



Severfield Interim Results

23 September 2023



Alan Dunsmore
Chief Executive Officer



A compelling investment case



Exciting growth prospects

- Aligned to sectors with strong growth potential in UK and Europe
- Well positioned to win projects in support of low carbon economy
- Significant opportunity to grow profits and build value in India



Resilient business through economic cycles

- Sector, geographical and client diversity
- Good earnings visibility from high-quality order book and pipeline opportunities



Built on a platform of operational excellence

- Continued momentum from Project Horizon and operational improvement initiatives
- Well invested business with >£60m CAPEX over last 10 years



Delivering strong returns, cash generation and progressive dividend

- Five-year average ROCE >15%
- Typically convert >85% of profits into cash



All underpinned by a strong focus on sustainability

- Internal roadmap to Net Zero by 2040
- SBTi targets submitted for approval
- Named in FT climate change listing for third year running





Headlines

- Revenue of £215.3m – lower revenue reflects softer market conditions
- Underlying profit before tax up 17% to £14.2m
- Net funds of £0.4m reflects further working capital improvements
- High quality diversified UK and Europe order book of £482m (Sep 2023: £479m, Jun 2023: £510m) provides good visibility of future earnings
- Value continues to build in India – share of profit of £0.6m, land now secured to facilitate future expansion
- India order book of £165m (Sep 2023: £170m, Jun 2023: £139m)
- Interim dividend up 8% at 1.4p per share



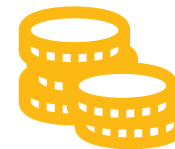
Adam Semple
Chief Financial Officer



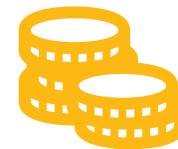
Group

£m

	H1 FY24	H1 FY23	Change
Revenue	215.3	234.9	-8%
Underlying operating profit (before JVs and associates)	14.8	12.1	+22%
Results of JVs and associates	0.8	1.0	(0.2)
Net finance expense	(1.4)	(1.0)	(0.4)
Underlying profit before tax	14.2	12.1	+17%
Tax	(3.4)	(2.1)	(1.3)
Underlying profit after tax	10.8	10.0	+8%



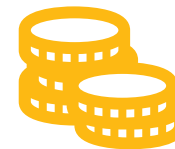
Core construction operations



£m	H1 FY24	H1 FY23	Change
Revenue	208.0	227.8	-9%
Underlying operating profit	14.7	12.7	+16%
Profit before tax	14.7	12.7	+16%
Revenue:			
Commercial and Industrial (C&I)	166.5	183.4	-9%
Nuclear & Infrastructure (N&I)	41.5	44.4	-7%

Revenue:	C&I – decrease driven by distribution market conditions and pause at Sunset Studios offset by VSCH N&I – slight decrease driven by infrastructure market conditions and normal nuclear timing differences
Operating profit:	Up 16% driven by good contract execution and VSCH
Strategic target:	C&I – revenue growth in line with GDP, enhanced by VSCH, with margins of 8-10% N&I – medium term target to grow revenues to £125m+, with margins of 8-10%

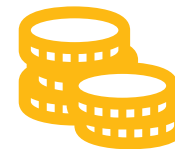
Modular Solutions



£m	H1 FY24	H1 FY23	Change
Revenue	10.7	11.5	-7%
Underlying operating profit	0.1	(0.6)	+0.7
Share of profit of CMF	0.1	0.5	-0.4
PBT	0.2	(0.1)	+0.3

- **Revenue and operating profit:** slight decrease in revenue but improved mix of higher margin Severstor and Rotoflo work reflected in profits
- **CMF:** reduction in profit reflects some under-recovery of overheads as new facility ramps up
- **Strategic target:** medium term target to grow revenue (SPP and CMF) to between £75m and £100m with 10% margins

India

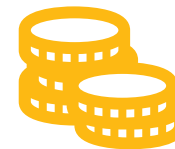


£m

	H1 FY24	H1 FY23	FY23
Revenue	47.8	70.3	137.7
EBITDA	5.0	4.9	11.0
Depreciation	(1.1)	(1.0)	(2.3)
Operating profit	3.9	3.9	8.7
<i>Operating margin</i>	8.2%	5.5%	6.3%
Finance expense	(2.5)	(2.5)	(5.1)
Profit before tax	1.4	1.4	3.6
Tax	(0.2)	(0.2)	(1.0)
Profit after tax	1.2	1.2	2.6
Group share after tax (50%)	0.6	0.6	1.3

- Output of 32,000 tonnes (H1 2023: 44,000 tonnes)

Balance sheet



£m

23 Sep 2023

25 Mar 2023

Non-current assets

259.5

228.4

Current
assets

Inventories

12.8

13.2

Trade and other receivables

78.3

109.8

Cash and cash equivalents

25.7

11.3

Current tax asset

1.2

2.3

118.0

136.6

Total assets

377.5

365.0

Liabilities

Trade and other payables

(95.9)

(105.1)

Borrowings (includes IFRS 16 leases)

(44.2)

(22.3)

Retirement benefit obligations

(11.2)

(12.9)

Deferred tax liabilities

(7.9)

(7.0)

(159.2)

(147.3)

