Severfield

Full Year Results

to 31 March 2016

Ian Lawson
Chief Executive Officer

Highlights

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- **Underlying profit before tax up 59% at £13.2m**
- Revenue up 19% at **£239.4m**
- **Strong cash performance** with net funds of **£18.7m**
- UK order book at **£270m**
- Stable performance from Indian business
- India order book at **£33m**
- Underlying basic EPS at **3.67p**
- Final dividend of **1.0p** per share
- Three year margin strategy achieved
- Now targeting to **double profits over next four years**

Market conditions - UK

- **Modest forecast economic growth** over the next few years is expected to be **mirrored in construction markets**
- **Growing infrastructure spend** is occurring and is expected to continue. In the last 12 months, we have continued to increase our competence to capture this market
- Some clients are still insisting on unacceptable terms and conditions, **we continue to be robust** and selective in contract acceptance
- **Recent steel price increases have been steep**, but from a low base to levels similar to two years ago

Steel industry update

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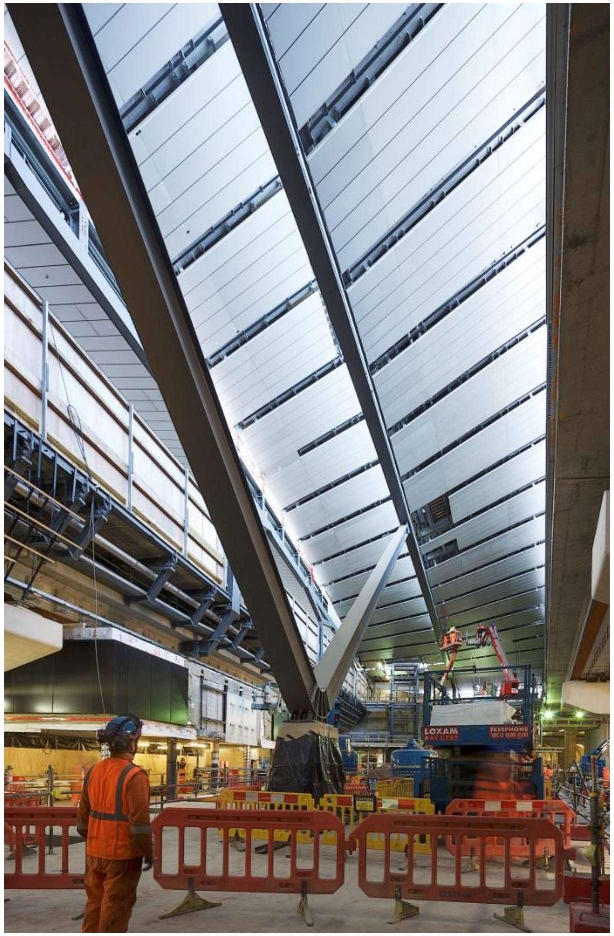
- **Steel prices are showing signs of recovering** to more realistic long-term averages and we continue to manage pricing risk through our customer contracts and supply agreements
- **UK steel remains an important part of our supply chain** and is now being supported by UK Government in public procurement projects
- Whilst **Severfield seeks to support UK steel**, only 40%[1] of the steel used in all UK construction is originally sourced from the UK

[1] *BCSA estimate*

Steel industry update

- Severfield procures three main steel types;
  - **Sections** - supplied by Tata Long Products, recently acquired by Greybull Capital (British Steel)
  - **Plate** - supplied by UK mill Spartan in Newcastle and European mills; Voestalpine, DanSteel, Dillinger – opportunity for Liberty Steel to add to our UK sources of supply
  - **Tube** - supplied through a distributor; the supply is a mix of Tata in the UK and European mills
- Trading agreements are in place with all the alternative providers who currently supply the UK such as ArcelorMittal, Salzgitter and Celsa



