash flows to support the carrying value of the property, plant and equipment and intangible fixed assets utilised in that part of the business. We therefore assessed the fair value less costs of disposal of those assets, concluding that their fair value was £2.2m lower than their previous carrying value. Similarly, an impairment of £0.4m was recognised in respect of the fair value of the Garland property right-of-use asset, reflecting its estimated recoverable value.

b) The loss on remeasurement of assets held for sale relates primarily to the two businesses classified as individual disposal groups as at 31 December 2024, as explained in note 10. The carrying amounts were reduced to their fair value less costs to sell, resulting in a loss on remeasurement of £3.1m.

c) Expenses related to acquisitions and disposals include a credit of £1.7m in respect of previously accrued contingent consideration on the National Signal acquisition that is not now expected to be paid, and additional costs of £0.4m relating to the Group's disposal of its small, loss-making Berry Systems business in 2023, together with professional fees incurred on the four US acquisitions in 2024 and the two disposals initiated in 2024 which have been classified as disposal groups (see note 10 for further details).

Included in taxation

The tax effect of the above items is a credit to the income statement of £5.9m (2023: £3.2m).

5. Net financing costs

	2024 £m	2023 £m
Interest on bank deposits	**0.5**	0.5
Financial income	**0.5**	0.5
Interest on loans and borrowings	**(8.8)**	(8.9)
Interest on lease liabilities	**(2.0)**	(1.3)
Financial expenses related to refinancing activities	**(0.5)**	(0.6)
Interest cost on net pension scheme deficit	**(0.1)**	(0.3)
Financial expense	**(11.4)**	(11.1)
Net financing costs	**(10.9)**	(10.6)

6. Taxation

	2024 £m	2023 £m
Current tax		
UK corporation tax	**4.1**	4.1
Overseas tax at prevailing local rates	**23.4**	20.7
Adjustments in respect of prior years	**(2.3)**	1.3
	25.2	26.1
Deferred tax		
UK deferred tax	**3.7**	1.1
Overseas tax at prevailing local rates	**(2.4)**	(0.4)
Adjustments in respect of prior years	**1.6**	(2.4)
	2.9	(1.7)
Tax on profit in the Consolidated Income Statement	**28.1**	24.4
Deferred Tax		
Relating to defined benefit pension schemes	**-**	(0.1)
Tax on items taken directly to other comprehensive income	**-**	(0.1)
Current tax		
Relating to share-based payments	**(0.2)**	-
Deferred tax		
Relating to share-based payments	**0.4**	(1.3)
Tax taken directly to the Consolidated Statement of Changes in Equity	**0.2**	(1.3)

The tax charge in the Consolidated Income Statement for the period is higher (2023: higher) than the standard rate of corporation tax in the UK.

The differences are explained below:

	2024 £m	2023 £m
Profit before taxation	**104.5**	93.2
Profit before taxation multiplied by the effective rate of corporation tax in the UK of 25.0% (2023: 23.5%)	**26.1**	21.9
Expenses not deductible/income not chargeable for tax purposes	**3.1**	2.3
Benefits from international financing arrangements - current and prior years	**(0.1)**	(0.1)
Local tax incentives	**(0.1)**	(0.1)
Overseas profits taxed at higher/(lower) rates	**(0.2)**	1.5
Adjustments in respect of prior years	**(0.7)**	(1.1)
Tax charge	**28.1**	24.4

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption in the UK Controlled Foreign Company ('CFC') legislation, announcing in April 2019 that it believed in certain circumstances the CFC regime constituted State Aid. In 2021 the Group received a charging notice from HMRC requiring it to pay £1.6m in respect of state aid that HMRC considers had been unlawfully received in previous years, which was paid in full in February 2021.

Applications to annul the Commission's decision had been made in prior years by the UK Government, the Group and other affected taxpayers. The EU General Court delivered its decision on these applications in June 2022, finding in favour of the Commission. In August 2022, the UK Government and several multinationals, including the Group, appealed against the General Court's decision. The appeal was heard by the Court of Justice of the European Union ('CJEU') on 10 January 2024, and the CJEU's judgement was delivered on 19 September 2024 overturning the Commission's original decision. Following this, HMRC have enacted legislation which will provide for the tax, and interest, to be repaid, which we expect to be in 2025.