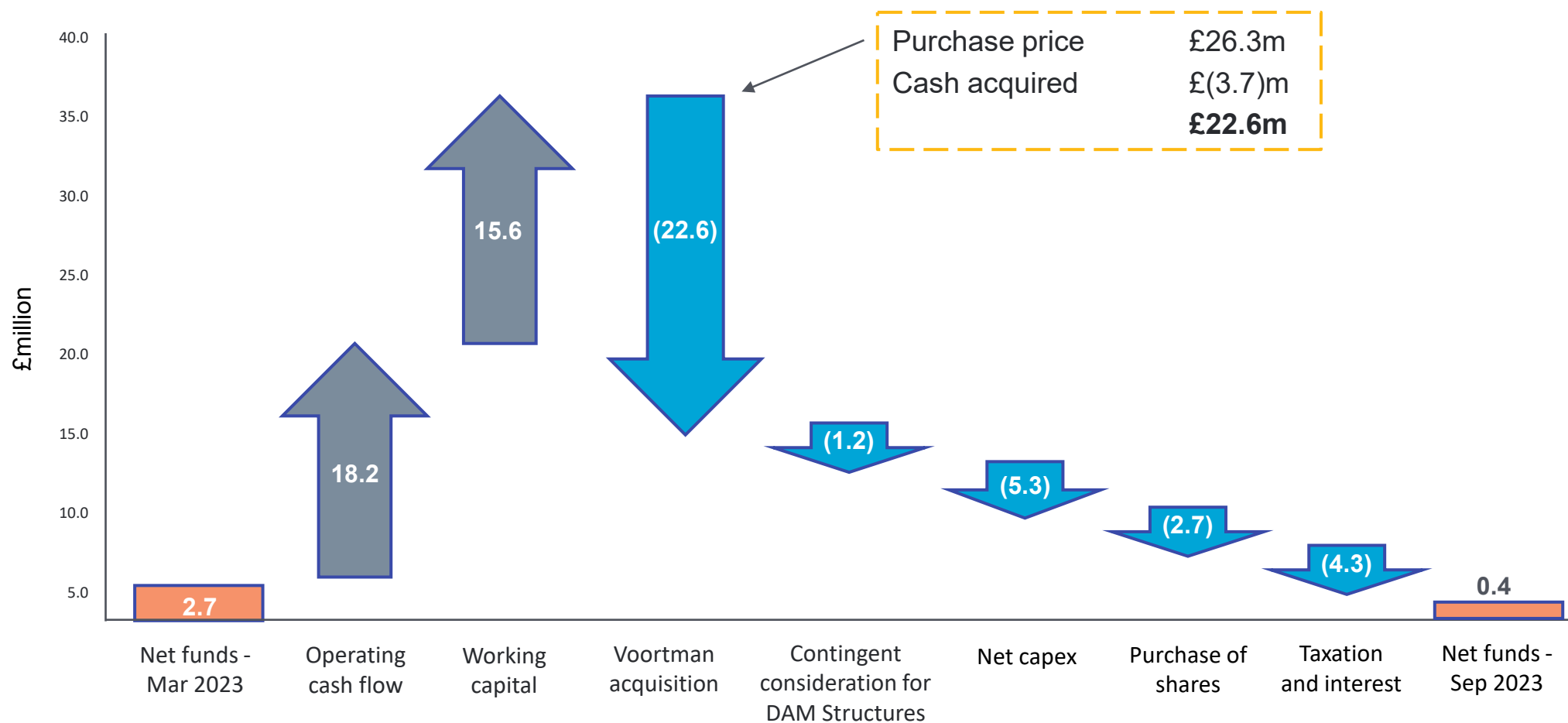
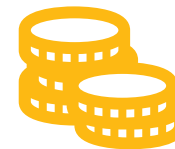
Net assets

218.3

217.7

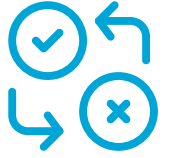
Cash flow

Net funds bridge – period ended 23 September 2023



Strategy

Our strategic priorities are unchanged



Drive growth

- Improved market position in Europe – acquisition of VSCH, aligned to markets with strong growth potential
- New frameworks and contracts in Nuclear and Infrastructure – green infrastructure and transport
- Development of modular solutions – expansion of CMF and new product ranges
- Selective acquisitions



Improve operational efficiency

- Delivering manufacturing efficiency and throughput
- Digital transformation through Project Horizon – system development and automation
- Innovation – including engineering solutions



Grow Indian presence

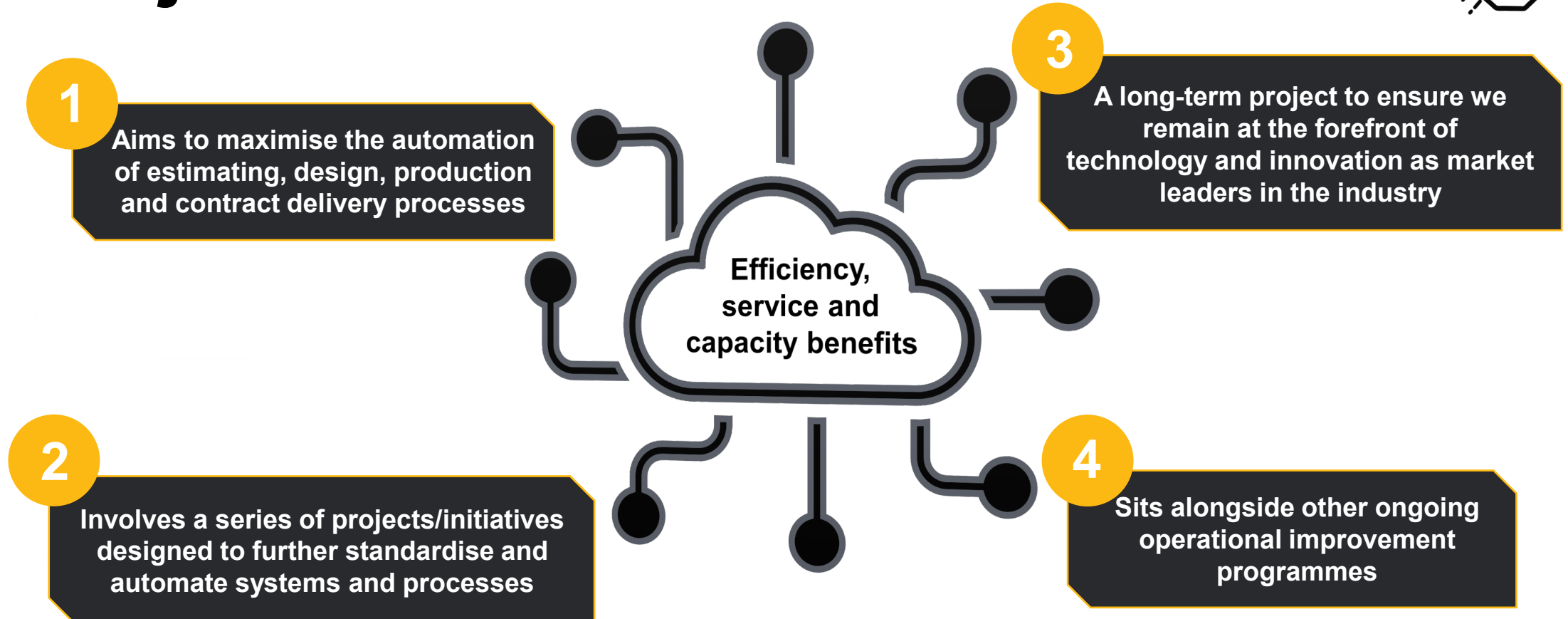
- Benefitting from strong economic growth and the structural shift from concrete to steel in India
- Expansion land in India now secured
- Building value in JSSL