We remain well positioned to manage any change in UK steel supply

Alan Dunsmore

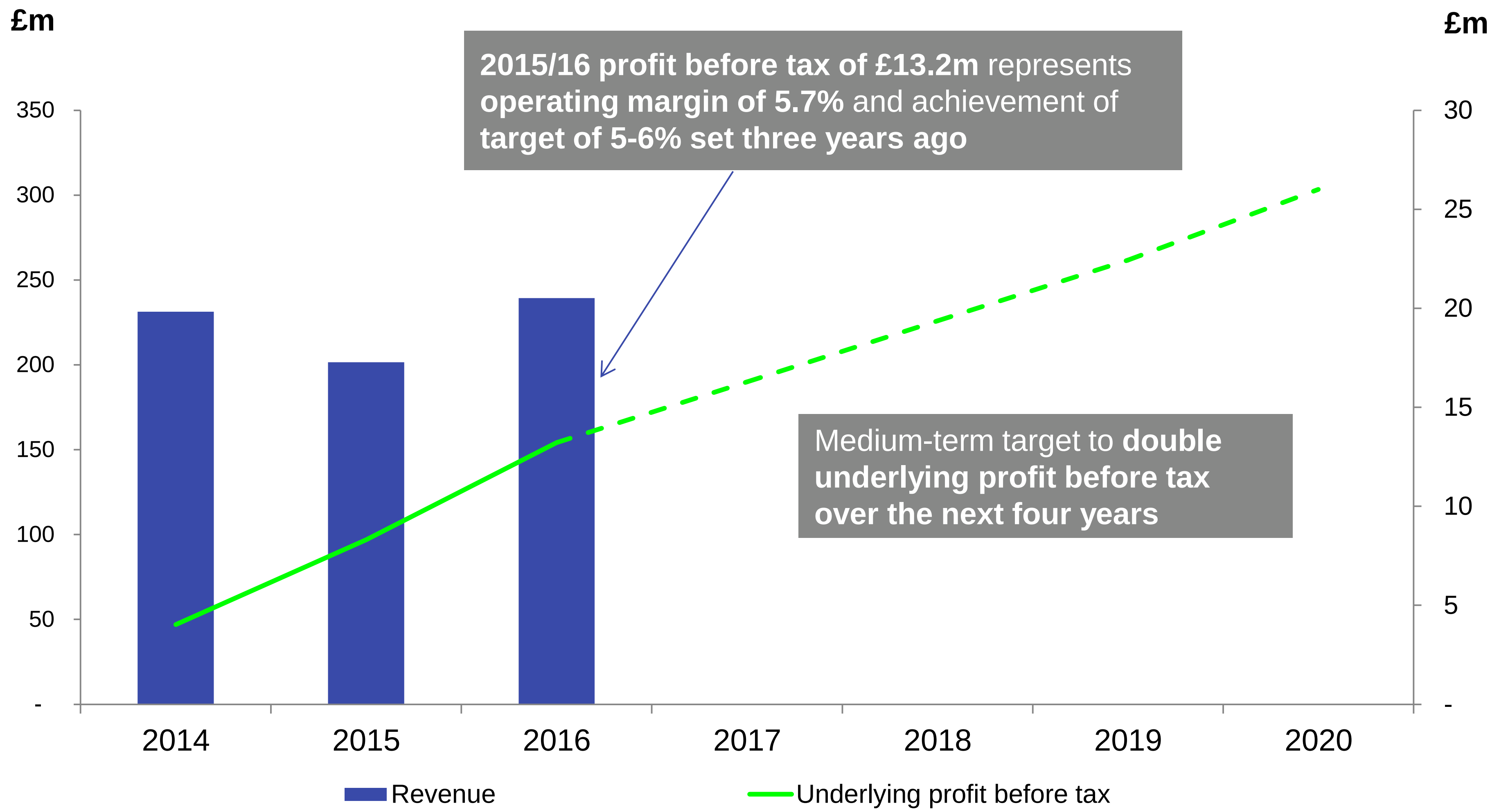
Finance Director

Income statement

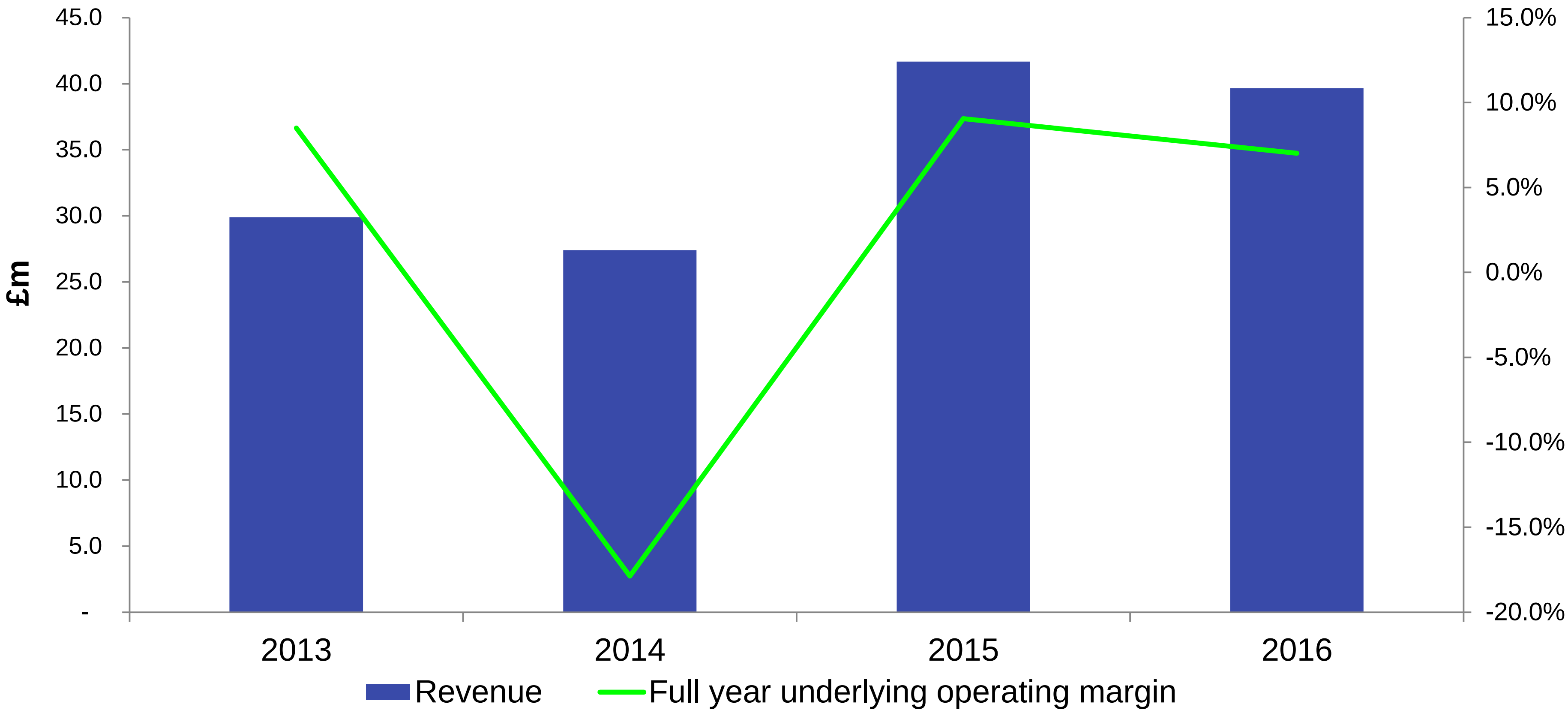
Severfield

(£m)	12 months to 31 Mar 2016	12 months to 31 Mar 2015
Revenue	**239.4**	201.5
Underlying Group operating profit (before JVs and associates)	**13.7** ***5.7%***	9.0 *4.5%*
Results of JVs and associates	**(0.2)**	(0.2)
Net finance expense	**(0.2)**	(0.4)
Underlying profit before tax	**13.2**	8.3
Tax	**(2.3)**	(1.4)
Underlying profit after tax	**10.9**	6.9

