

# Interim Results

30 September 2015



**Ian Lawson**  
Chief Executive Officer



# Highlights



- **Revenue £117m** up 20%
- Underlying **profit** before tax of **£4.8m**
- UK underlying **operating margin** at **4.3%**
- **Good cash generation**
- **India:** operating margin up at 7.4%, share of losses for the half year **£0.1m**
- **UK order book of £185m**
- **Pipeline** of new opportunities remains robust
- **India order book of £35m**
- **Growth strategy** progressing well with continued **operational improvements and purchase of 50% stake in CMF**
- Underlying EPS at 1.32p
- Interim **dividend of 0.5p per share**
- Leadenhall progressing in line with expectations



- UK steel is an important part of our supply chain
- Severfield's exposure to Tata steel plate mills is limited to plate less than 25mm
- Approximately 40% of the steel used in construction is originally sourced from the UK
- Trading agreements in place with all the alternative providers



**We are well positioned to manage any change in UK steel supply**

**Alan Dunsmore**  
Finance Director

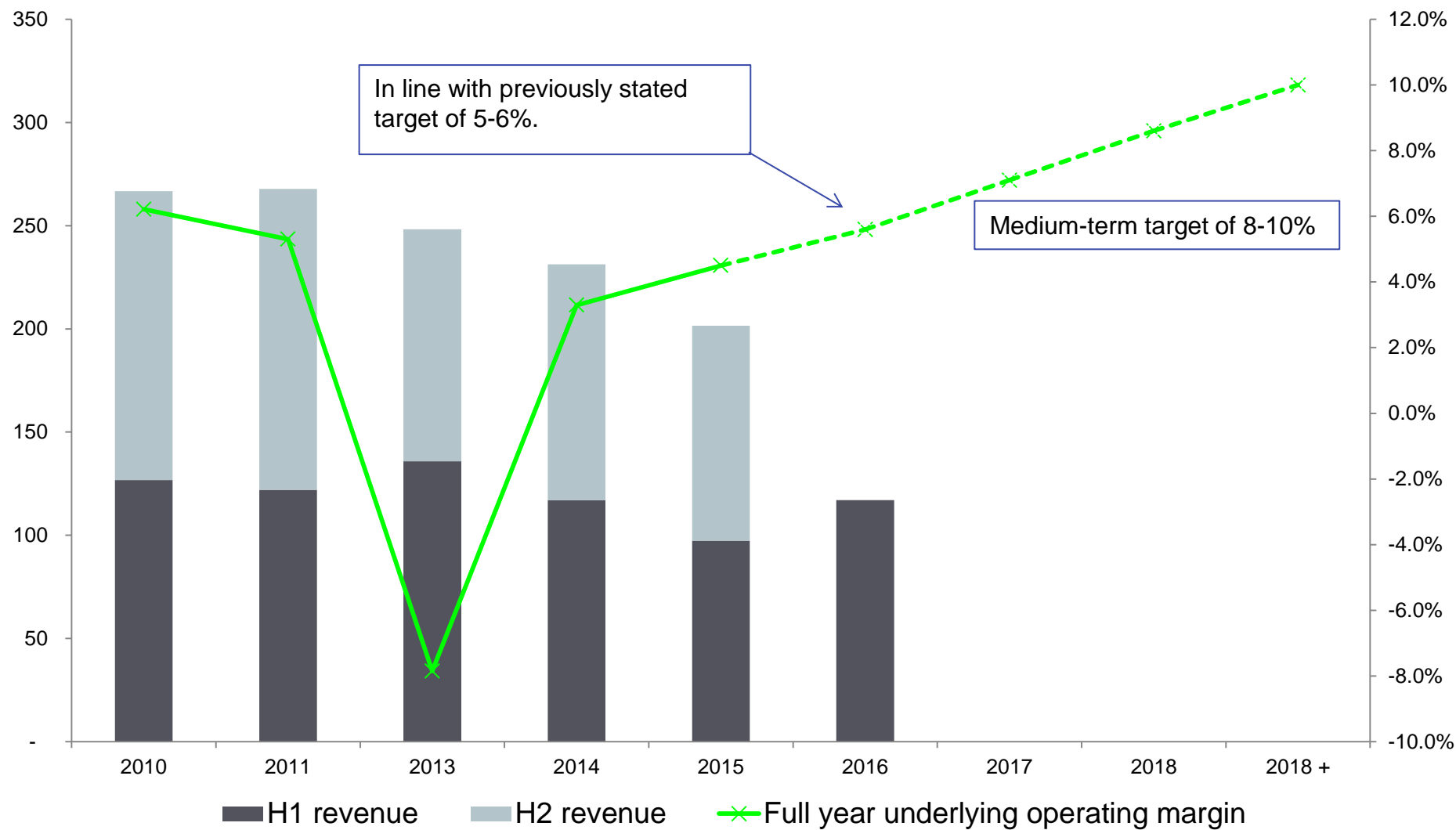


# Income statement

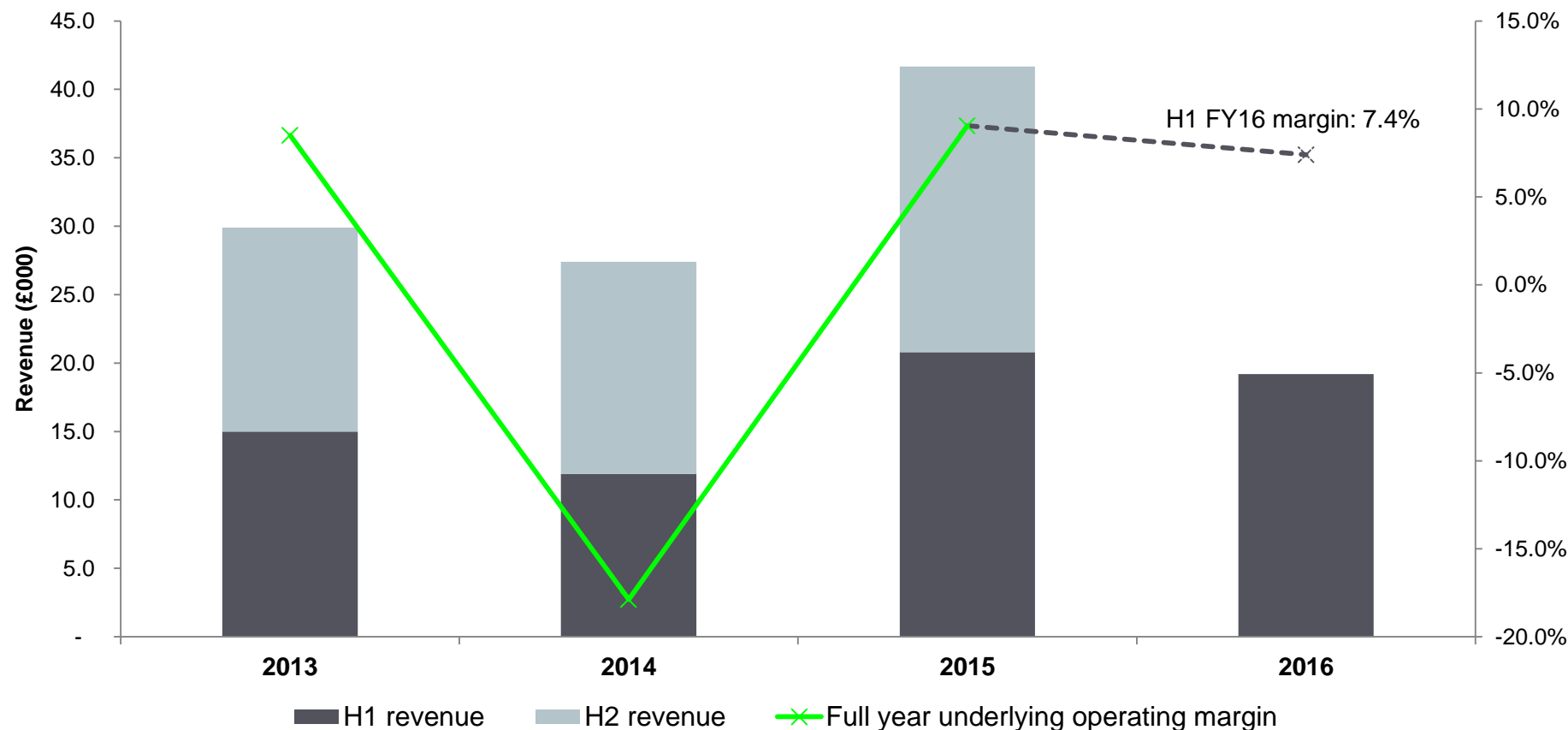


(£m)	6 months to 30 Sept 2015	6 months to 30 Sep 2014
<b>Revenue</b>	<b>117.1</b>	<b>97.4</b>
<b>Underlying Group operating profit (before JVs and associates)</b>	<b>5.0</b> <b>4.3%</b>	<b>3.6</b> <b>3.7%</b>
<b>Results of JVs and associates</b>	<b>(0.1)</b>	<b>(0.3)</b>
<b>Net finance expense</b>	<b>(0.1)</b>	<b>(0.3)</b>
<b>Underlying profit before tax</b>	<b>4.8</b>	<b>3.0</b>
<b>Tax</b>	<b>(0.8)</b>	<b>(0.6)</b>
<b>Underlying profit after tax</b>	<b>3.9</b>	<b>2.5</b>

# Revenue and margin



# Financial highlights - India



- Production volume 18,000 tonnes (2014: 23,000 tonnes)
- Order book £35m
- Financing costs result in reported net share of loss