A leadership position on ESG

- Environmentally conscious approach to business and operations – a key consideration for clients
- Supporting the Group's workforce to help retention and continually improve skills
- Focus on risk management and health and safety

Project Horizon



ESG leadership

Environmental

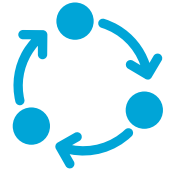
- FT climate leaders listing – included for third year running
- CDP score of 'B' for leadership on climate change, 'A-' score in CDP supplier engagement rating
- Maintained carbon neutral accreditation for manufacturing and construction operations
- Net Zero target (scope 1 and 2) established for 2040
- Carbon emission targets on track to be verified by science-based target initiative in 2024

Social

- Gold membership of 'The 5% Club'
- Delivering social value helps us to win work – social value objectives now established
- Safety statistics remain industry leading

Strong proactive approach is increasingly important to competitive advantage

RACE TO ZERO



**CLIMATE GROUP
STEELZERO**

Achilles

Carbon Zero Certified

Powered by
Toitū Envirocare



Green investment



Well
positioned
for green
growth

Battery plants



Renewable energy



Energy infrastructure



New nuclear



Low carbon transport



Low carbon buildings



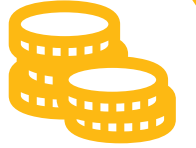
UK and Europe

General market themes

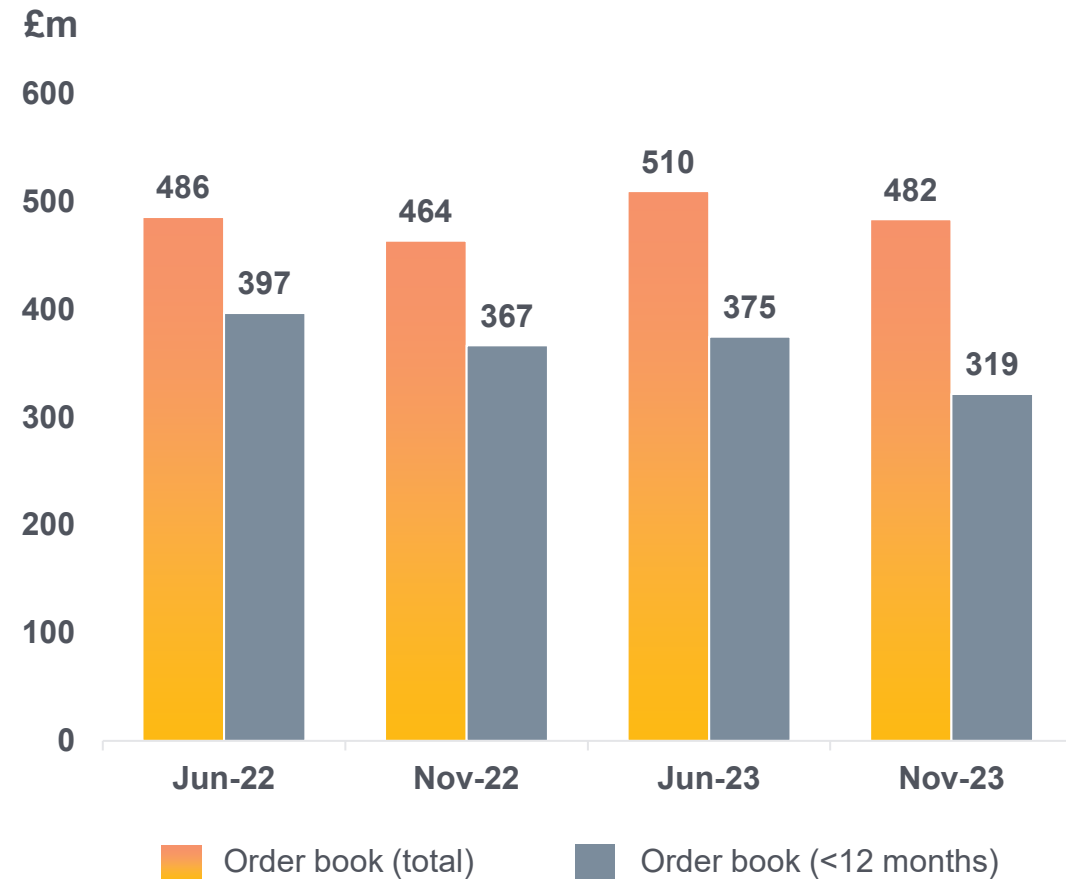


- Current trading conditions remain challenging:
 - Delays in pipeline conversion/client decision-making
 - Lower tendering activity and competitive pricing particularly in distribution
- Inflation manageable and reducing
- Steel supply continues to remain stable
- Favourable outlook in many market sectors
- Prominent position in sectors with strong growth potential including those in support of low-carbon economy