7. Earnings per share

The weighted average number of ordinary shares in issue during the year was 80.4m (2023: 80.0m), diluted for the effects of the outstanding dilutive share options 81.4m (2023: 81.0m). Diluted earnings per share takes account of the dilutive effect of all outstanding share options, calculated using the treasury share method. Underlying earnings per share have been shown because the Directors consider that this provides valuable additional information about the underlying performance of the Group.

	2024		2023	
	Pence per share	£m	Pence per share	£m
Basic earnings	**95.0**	**76.4**	86.0	68.8
Non-underlying items*	**27.6**	**22.2**	19.4	15.5
Underlying earnings	**122.6**	**98.6**	105.4	84.3
Diluted earnings	**93.9**	**76.4**	85.0	68.8
Non-underlying items*	**27.2**	**22.2**	19.1	15.5
Underlying diluted earnings	**121.1**	**98.6**	104.1	84.3

* Non-underlying items as detailed in note 4.

8. Dividends

Dividends paid during the year

	2024		2023	
	Pence per share	£m	Pence per share	£m
Interim dividend paid in relation to year-ended 31 December 2022	-	-	13.0	10.4
Final dividend paid in relation to year-ended 31 December 2022	-	-	22.0	17.6
Interim dividend paid in relation to year ended 31 December 2023	**15.0**	**12.0**	-	-
Final dividend paid in relation to year ended 31 December 2023	**28.0**	**22.5**	-	-
Total	**43.0**	**34.5**	35.0	28.0

Dividends declared in respect of the year

	2024		2023	
	Pence per share	£m	Pence per share	£m
Interim dividend declared in relation to year-ended 31 December 2023	-	-	15.0	12.0
Final dividend declared in relation to year-ended 31 December 2023	-	-	28.0	22.5
Interim dividend declared in relation to year ended 31 December 2024	**16.5**	**13.3**	-	-
Final dividend proposed in relation to year ended 31 December 2024	**32.5**	**26.1**	-	-
Total	**49.0**	**39.4**	43.0	34.5

The final dividend for 2024 was proposed after the year end date and was not recognised as a liability at 31 December 2024, in accordance with IAS 10.

9. Acquisitions

Capital Steel

In January 2024 the Group acquired the trade and assets of Capital Steel for cash consideration after working capital adjustments of £5.5m. Capital Steel is a structural steel electrical infrastructure manufacturer which provides engineering and fabrication capabilities on a range of structural steel and substation components, principally for the electrical utility and heavy highway construction end markets. The acquisition was a highly strategic bolt-on acquisition opportunity for V&S Schuler and subsequent to acquisition the business has become part of V&S Utilities, within the Group's Engineered Solutions division.

Details of the acquisition are set out below:

	Pre-acquisition carrying amount £m	Provisional policy alignment and fair value adjustment £m	Total £m
Intangible Assets			
Customer lists	-	1.9	1.9
Brand name	-	0.3	0.3
Order backlog	-	0.7	0.7
Property, plant and equipment	0.2	-	0.2
Right-of-use assets	0.4	0.3	0.7
Inventories	2.4	(0.5)	1.9
Other current assets	1.9	0.7	2.6
Total assets	**4.9**	**3.4**	**8.3**
Lease liabilities	(0.4)	(0.3)	(0.7)
Current liabilities	(2.9)	(0.1)	(3.0)
Total liabilities	**(3.3)**	**(0.4)**	**(3.7)**
Net assets	**1.6**	**3.0**	**4.6**
Consideration			
Initial consideration paid in the year			4.9
Working capital adjustments paid in the year			0.6
Fair value of contingent consideration due within one year			0.3
Fair value of contingent consideration due between one and two years			0.3
Goodwill			**1.5**

Brands, customer lists and the order backlog have been recognised as specific intangible assets as a result of the acquisition. The residual goodwill is attributable to opportunities with new customers as the business expands its product and customer base, and Capital Steel's highly skilled workforce. Capital Steel will form part of the V&S Utilities CGU for the purpose of annual goodwill impairment testing. Policy alignment and fair value adjustments have been made to align the accounting policies of the acquired business with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. In respect of leases, the Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the terms of the leases relative to market terms. The fair value of the current assets acquired includes £1.9m of trade receivables, which have a gross value of £1.9m.