Revenue and profit



Financial highlights - India



- Production 36,000 tonnes (2015: 48,000 tonnes)
- Order book £33m
- Financing costs result in reported net share of loss
- Debt repayment commenced

Balance sheet

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(£m)	31 Mar 2016	31 Mar 2015
Non-current assets	**149.3**	145.1
Current assets:		
Inventories	**5.3**	4.8
Trade and other receivables	**50.7**	64.6
Cash and cash equivalents	**19.0**	6.9
	75.0	76.3
Total assets	**224.3**	221.4
Less:		
Current liabilities	**(58.0)**	(59.5)
Borrowings	**(0.6)**	(0.8)
Retirement benefit obligations	**(14.6)**	(16.5)
Deferred tax liabilities	**(2.9)**	(4.0)
Total liabilities	**(76.1)**	(80.8)
Net assets	**148.2**	140.6

Cash flow

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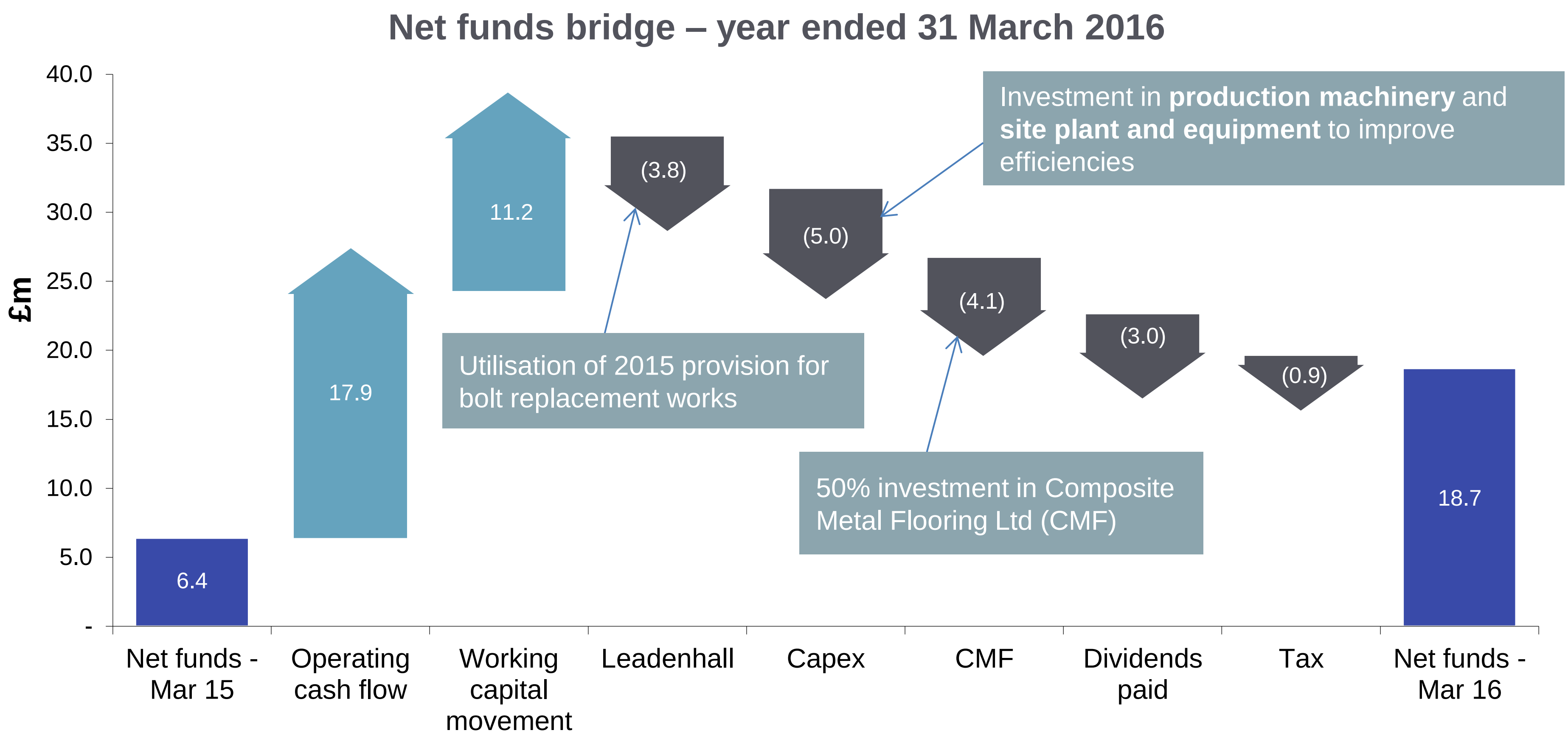

