

Hargreaves Services hails big jump in revenue and profits thanks to ramping up of HS2

Industrial services group Hargreaves says increased work on the HS2 project has helped it make substantial increases in revenue and profitability.

The County Durham-based firm is undertaking earthmoving and engineering for the rail scheme and at its peak has employed 400 people on the project. In an update to investors covering the six months to the end of November, Hargreaves said revenue had increased 53% year-on-year to £116.5m while profit before tax had grown from £10.4m to £18.7m.

A series of new contract wins and renewals – including anticipated future work for Balfour Beatty on Lower Thames Crossing and hopes for contracts at Sizewell nuclear power station – were said to have set the business on a strong footing. And inflation-related clauses across the majority of the group's services contracts left the business relatively relaxed about rising costs.

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Across the group's land business, teams were said to be working on a pipeline of industrial, mixed commercial and residential developments worth roughly £200m. Sales of land from its flagship Blindwells site boosted revenue to £8.7m from £5.9m the year previously, and pre-tax profit to £1.6m from £500,000.

And in Hargreaves Raw Materials Services (HRMS) – the group's German joint venture – a softening of commodity prices and global demand led to trading below the high levels experienced

in the second half of last year. The price of Zinc, one of the business' key products, was said to be down about 75% from its peak.

That trend was expected to continue and the group' steel recycling business, DK, felt the impact of reduced pig iron prices. A substantial €3m energy bill relating to unusually long maintenance work could make full year results for HRMS about £1.5m lower than market expectations.

Hargreaves' overall first half performance also included some non-recurring asset realisations which created a profit of £2m.

In summary, Hargreaves CEO Gordon Banham said: "The contract wins and renewals in the Services business provide further resilience to the Group's profitability as we head into the second half of the financial year and beyond. Whilst there is uncertainty within the UK housing and property market more generally, I remain confident in the viability of the Hargreaves Land portfolio as we continue to see strong demand for schemes brought to market.

"Finally, HRMS has performed well in the last six months, however, some commodity markets have softened recently and visibility remains limited. As expected, it is likely that the contribution from HRMS in the second half will be lower than that for the first six months of the year. I am pleased with the profitable growth the group has delivered in the period within each of its business segments, during a period of challenging economic conditions."

Hargreaves announced a 7.1% increase in the interim dividend to 3.0p, up from 2.8p in 2021.

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