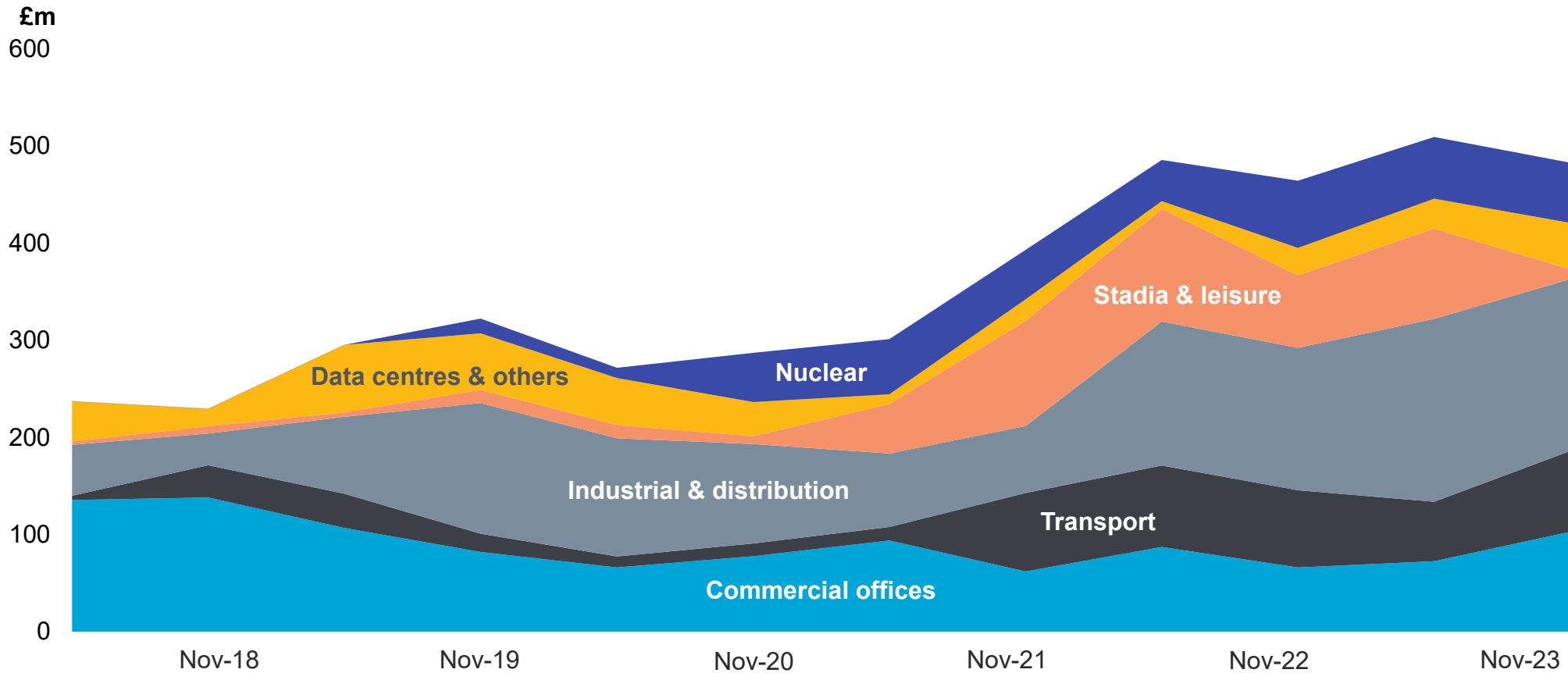
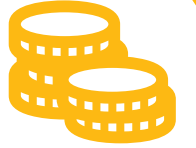
High-quality UK and Europe order book



Divisional mix (£m)	Nov-23	Jun-23
Group	482	510
Commercial and Industrial	326	372
Nuclear and Infrastructure	152	133
Modular Solutions	4	5
<hr/>		
UK	87%	90%
Europe and Ireland	13%	10%

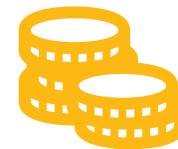


Diversified UK and Europe order book



Commercial and Industrial

Order book



	Nov-23 £326m	Jun-23 £372m	Future trend for Severfield
Industrial	51%	50%	■
Commercial offices	32%	19%	■
Distribution	3%	2%	▲
Data centres and other	9%	5%	▲
Stadia and leisure	3%	24%	▲
Health and education	2%	—	▲
Retail	—	—	▲
TOTAL	100%	100%	
UK	83%	89%	
Europe and Ireland	17%	11%	

- New orders secured for SeAH Wind, factories, data centres, and commercial offices
- Inflation is calming down, but current market conditions are challenging – in distribution sector and pause at Sunset Studios
- Demand for battery plants, factories, data centres, stadia and leisure projects, and commercial offices in UK and continental Europe
- Clients and supply chain value balance sheet strength
- Large, complex projects in pipeline play to Group's core competencies

Commercial and Industrial

A stronger position in Europe



Growing the Severfield brand and building a varied client base in Europe, and leveraging our UK scale and experience



Acquisition of VSCH provides us with a tangible manufacturing footprint in Europe – opportunities for growth in Netherlands and into other EU countries



Developing our capabilities that align with European markets that have strong growth potential – battery plants, data centres, residential, power and energy



New service offerings including turnkey offering for SMEs and upgrading electricity grid infrastructure to access new markets



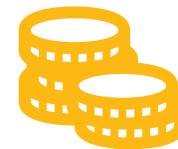
Continued quality manufacturing and consistent project delivery



Strong pipeline and building momentum – clear potential for further market consolidation and future growth in Europe