As part of the acquisition agreement, contingent consideration has been agreed. The amount of contingent consideration is dependent on revenue and adjusted EBITDA for the two-year period ending 31 December 2025. The maximum contingent consideration payable is £1.0m. As at the acquisition date, the fair value of the contingent consideration was estimated to be £0.6m, calculated on a probability-weighted basis.

Post-acquisition the acquired business has contributed £11.6m revenue and £3.0m underlying and reported operating profit, which are included in the Group's Consolidated Income Statement. As the acquisition was made on 5 January 2024, the Group's results for the year would be materially unchanged had the acquisition been made on 1 January 2024. The Group incurred expenses of £0.5m relating to the acquisition, £0.3m of which were incurred in the current year, and are included in non-underlying costs (see note 4).

FM Stainless

In March 2024 the Group acquired the trade and assets of FM Stainless for a cash consideration after working capital adjustments of £6.8m. FM Stainless is a fabricator and distributor of high-alloy, stainless steel engineered pipe supports, expansion anchors and fasteners. The acquisition is a highly strategic bolt-on opportunity for The Paterson Group ('TPG') and subsequent to acquisition the business has become part of TPG, within the Group's Engineered Solutions division.

Details of the acquisition are set out below:

	Pre-acquisition carrying amount £m	Provisional policy alignment and fair value adjustment £m	Total £m
Intangible Assets			
Brand name	-	0.2	0.2
Customer lists	-	2.6	2.6
Order backlog	-	0.3	0.3
Property, plant and equipment	0.1	1.5	1.6
Inventories	2.0	(0.4)	1.6
Other current assets	1.3	-	1.3
Total assets	**3.4**	**4.2**	**7.6**
Current liabilities	(0.3)	(0.4)	(0.7)
Total liabilities	**(0.3)**	**(0.4)**	**(0.7)**

Net assets	**3.1**	**3.8**	**6.9**
Consideration			
Initial consideration paid in the year			6.7
Working capital adjustments paid in the year			0.1
Fair value of contingent consideration due within one year			0.4
Goodwill			**0.3**

Brands, customer lists and the order backlog have been recognised as specific intangible assets as a result of the acquisition. The residual goodwill is attributable to opportunities with new customers as the business expands its product and customer base, opportunities for expansion into new territories/geographies, and FM Stainless' highly skilled workforce. Policy alignment and fair value adjustments have been made to align the accounting policies of the acquired business with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. The fair value of the current assets acquired includes £1.3m of trade receivables, which have a gross value of £1.3m.

As part of the acquisition agreement, contingent consideration has been agreed. The amount of contingent consideration is dependent on adjusted EBIT for the 12-month period ending 31 March 2025. The maximum contingent consideration payable is £0.4m. As at the acquisition date, the fair value of the contingent consideration was estimated to be £0.4m, calculated on a probability-weighted basis.

Post-acquisition the acquired business has contributed £6.5m revenue and £1.2m underlying and reported operating profit, which are included in the Group's Consolidated Income Statement. If the acquisition had been made on 1 January 2024, the Group's results for the year would have shown revenue of £856.3m, underlying operating profit of £143.8m and reported operating profit of £115.7m. The Group incurred expenses of £0.3m relating to the acquisition, which are included in non-underlying costs (see note 4).

Trident

In July 2024 the Group acquired the trade and assets of Trident for cash consideration after closing and working capital adjustments of £8.2m and further cash consideration of up to £25.4m, payable based on future revenues over the five years post-acquisition. Located in Greater St Louis, Illinois, Trident is a designer and supplier of composite utility poles, serving utility company needs across North America and the Caribbean. The business has a long-term outsourced manufacturing relationship with Enduro Composites, and will become part of the Creative Composites Group, within the Engineered Solutions division.