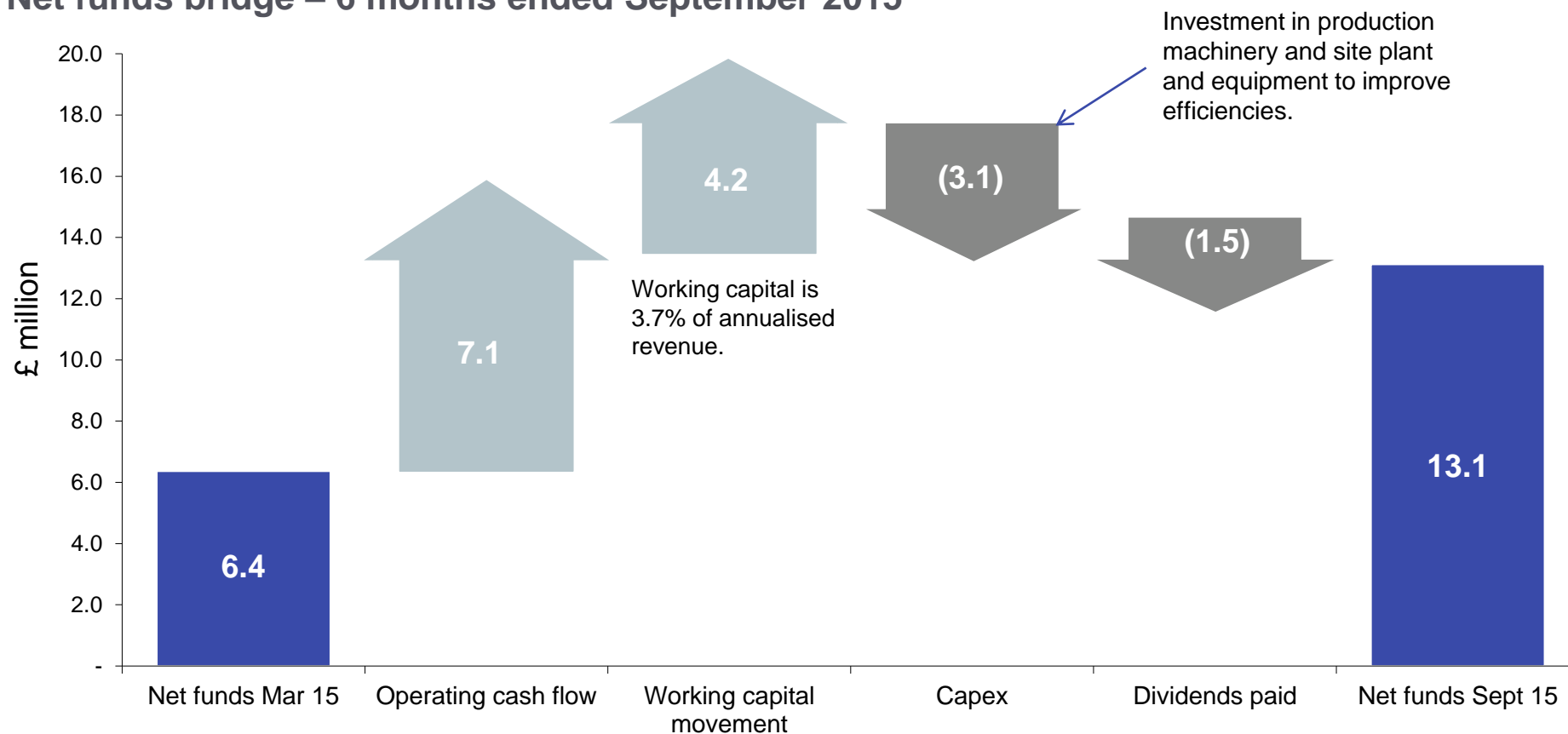
# Balance sheet



(£m)	30 Sept 2015	31 Mar 2015
<b>Non-current assets</b>	<b>143.8</b>	<b>145.1</b>
<b>Current assets:</b>		
<b>Inventories</b>	<b>4.8</b>	<b>4.8</b>
<b>Trade and other receivables</b>	<b>57.0</b>	<b>64.6</b>
<b>Cash and cash equivalents</b>	<b>13.6</b>	<b>6.9</b>
	<b>75.3</b>	<b>76.3</b>
<b>Total assets</b>	<b>219.1</b>	<b>221.4</b>
<b>Less:</b>		
<b>Current liabilities</b>	<b>(57.1)</b>	<b>(59.5)</b>
<b>Borrowings</b>	<b>(0.7)</b>	<b>(0.8)</b>
<b>Retirement benefit obligations</b>	<b>(14.5)</b>	<b>(16.5)</b>
<b>Deferred tax liabilities</b>	<b>(3.2)</b>	<b>(4.0)</b>
<b>Total liabilities</b>	<b>(75.5)</b>	<b>(80.8)</b>
<b>Net assets</b>	<b>143.6</b>	<b>140.6</b>

# Cash flow

## Net funds bridge – 6 months ended September 2015



RCF facility of £25m with HSBC and National Australia Bank - matures in July 2019

Financing capacity - Accordion facility of £20m available at Group's request

Leverage covenant of <2.5x, interest cover covenant of >4x

# Statutory profit reconciliation



(£m)	6 months to 30 Sept 2015	6 months to 30 Sep 2014
Underlying profit after tax	3.9	2.5
Amortisation of acquired intangible assets	(1.3)	(1.3)
Movements in value of derivative financial instruments	(0.3)	-
Tax on non-underlying items	0.3	0.3
<b>Statutory profit after tax</b>	<b>2.6</b>	<b>1.4</b>
Underlying EPS*	1.32p	0.83p
EPS	0.89p	0.48p
Interim dividend per share	0.50p	-

\* There is no difference between basic and diluted EPS in both periods.

