HILS Hill & Smith plc

Hill & Smith raises profit expectations as US growth accelerates

Following the Trading Update · 26 November 2026

FOUR-MONTH ORGANIC GROWTH	YEAR-TO-DATE ORGANIC GROWTH	FULL-YEAR REVENUE GROWTH	PROFIT CONSENSUS
12%	8%	around 10%	$216.7m
▲ against 5% in the first half	▲ total revenue up 10%	▲ total constant currency growth now expected	▲ full-year operating profit now expected modestly above this

Share price, past 12 months

Daily close; latest price as at 16:29 on 25 November 2026 · Ticker Data API



Hill & Smith's Trading Update today reported an acceleration in organic constant-currency revenue growth to 12% in the four months to 31 October, from 5% in the first half. US infrastructure businesses led the increase. The group now expects full-year operating profit modestly above company-compiled analyst consensus of $216.7m, excluding its newly acquired Southwest Galvanizing business. Four-month operating margin was in line with the same period last year, although ahead of the first half.

The stronger trading improves the near-term earnings case, but gives no new cash or net-debt figure. In the first half, working capital absorbed more cash and cash conversion fell to 50%. The comparable figure was 85%. The preliminary results scheduled for 10 March 2027 will test whether faster US sales have turned into cash and how the $77 million Southwest purchase has affected the balance sheet.

> **"With positive momentum, we now expect full year operating profit to be modestly ahead of current analyst expectations."**
>
> **Rutger Helbing**, CEO · Trading Update, 26 November 2026

US infrastructure demand drove the acceleration

Hill & Smith supplies engineered products for infrastructure construction and galvanizes steel to extend its service life. Its US businesses serve markets including power networks, data centres and transport. US Engineered Solutions grew organically faster than it did in the first half and improved its operating margin against the comparable period. Galvanizing Services also grew, with strong US demand and higher UK volumes.

The UK & India Engineered Solutions division remains weaker. UK demand was subdued, though its run-rate improved from the first half, and divisional margin remained below the comparable period. In the US, the V&S Utilities plant expansion in Ohio finished ahead of schedule and is expected to operate before year end. Freeberg's new Arizona facility is operating and ramping up.

FOUR MONTHS TO 31 OCTOBER 2026	VALUE	CHANGE
Group organic constant-currency revenue growth	12%	5% in the first half
Galvanizing organic constant-currency revenue growth	high single digit	

Sources: Trading Update, 26 November 2026

Faster sales have not lifted year-on-year group margin

Group revenue grew 8% organically at constant currency year to date, while total revenue grew 10%. Organic constant-currency growth removes acquisitions and exchange-rate movements, making the four-month acceleration a measure of growth in the existing businesses. The four-month group operating margin matched the prior-year period and exceeded the first-half level. That supports the profit upgrade, but does not yet establish year-on-year group margin expansion.

The distinction between underlying and statutory profit also matters. At the half year, underlying operating profit rose to $103m and statutory operating profit fell to $76.5m. Their respective prior-year figures were $95.5m and $88.3m. The full-year results will need to explain the gap alongside the stronger sales.