RCF facility of £25m with HSBC and National Australia Bank - matures in July 2019
Financing capacity - Accordion facility of £20m available at Group's request
Leverage covenant of <2.5x, interest cover covenant of >4x

Summary of investment

Capital investment	£m
Factory production-related equipment	1.8
Seversafe systems	0.9
Health, safety and environmental improvements	0.7
Construction site equipment	0.6
Other	1.0
Total	**5.0**

Strategic investment	£m
50% investment in CMF*	4.0

- Return on capital employed (‘ROCE’) was 9.7% in 2015/16 (6.1% in 2014/15)
- Group ROCE target is to exceed 10% over whole economic cycle

**Total consideration is £7.0m, initial payment (above), additional working capital payment (£0.4m), transaction costs (£0.1m) plus deferred consideration (£2.5m).*

Future cash allocation

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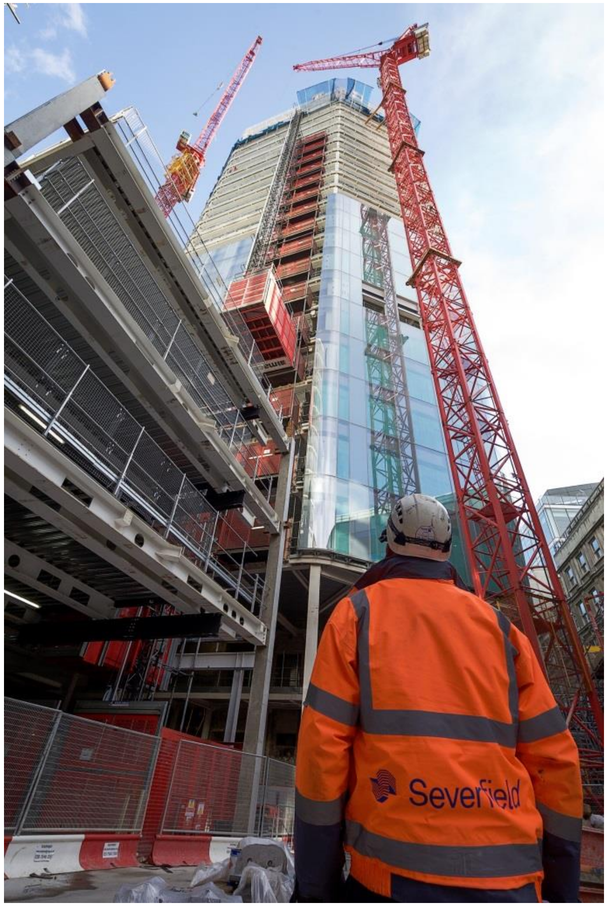
- Group's business model generates good consistent cash flows
- Future cash flows will be used to:
  - Support working capital requirements and investment for growth
  - **Grow core dividend** as profits grow
  - Support further **strategic investment** opportunities
  - Provide **additional returns to shareholders**
- Good net funds position will be maintained on balance sheet
- All capital investment in business will meet strict investment criteria