**Ian Lawson**  
Chief Executive Officer



# Market sectors

*Power and energy*



*Stadia and leisure*



*Health and education*



*Industrial and distribution*



*Retail*



*Commercial offices*



*Transport*



*Data centres and other*





# Current major projects

*Liverpool Football Club, Anfield Stadium Expansion*



*Principal Place*

*M8 Bridge*



*Distribution Unit, Birch Coppice*





# Current major projects

*Nova, Victoria, London*



*1 New Street Square, London*



*3 Pancras Square, London*



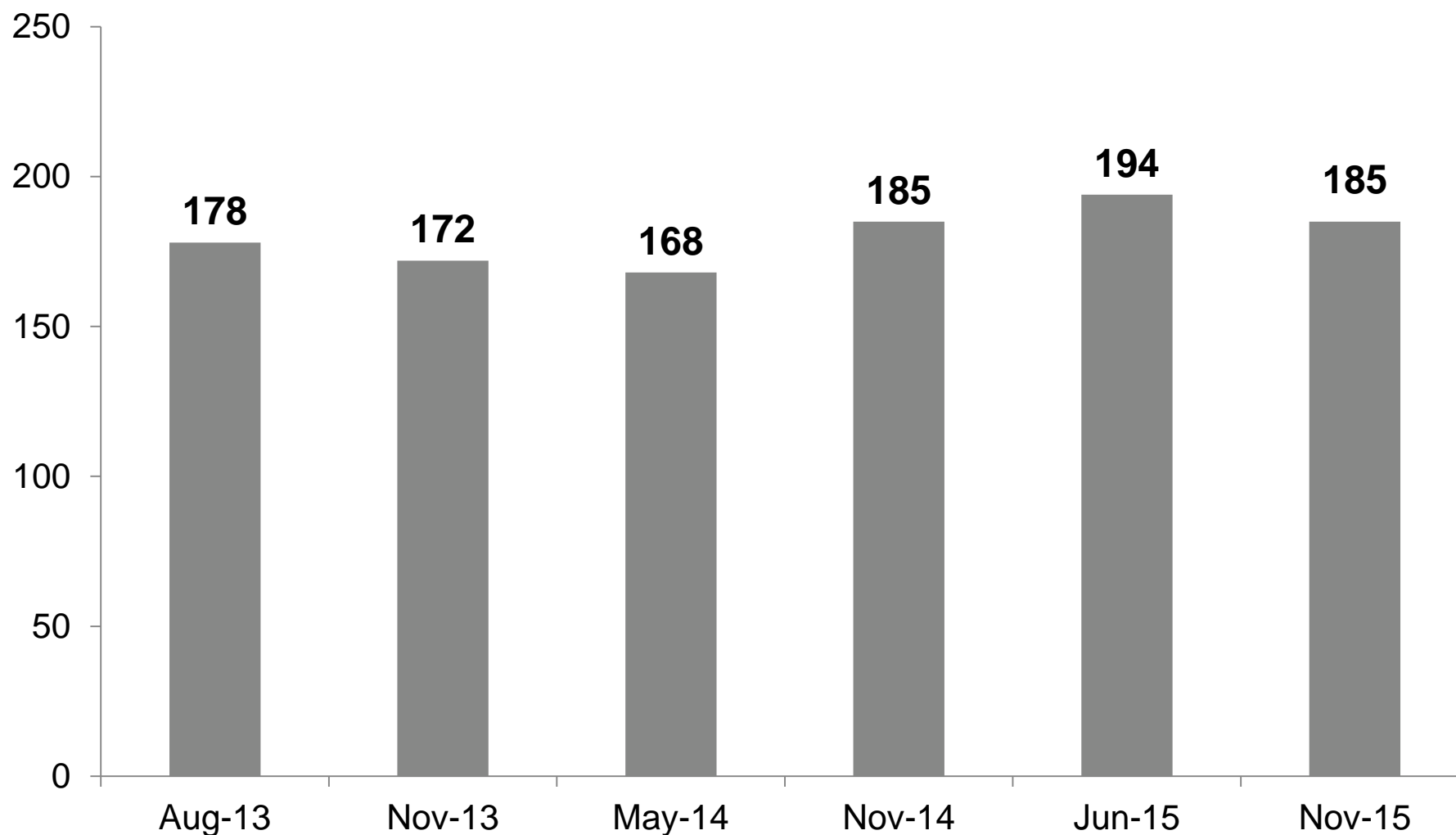
*Distribution Centre, Milton Keynes*



*Covanta Waste to Energy, Dublin*



## Consistent and quality order book (£m)



Sector	Jun 2015 £194m	Nov 2015 £185m	Future Trend
Commercial offices	32%	33%	➡
Transport	26%	17%	↗
Industrial and distribution	19%	27%	➡
Stadia and leisure	7%	3%	➡
Power and energy	5%	9%	↗
Data centres and other	4%	2%	↗
Retail	4%	5%	↗
Health and education	3%	4%	➡

## Private development

### London commercial market

- Shortage of supply still envisaged
- We see this enticing developers to start further developments

*Source: Deloitte Real Estate (Winter 2015)*

### Industrial

50 million square feet of logistics property will be required to meet the demand of the online retail sector

*Source: Savills Big Shed Briefing October 2015*

## Infrastructure development

### Overall

National Infrastructure Commission launched and Chancellor pledged to spend £100bn in this Parliament

### Major UK pipeline projects

- Rail → NR/HS2/Crossrail 2
- Nuclear → Hinkley/Wylfa
- Airport → Heathrow
- Road → HE programme

**We continue to see signs of strong sustainable growth across our core sectors**



## Historic

- Europe recovered later from the financial crisis than the UK. Construction output declined until 2013 and 2014 only showed low growth levels