Details of the acquisition are set out below:

	Pre-acquisition carrying amount £m	Provisional policy alignment and fair value adjustment £m	Total £m
Intangible Assets			
Customer lists	-	16.0	16.0
Brand names	-	0.4	0.4
Order backlog	-	1.7	1.7
Property, plant and equipment	0.2	(0.1)	0.1
Right-of-use assets	-	0.1	0.1
Inventories	1.8	-	1.8
Other current assets	3.2	-	3.2
Total assets	**5.2**	**18.1**	**23.3**
Lease liabilities	-	(0.1)	(0.1)
Current liabilities	(3.9)	-	(3.9)
Non-current liabilities	(0.7)	(0.2)	(0.9)
Total liabilities	**(4.6)**	**(0.3)**	**(4.9)**
Net assets	**0.6**	**17.8**	**18.4**
Consideration			
Initial consideration paid in the year			7.8
Working capital adjustments paid in the year			0.4
Fair value of contingent consideration due within one year			3.7
Fair value of contingent consideration due between two and five years			9.6
Goodwill			**3.1**

Brands, customer lists and the order backlog have been recognised as specific intangible assets as a result of the acquisition. The residual goodwill is attributable to opportunities with new customers as the business expands its product and customer base, opportunities for expansion into new territories/geographies, and Trident's highly skilled workforce. Trident will form part of the Creative Composites Group CGU for the purpose of annual goodwill impairment testing. Policy alignment and fair value adjustments have been made to align the accounting policies of the acquired business with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. The fair value of the current assets acquired includes £3.2m of trade receivables, which have a gross value of £3.2m.

As part of the acquisition agreement, contingent consideration has been agreed. The amount of contingent consideration is dependent on revenue over the five years subsequent to acquisition. The maximum contingent consideration payable is £25.4m. As at the acquisition date, the fair value of the contingent consideration was estimated to be £13.3m, calculated on a probability-weighted basis.

Post-acquisition the acquired business has contributed £7.2m revenue and £1.8m underlying and reported operating profit, which are included in the Group's Consolidated Income Statement. If the acquisition had been made on 1 January 2024, the Group's results for the year would have shown revenue of £865.5m, underlying operating profit of £146.2m and reported operating profit of £118.1m. The Group incurred expenses of £0.4m relating to the acquisition, which are included in non-underlying costs (see note 4).

Whitlow Electric

In September 2024 the Group acquired the trade and assets of Whitlow Electric Service Company ("Whitlow") for initial cash consideration of £24.0m. Located in Elberton, Georgia, Whitlow designs and manufactures a range of structural steel and substation components for the US electrical infrastructure market. Whitlow will become part of V&S Utilities, within the Engineered Solutions division, and builds on the successful acquisition and integration of Capital Steel, broadening the geographic footprint in the US and providing new customers in the attractive Southeast market and increasing the Group's structural steel fabrication capacity, presenting opportunities for cross selling and margin expansion.

Details of the acquisition are set out below:

	Pre-acquisition carrying amount £m	Provisional policy alignment and fair value adjustment £m	Total £m
Intangible Assets			
Brand name	-	0.6	0.6
Customer lists	-	11.2	11.2
Order backlog	-	1.4	1.4
Property, plant and equipment	1.1	4.5	5.6
Inventories	1.2	(0.6)	0.6
Other current assets	1.8	0.7	2.5
Total assets	**4.1**	**17.8**	**21.9**
Current liabilities	(1.4)	-	(1.4)
Total liabilities	**(1.4)**	**-**	**(1.4)**
Net assets	**2.7**	**17.8**	**20.5**
Consideration			
Consideration paid in the year			24.0
Working capital adjustments receivable within one year			(0.3)
Goodwill			**3.2**

Brands, customer lists and the order backlog have been recognised as specific intangible assets as a result of the acquisition. The residual goodwill is attributable to opportunities with new customers as the business expands its product and customer base, opportunities for expansion into new territories/geographies, and Whitlow's highly skilled workforce. Whitlow will form part of the V&S Utilities CGU for the purpose of annual goodwill impairment testing. Policy alignment and fair value adjustments have been made to align the accounting policies of the acquired business with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. The fair value of the current assets acquired includes £1.8m of trade receivables, which have a gross value of £1.8m.