Ian Lawson
Chief Executive Officer

Market sectors

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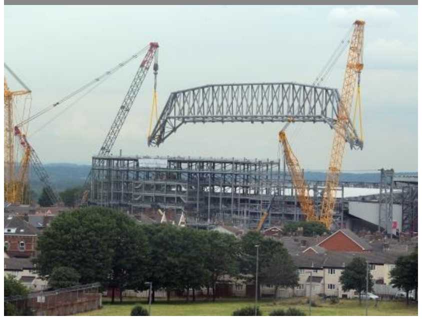
Power and energy

Stadia and leisure



Health and education

Industrial and distribution

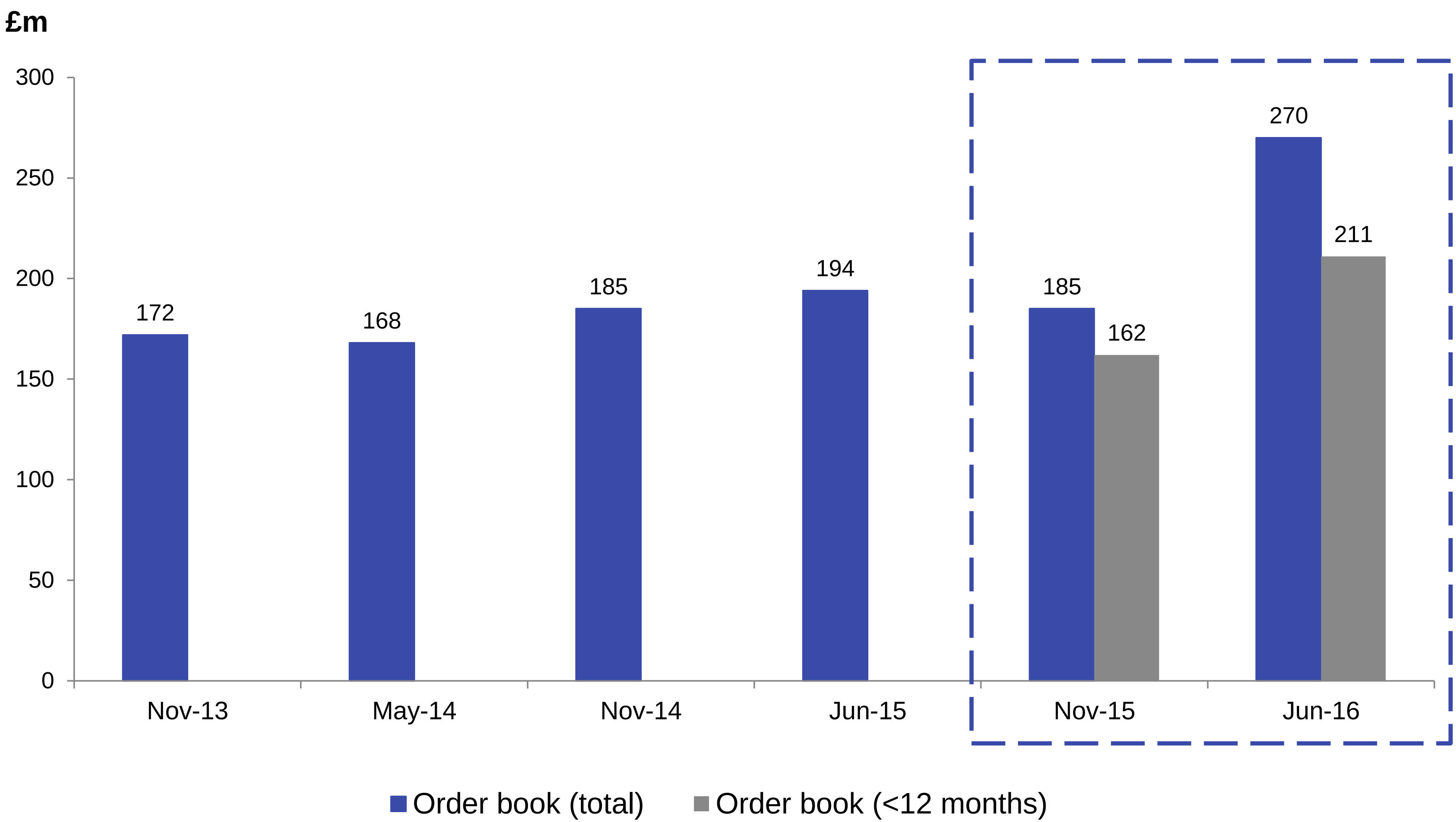
Retail

Commercial offices

Transport

Data centres and other

High quality order book



Current major projects

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One New Street Square, London