Nuclear and Infrastructure

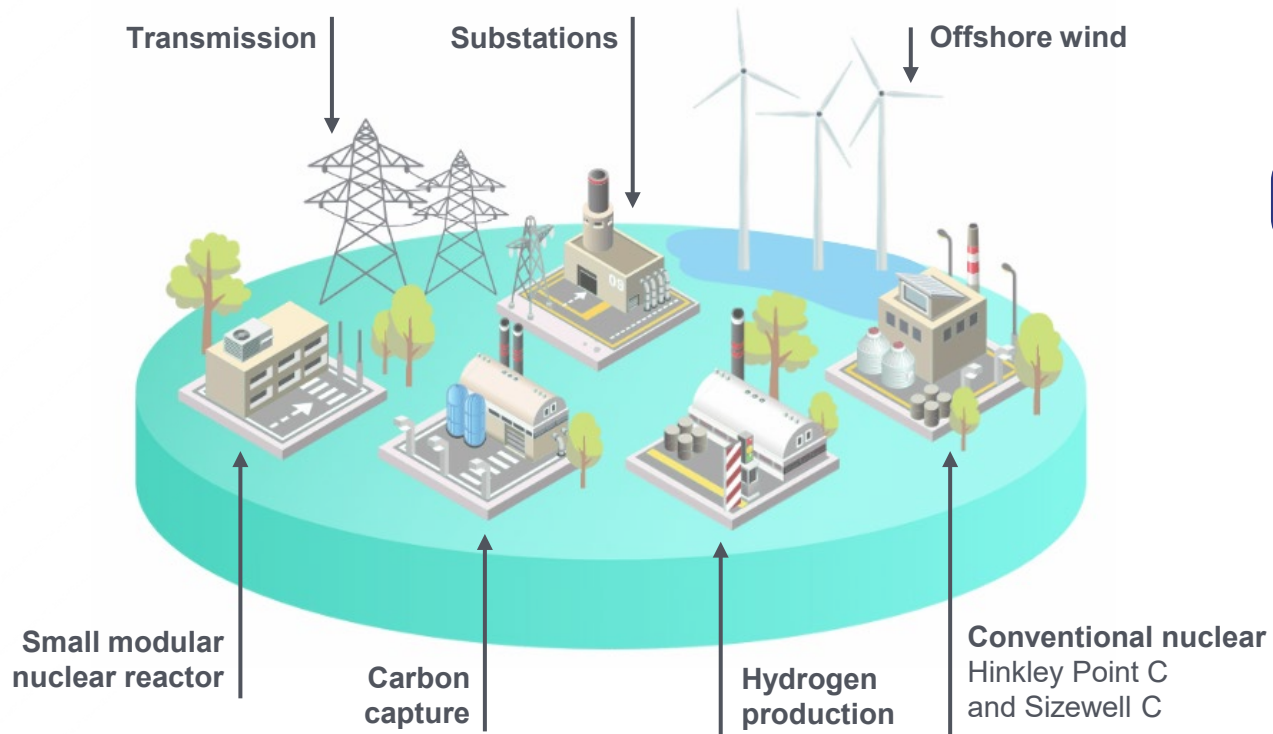
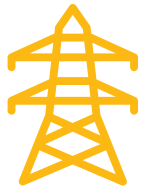
Order book



	Nov-23 £152m	Jun-23 £133m	Future trend for Severfield
Transport infrastructure	54%	47%	■
Nuclear	41%	47%	▲
Power and energy	5%	6%	▲
Process industries	—	—	▲
TOTAL	100%	100%	

- New orders for HS2 bridges and ancillary steelwork at Hinkley under frameworks
- Growing scope of work at Sellafield – Key Delivery Partner (KDP) on long term PPP framework
- Political support remains for infrastructure investment including HS2 at Euston, Northern Powerhouse Rail, and energy infrastructure
- Pipeline of opportunities in nuclear (new build, decommissioning, and defence), rail, HS2, roads, and green energy transition
- Group capabilities aligned to strong infrastructure growth

UK energy infrastructure momentum



UK energy security plan

Notable UK Government announcements in 2023

£157m modular reactor and nuclear technology

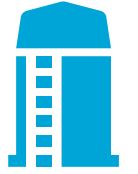
£170m Sizewell C cash boost

£160m offshore wind port infrastructure

£240m commercial hydrogen pilots

Significant growth potential in Nuclear and Infrastructure division

Severfield Modular Solutions



Consists of Severfield Products and Processing (SPP) and Construction Metal Forming (CMF) JV. Severfield Modular comprises three business areas:

Severstor

Specialist higher margin equipment housings for critical electrical equipment and switchgear.

Critical electrical equipment housing

Specialist buildings

Supply chain

Raw material fabrication and systems for the modular industry including steel cassettes and frames (hot and cold rolled steel capabilities).

Steel components for modular homes and buildings

Bulk handling solutions

Repeatable higher margin products including silo discharging systems.

Rotoflo



Growth opportunities

Severstor

- Accessible market increasing >£100m – driven by Net Zero targets
- Repeat orders with blue chip clients in power, rail, oil and gas sectors
- Growing pipeline in renewables and data storage
- Few competitors of scale

Supply chain

- Market growth in supply of modular buildings for education, healthcare, and modular homes
- Supply opportunities for steel sub-assemblies, systems for temporary accommodation and other buildings and factory-built houses
- Competition is sub-scale and struggling to adapt to demands and growth of the modular market

Rotoflo

- Established foothold in UK water treatment sector and Indian paint manufacturing sector
- Growth opportunities in chemical processing, food processing and wastewater treatment
- Global potential – UK, India, US, Australia and beyond