Post-acquisition the acquired business has contributed £6.0m revenue and £0.9m underlying and reported operating profit, which are included in the Group's Consolidated Income Statement. If the acquisition had been made on 1 January 2024, the Group's results for the year would have shown revenue of £868.6m, underlying operating profit of £145.5m and reported operating profit of £117.4m. The Group incurred expenses of £0.5m relating to the acquisition, which are included in non-underlying costs (see note 4).

10. Assets and liabilities held for sale

	2024 £m	2023 £m
Assets held for sale		
At 1 January	**2.5**	1.8
Disposals	**(2.5)**	(1.8)
Transfers from property, plant and equipment	**7.4**	2.5
Transfers from right-of-use assets	**2.8**	-
Transfers from working capital	**5.7**	-
Loss on remeasurement	**(3.1)**	-
Exchange adjustments	**(0.1)**	-
Total assets held for sale at 31 December	**12.7**	**2.5**
Liabilities held for sale		
Lease liabilities	**(3.0)**	-
Deferred tax liability	**(0.5)**	-
Bank overdraft	**(3.4)**	-
Total liabilities held for sale at 31 December	**(6.9)**	-
Total net assets held for sale at 31 December	**5.8**	**2.5**

Following a strategic review during 2024, the Group took the decision to seek buyers for Hill & Smith Pty Limited, the Group's Australian roads business, and Parking Facilities Limited, one of our smaller UK security businesses. At 31 December 2024, in each case the Group had committed to a sale, actively marketed the business and was in advanced stages of negotiation with the buyer. Subsequent to the year end, in January 2025 the sale of Hill & Smith Pty's trade and assets was completed and in February 2025 we sold our shareholding in Parking Facilities.

In accordance with IFRS 5, the assets and liabilities of the businesses have been recognised as disposal groups held for sale at 31 December 2024 and reported separately in the Consolidated Statement of Financial Position.

Immediately before the classification of the two businesses as held for sale, their recoverable amount was estimated, with no impairment loss being identified. Following the classification, losses on remeasurement of £1.1m relating to Parking Facilities and £2.0m related to Hill & Smith Pty Limited were recognised to reduce the carrying amount of the assets in the disposal groups to their fair value less costs to sell.

Assets held for sale at 31 December 2023 represented a property held by one of the Group's UK roads businesses, which was sold in December 2024 for a consideration of £2.3m resulting in a loss on disposal of £0.2m.

11. Cash and borrowings

	2024 £m	2023 £m
Cash and cash equivalents in the Consolidated Statement of Financial Position		
Cash and cash equivalents net of bank overdrafts*	**55.0**	34.4
Bank overdraft+	**(0.3)**	-
Bank overdraft classified as held for sale	**(3.4)**	-
Cash and cash equivalents net of bank overdrafts and overdraft classified as held for sale	**51.3**	34.4
Interest bearing loans and other borrowings		
Amounts due within one year	**(0.5)**	(1.4)
Amounts due after more than one year	**(98.7)**	(97.7)
Lease liabilities due within one year	**(9.1)**	(8.0)
Lease liabilities due after more than one year	**(36.9)**	(35.7)
Lease liabilities classified as held for sale	**(3.0)**	-
Net debt	**(96.9)**	(108.4)
Change in net debt		
Operating profit	**115.4**	103.8
Non-cash items	**59.8**	47.6
Operating cash flow before movement in working capital	**175.2**	151.4
Net movement in working capital	**0.6**	22.8
Increase in insurance reimbursement asset	**(3.8)**	-
Decrease in provisions and employee benefits	**(3.4)**	(0.8)
Operating cash flow	**168.6**	173.4
Income taxes paid	**(26.5)**	(31.7)
Net financing costs paid	**(8.3)**	(8.4)
Capital expenditure	**(28.6)**	(31.8)
Proceeds on disposal of non-current assets and assets held for sale	**3.4**	3.3
Free cash flow	**108.6**	104.8
Dividends paid	**(34.5)**	(28.0)
Acquisitions of subsidiaries	**(47.4)**	(53.5)
Disposals of subsidiaries	**-**	(0.2)
Amortisation of costs associated with refinancing activities	**(0.5)**	(0.6)
Purchase of shares for employee benefit trust	**(1.2)**	(2.6)
Issue of new shares	**2.5**	1.8
Lease additions, terminations and remeasurements	**(13.3)**	(12.6)
Leases disposed of	**-**	0.3
Interest on lease liabilities	**(2.0)**	(1.3)
Net debt decrease	**12.2**	8.1
Effect of exchange rate fluctuations	**(0.7)**	3.2
Net debt at the beginning of the year	**(108.4)**	(119.7)
Net debt at the end of the year	**(96.9)**	(108.4)