25-33 Chancery Lane, London

London Bridge Station Canopies

Current major projects

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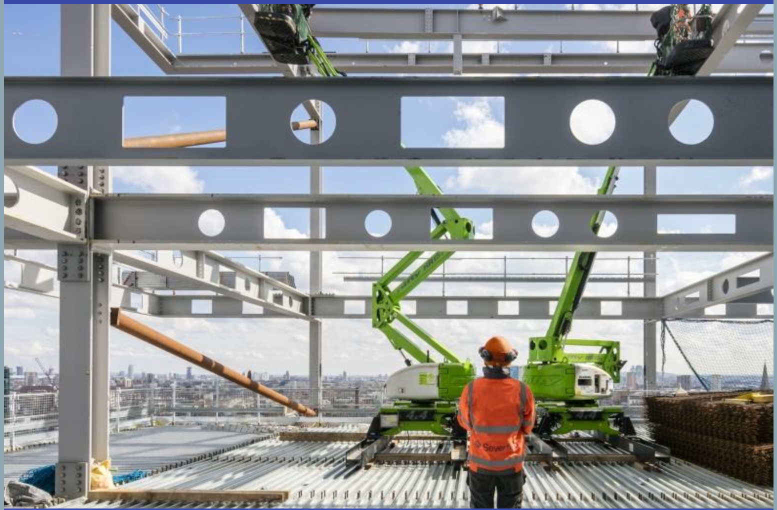
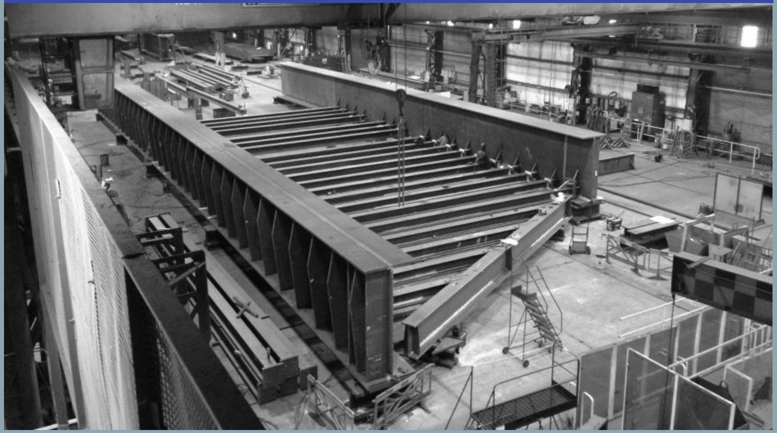
DHL Warehouse Extension, East Midlands Airport