India

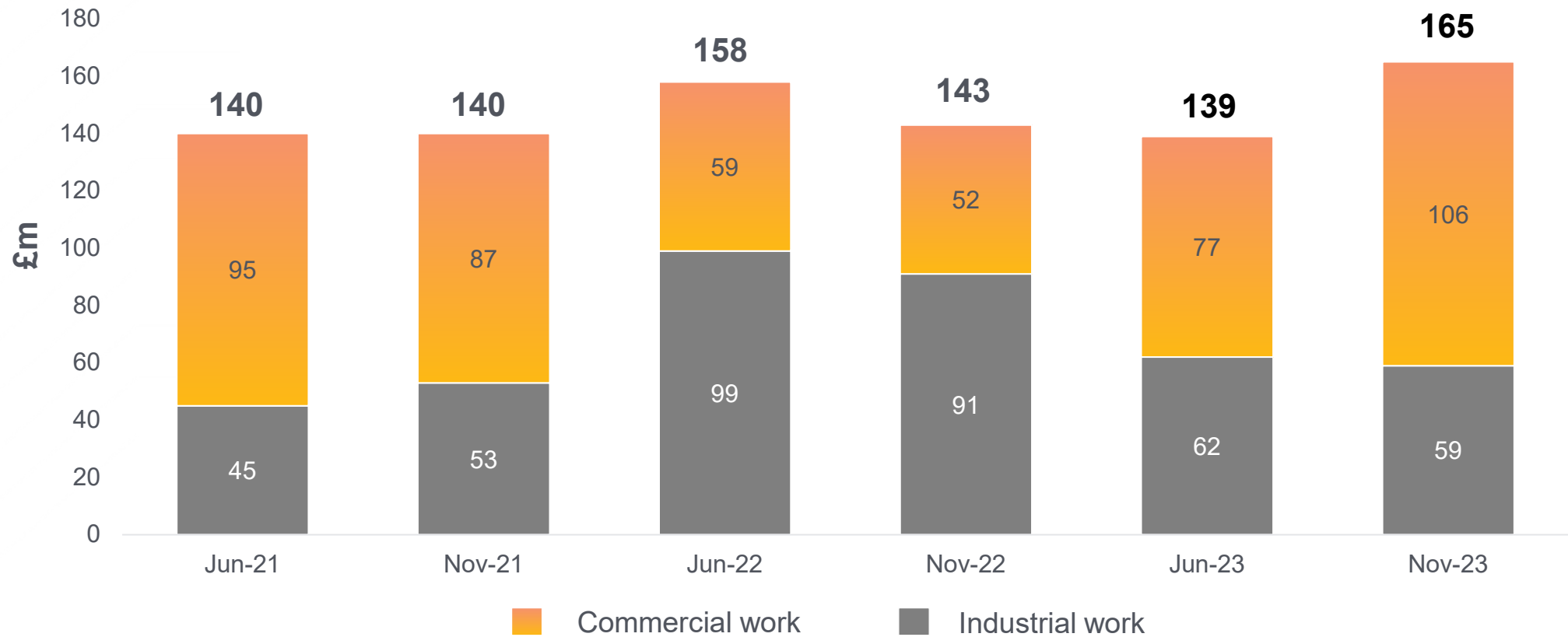
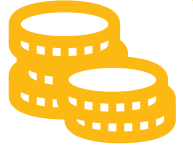


Building value in India



- Strong order book of £165m and high-quality projects in the pipeline
- Output for 2024 expected to exceed 100,000 tonnes for second year in a row
- Land now secured in Gujarat for future expansion
- Revalidated business plan has reaffirmed numerous growth opportunities in new and existing markets and value creation potential in JSSL
- India GDP to grow from £3 trillion in 2021 to £5.5 trillion in 2028
- Steel in construction expected to grow from c.5m tonnes in 2020 to 14-15m tonnes in 2028 with increasing bias towards factory-made steel

India order book



Increasing demand in target sectors





Summary and outlook

Summary and outlook

- Good H1 performance:
 - Profits up 17%
 - Strong cash generation and balance sheet
 - Increased interim dividend
- Order books remain strong and of high quality
- Market conditions continue to be challenging in some areas
- Very encouraging economic outlook in India and significant value creation opportunities
- Expectations for FY24 are unchanged
- Longer term outlook for Group remains favourable with excellent growth opportunities