## Current

- More recently we are seeing an annual growth in forecast construction output levels of 2.1-2.2% in the near term, 2015 to 2017
- We are seeing evidence of this with the increase in European activity of some of our customers in the region

## Future

- Beyond 2017 Europe is forecasting a sustained period of growth in construction output
- This will rise from current levels and some commentators believe this could be up to 4.9% annual growth in 2020



**Europe is returning as an attractive market, particularly for infrastructure**

# Prospects



*Facebook, Dublin*

*Newfoundland Tower, London*

*Court 1 Roof, Wimbledon*

*Uniserve, Felixstowe*

# Prospects



*Goldman Sachs London Development Project*

*Gotham City, London*

*Tottenham Hotspur FC Stadium*

# Current projects - India

*K. Raheja Metal Box, Mumbai*



*Godrej Factory, Dahej*



*Intel Office, Bangalore*



*Altair, Colombo, Sri Lanka (Residential)*



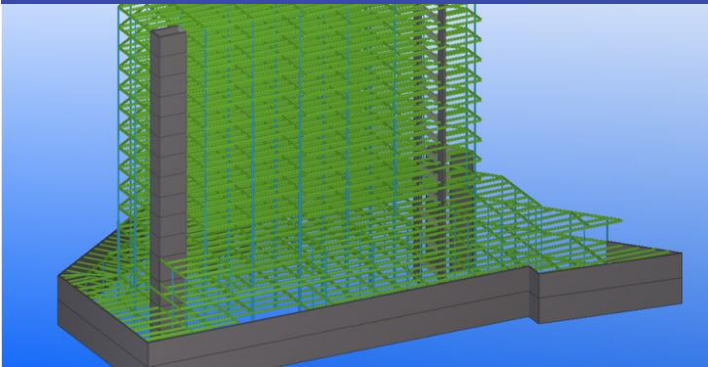
*MIDC Office, Mumbai*



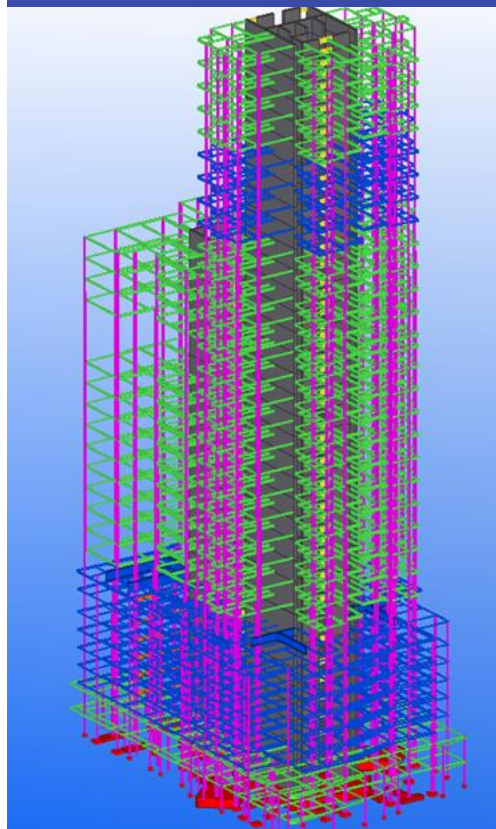
- Margins remain competitive
- Concrete vs steel
- Industrial vs commercial

# Prospects - India

*Splendor-62, Gurgaon*



*Earth Enclave, Mumbai*



*Sesen Satellite, Mumbai*



*Advant Tower C, Noida*



- GDP at 7%
- Government infrastructure spend slow to start
- International investment becoming more apparent



# Group outlook



- **Good results**
  - Order book of £185m
  - Improving margins
  - Good cash generation
  - India stable
- **Improving market place**
  - UK infrastructure spend
  - Framework opportunities
  - Clients seeking pre-contract engagement
  - Europe returning as attractive market for infrastructure
- **Strategy on track**
  - Building value in India
  - Improved technology
  - New market sectors
  - Operational excellence



For more information:

**Ian Lawson** – Chief Executive Officer  
**Alan Dunsmore** – Finance Director

+44 (0) 1845 577 896  
Severs House, Dalton Airfield Industrial Estate  
Dalton, Thirsk  
North Yorkshire, YO7 3JN, UK  
[www.severfield.com](http://www.severfield.com)