First half of 2026 against the prior period

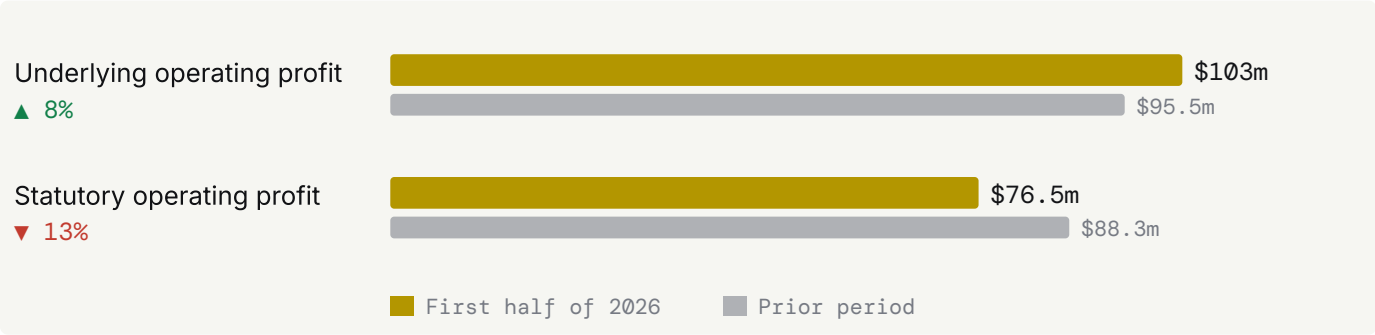

FIGURE	VALUE	CHANGE
Year-to-date organic constant-currency revenue growth Year to 31 October 2026	8%	+8%
Year-to-date total revenue growth Year to 31 October 2026	10%	+10%
Underlying operating profit First half of 2026	$103m	+7.9% prior $95.5m

FIGURE	VALUE	CHANGE
Statutory operating profit First half of 2026	$76.5m	−13% prior $88.3m

Sources: Trading Update, 26 November 2026; Half Year Results, 12 August 2026

Cash collection remains the missing test

First-half cash conversion, the proportion of profit turned into cash, fell to 50% from 85%. Working capital absorbed $44.8m and free cash flow fell to $30.9m. A year earlier, those figures were $15.3m and $66.8m respectively. Funding faster growth can tie up cash in stock and unpaid customer bills, but stronger sales alone cannot show when that cash will return. The November update supplies no current cash conversion or net-debt figure.

First-half net debt was $171m. Southwest Galvanizing's $77 million headline cash price is funded through existing borrowing facilities, while £76m of the £100m buyback had been completed by 23 November. Hill & Smith reports covenant leverage well below its target range, without giving a current multiple or covenant limit. The cumulative buyback spend cannot simply be added to first-half debt, since some shares were bought before that balance-sheet date. Year-end cash flow and post-acquisition borrowing will give a sounder measure of headroom.

First half of 2026 against the prior period

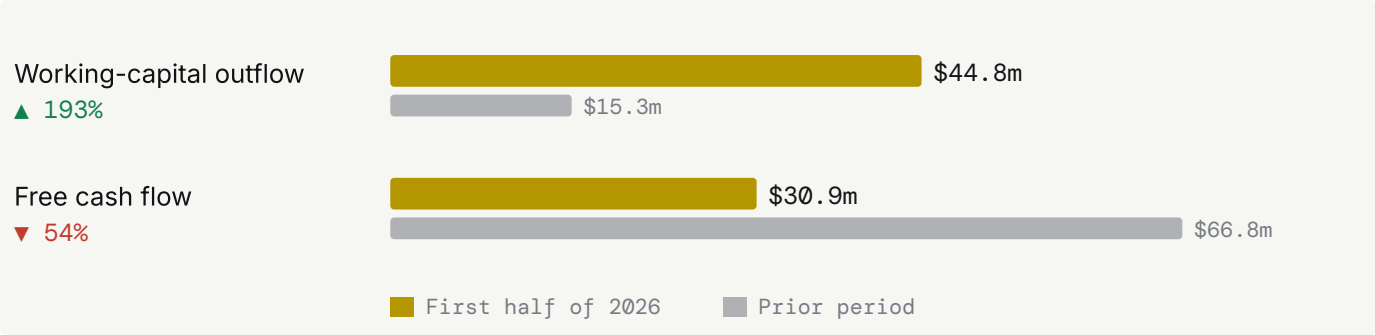

FIGURE	VALUE	CHANGE
Cash conversion First half of 2026	50%	2025: 85%
Working-capital outflow First half of 2026	$44.8m	+193% prior $15.3m
Free cash flow First half of 2026	$30.9m	−54% prior $66.8m
Net debt First half of 2026	$171m	
Southwest headline cash consideration Announced November 2026	$77m	

Sources: Guidance and current trading, 12 August 2026; Half Year Results, 12 August 2026; Trading Update, 26 November 2026

The profit upgrade excludes the latest acquisition

Hill & Smith now expects full-year total constant-currency revenue growth of around 10% and operating profit modestly above company-compiled analyst consensus of $216.7m. It has not put a figure on the

profit excess. Southwest Galvanizing, acquired after the October trading period, is expressly excluded from that guidance, so its future contribution is separate from the upgrade.