Q&A

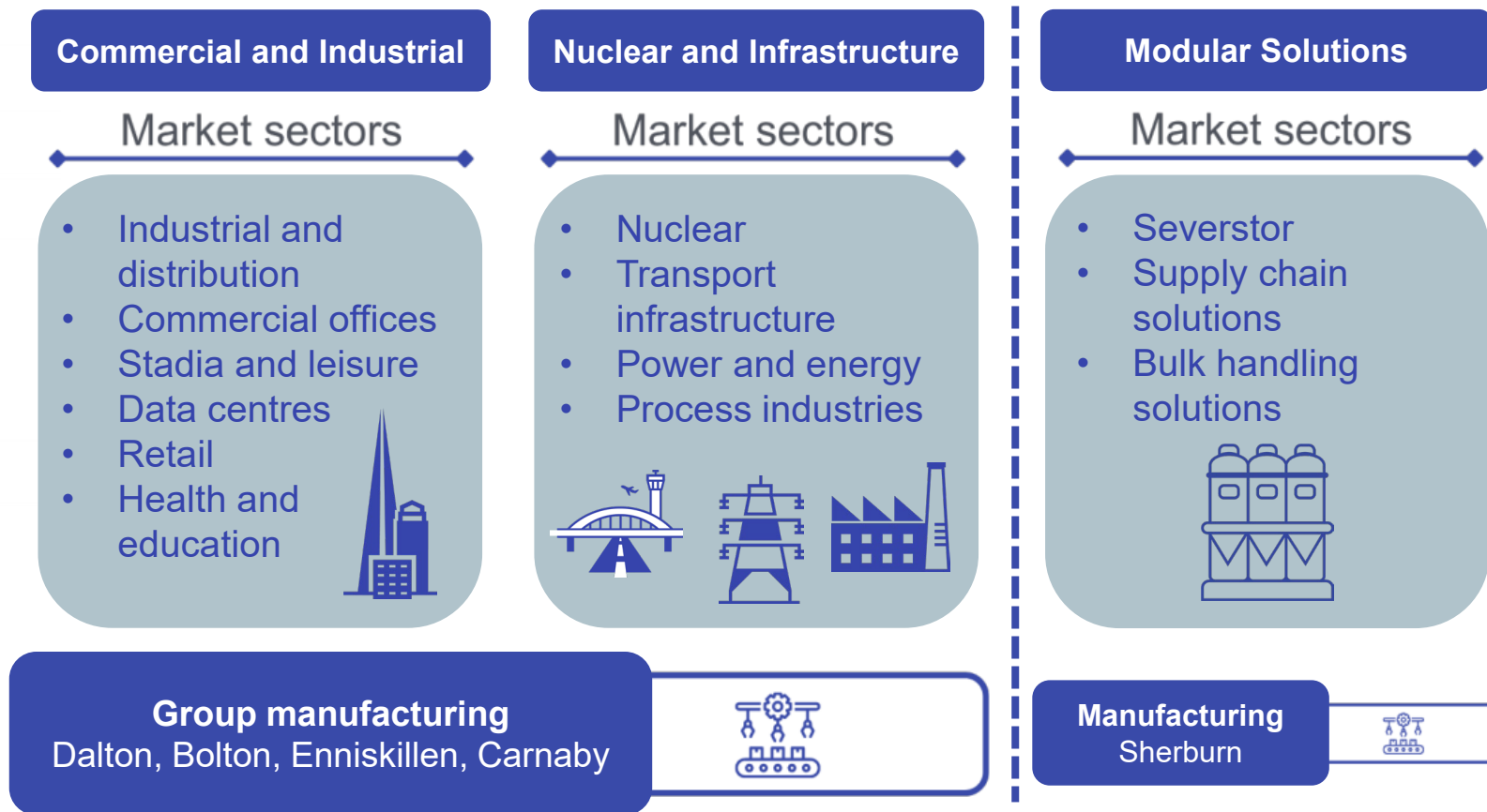
Appendices

Severfield at a glance

- UK and Europe's leading structural steel group
 - UK steel market: circa 900,000 tonnes
 - Strong market position in Europe
 - Fabrication facilities offer c.150,000 tonnes capacity
 - Established blue chip client base
 - Reputation for high-quality service and delivery
 - High barriers to entry
- Delivering on well-defined strategic goals and performance targets
 - Strategy unchanged – based on growth, both organic and through selective acquisitions
 - Good momentum with digitisation (Project Horizon), operational improvements and ESG initiatives
 - Market sector, geographical and client diversity
- Strong shareholder returns profile
 - Cash generative business model
 - Strong balance sheet position
 - Progressive dividend policy
- Track record of consistent and resilient performance

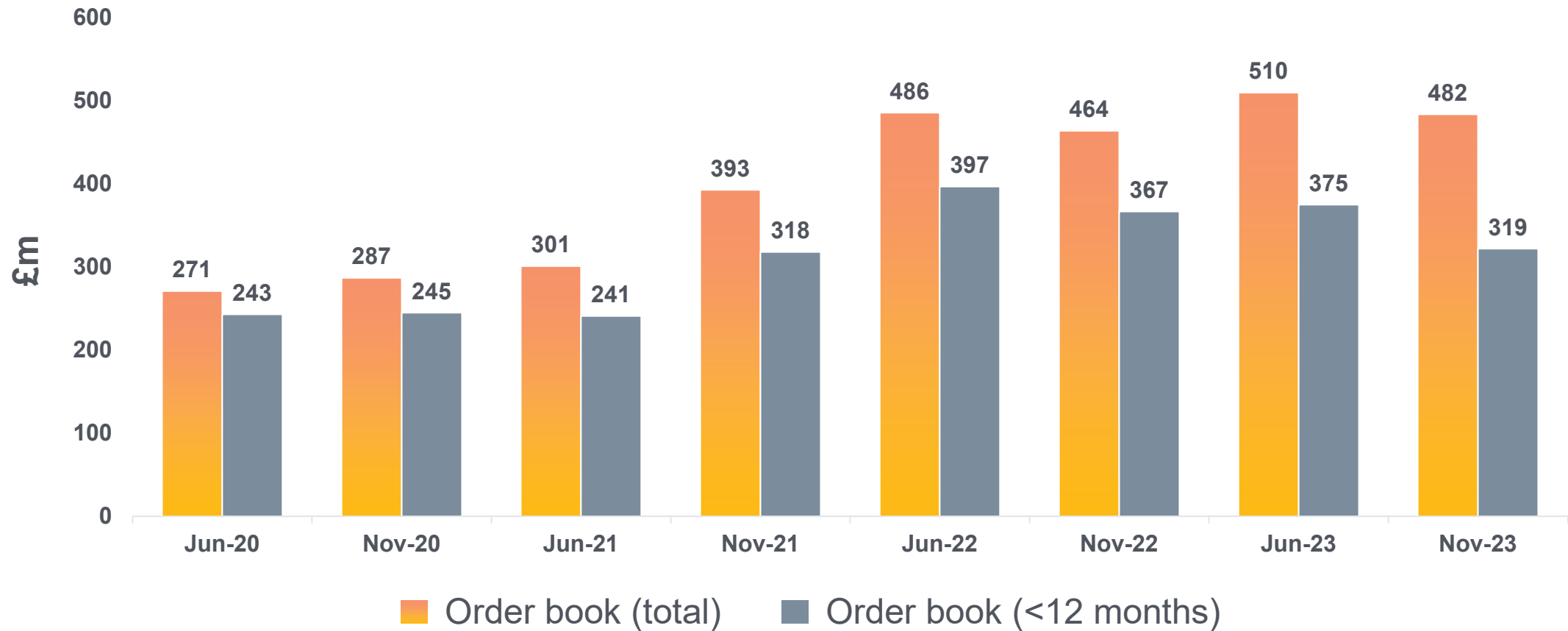
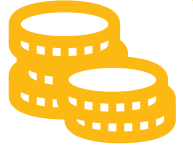