*Included within cash and cash equivalents net of bank overdrafts are overdrafts amounting to £19.9m (2023: £19.6m) for which the Group has a legally enforceable right of offset and the intention to settle on a net basis.

+Represents an overdraft for which the Group has no right of offset.

	2024 £m	2023 £m
Interest bearing loans and other borrowings and lease liabilities		
At 1 January	**142.8**	144.2

New loans and borrowings	**62.5**	73.9
Repayment of loans and borrowings	**(63.7)**	(76.3)
Repayment of lease liabilities	**(9.0)**	(9.4)
Costs associated with refinancing during the year	**-**	(0.5)
Cash flows used in financing activities	**(10.2)**	(12.3)
Other changes		
Effect of exchange rate fluctuations	**0.8**	(3.2)
Amortisation of costs associated with refinancing activities	**0.5**	0.6
Lease changes:		
Effect of exchange rate fluctuations	**0.2**	(0.7)
New leases	**16.0**	14.6
Terminations	**(2.2)**	(2.4)
Re-measurement	**(0.5)**	-
Acquisitions of subsidiaries	**0.8**	2.3
Disposals of subsidiaries	**-**	(0.3)
Interest expense	**2.0**	1.3
Interest paid	**(2.0)**	(1.3)
At 31 December	**148.2**	142.8

12. Subsequent events

As part of the Group's active portfolio management, in the first quarter of 2025, the Group successfully divested two of its non-core, loss making Roads and Security businesses, Hill & Smith Pty Limited and Parking Facilities Limited; both of which were classified as held for sale as at 31 December 2024 (see note 10 for further details).

Notes

1. The financial information previously set out does not constitute the Company's statutory accounts for the years ended 31 December 2024 or 2023 but is derived from those accounts. Statutory accounts for 2023 have been delivered to the registrar of companies, and those for 2024 will be delivered in due course. The auditors have reported on those accounts; their report was:

i. unqualified;

ii. did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and

iii. did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

2. The Annual Report will be posted to shareholders on or around 16 April 2025 and will be displayed on the Company's website at www.hsgroup.com. Copies of the Annual Report will also be available from the registered office at Westhaven House, Arleston Way, Solihull, B90 4LH.

3. Events Calendar:

i. The Annual General Meeting will be held at Cranmore Park Conference, Event & Exhibition Centre, Cranmore Avenue, Shirley, West Midlands B90 4LF on Thursday 22 May 2025.

ii. The proposed final dividend for 2024 will be paid on 4 July 2025 to shareholders on the register on 30 May 2025 (ex-dividend date 29 May 2025).

iii. The last date for receipt of Dividend Reinvestment Plan elections is 13 June 2025.

iv. Interim results announcement for the period to 30 June 2025 due 12 August 2025.

v. Payment of the 2025 interim dividend due 6 January 2026.

4. This preliminary announcement of results for the year ended 31 December 2024 was approved by the Directors on 11 March 2025.

Cautionary Statement

This announcement contains forward looking statements which are made in good faith based on the information available at the time of its approval. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a number of risks and uncertainties that are inherent in any forward looking statement which could cause actual results to differ materially from those currently anticipated. Nothing in this document should be regarded as a profits forecast.