The group expects second-half operating margin to improve against the first half. That comparison does not promise a higher second-half margin than a year earlier: the latest four-month margin was level with its prior-year equivalent. Preliminary results are scheduled for 10 March 2027, when the margin, cash and initial outlook for the new year can be tested together.

FULL YEAR 2026	VALUE	CHANGE
Expected total constant-currency revenue growth	around 10%	increased expectation
Company-compiled underlying operating profit consensus	$216.7m	operating profit expected modestly above current analyst expectations

Sources: Trading Update, 26 November 2026

The upgrade leaves a cash-quality valuation question

The evidence records a market capitalisation of £2.14bn. Hill & Smith reported £120m of statutory operating profit on £869m of revenue for 2025; the new profit comparison is a dollar-denominated underlying consensus figure, so it should not be set directly against that sterling statutory result. The November upgrade strengthens the earnings outlook, but its unquantified size gives little basis on its own for reassessing the value placed on those earnings.

Southwest adds a separate capital-allocation test. The acquisition announcement reported $31 million of audited 2025 revenue for the business, but the material gives no Southwest operating profit. Its contribution and return on the purchase price remain to be demonstrated after integration into V&S Galvanizing.

FIGURE	VALUE	CHANGE
Market capitalisation Evidence market snapshot; date not specified	£2.14bn	
Statutory operating profit Year ended 31 December 2025	£120m	£115m in 2024
Southwest audited revenue 12 months ended 31 December 2025	$31m	

Sources: Price & Valuation, HILS evidence; Income statement (tagged accounts), 2025-12-31; Acquisition of Southwest Galvanizing, 18 November 2026

The pre-update fall lacked heavy selling volume

At the 25 November close of 2,755p, the shares had fallen from their autumn high and sat below shorter-term moving averages, while remaining above the rising 200-day average. The sharp fall on 24 November came on below-average volume; trading on 25 November was closer to normal volume and the shares closed above that day’s low. Those pre-announcement moves do not show how investors received today’s profit upgrade, nor do they establish that the cash concerns have been priced in.

A sustained move with stronger volume would give the next clearer price signal. For now, the share-price pattern adds less to the investment case than the March cash-flow and debt figures.

EVIDENCE MARKET SNAPSHOT; DATE NOT SPECIFIED	VALUE	CHANGE
52-week range low	1996p	

EVIDENCE MARKET SNAPSHOT; DATE NOT SPECIFIED	VALUE	CHANGE
52-week range high	3345p	

Sources: Price & Valuation, HILS evidence

The case for and against

FOR

The case for rests on growth already delivered by the existing US businesses. Organic constant-currency revenue growth accelerated to 12% in the latest four months, both US-led divisions reported robust demand, and profit expectations rose without counting Southwest. Capacity added in Ohio and Arizona could help the group serve that demand. The stronger trading is difficult to square with a US infrastructure slowdown already showing up in its sales.

AGAINST

Against that, the group margin was flat year on year in the four-month period, UK engineered demand remains subdued, and first-half cash conversion fell to 50%. Faster growth may explain the working-capital build, but the November figures cannot show whether customers have paid or whether stock has turned into sales. The $77 million Southwest purchase and continuing buyback increase the importance of that test. Reported covenant headroom argues against assuming an immediate funding problem, though no current debt multiple is supplied.

WHAT TO WATCH

The 10 March 2027 results will distinguish the cases more clearly. Cash conversion, movements in working capital, the gap between underlying and statutory profit, and net debt after Southwest will show how much of the sales acceleration has reached the balance sheet. Second-half margin and the outlook for US demand will show whether the stronger four months extend beyond October.

Risks

- Continued working-capital outflows could leave cash flow weak despite faster sales and require more borrowing to fund growth.
- US project delays or higher input costs could reduce the benefit of new capacity and press operating margins.
- The return from Southwest Galvanizing is uncertain without a disclosed profit figure for the acquired business.
- Subdued UK demand could keep the UK & India division’s margin below its prior-year level.

THE OTHER VIEW

The first-half cash drain may be a temporary consequence of supplying faster-growing US businesses. If working capital reverses as sales are collected, new capacity and the Southwest acquisition could add earnings without materially weakening the balance sheet; flat four-month group margin would then understate the benefit of growth still being funded and delivered.

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