Divisional structure

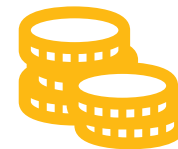


- Divisional structure aligns our businesses with the markets we serve and our growing customer base

UK and Europe order book



India – summary of investment and results to date

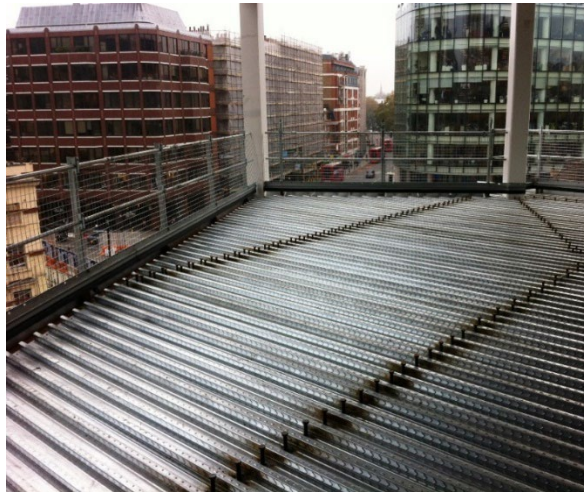


£m

Equity invested by Severfield since 2009		23.6	(Matched by JSW)
Severfield share of losses at 25 March 2023	(4.1)		
Severfield share of profits for the period	0.6		
Severfield net investment at 23 September 2023		<u>20.1</u>	



Metal decking and studs



Purlins and rails



Load bearing framing



Severfield Products and Processing



Severstor



Supply chain solutions



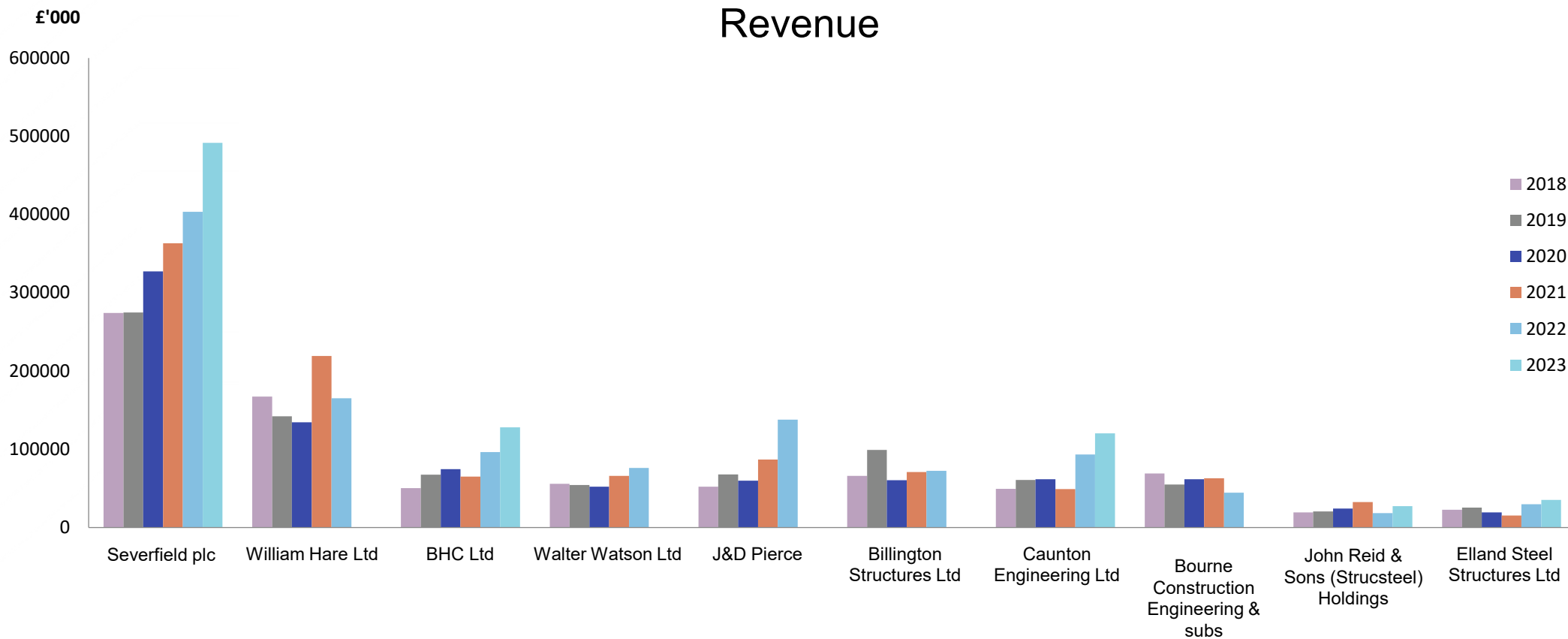
Rotoflo



- Annual capacity of 25,000 tonnes at our Sherburn facility depending on product mix

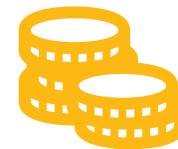


Competitors



*J&D pierce has been pro-rated to adjust for a 17-month period.

Shareholder analysis summary



JO Hambro Capital Management	8.86%
M&G Investment Management	7.89%
Chelverton Asset Management	7.76%
Unicorn Asset Management	6.92%
Threadneedle Asset Management	5.42%
Invesco (including Perpetual and Trimark)	5.40%
Aberforth Partners	4.73%
Jupiter Asset Management	3.19%
abrdn Investment Management Ltd	3.10%
Legal & General Investment Management	2.60%