Court 1 Roof, Wimbledon

Principal Place, London



Ordsall Chord, Manchester



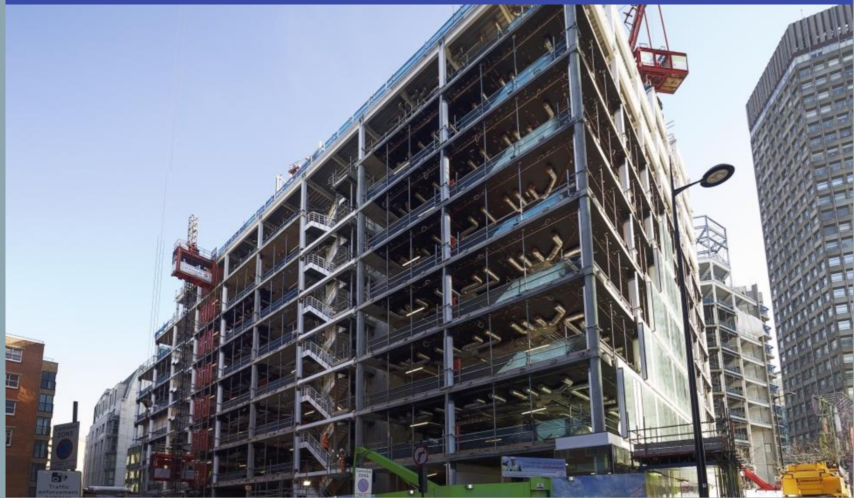
Current major projects

Goldman Sachs London Development Project

Covanta Power Station, Dublin

Tottenham Hotspur FC Stadium

Verde, SW1



UK order book

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Sector	Nov 2015 £185m	**Jun 2016 £270m**	**Future Trend**
Commercial offices	33%	**39%**	→
Stadia and leisure	3%	**27%**	→
Industrial and distribution	27%	**11%**	→
Transport	17%	**9%**	↗
Power and energy	9%	**5%**	↗
Retail	5%	**4%**	↗
Data centres and other	2%	**2%**	↗
Health and education	4%	**3%**	→

Market prospects

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Industrial

The buoyant industrial investment market requires additional development to meet demand.

Commercial

The commercial market is strengthening in the regions, a trend we are following.

Infrastructure

The national infrastructure plan demonstrates significant commitments to current and future infrastructure programmes.

Our key areas of focus are transport and energy, which together command £200 billion of projects over the next five years.

Our core markets of commercial, industrial and infrastructure continue to generate growth opportunities

Prospects

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Charter Place, Watford

1 Crown Place, London

Uniserve, Felixstowe

Prospects

Capital Block, Dublin

Manchester Airport Terminal 2 Extension

21-31 New Oxford Street, London

Arndale Shopping Centre, Eastbourne

Market conditions - India

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- **GDP growth expected to be above 7%** for foreseeable future
- **Construction sector expected to be good** due to significant infrastructure requirements and real estate demand
- **Steel consumption per capita expected to grow** continuously in the medium-term
- The Indian government is pushing hard for **'Make in India'**, **'Smart Cities'** urban development and other initiatives to develop the country and stimulate growth
- There is a **growing focus on more modern methods of construction**, green building solutions and good health and safety practices. Value is slowly replacing price as a key factor
- **Continued encouragement of Foreign Direct Investment (FDI)**, particularly that which taps into upskilling labour and improving technology

Current projects - India

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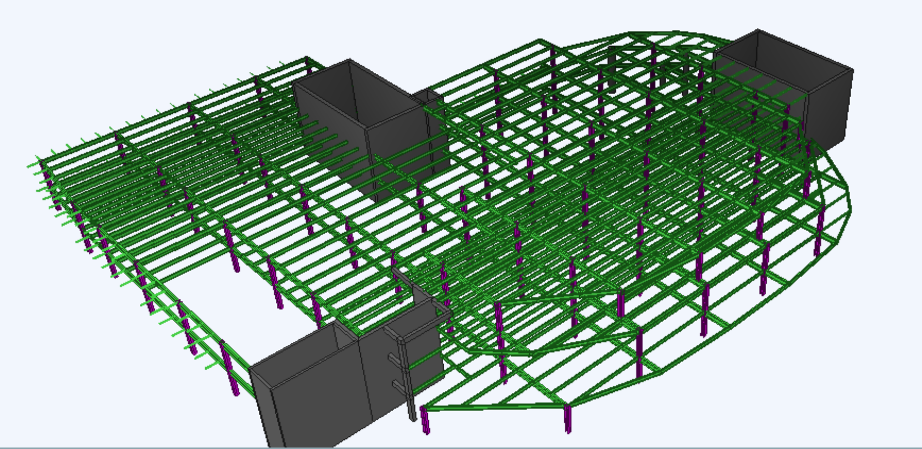
Earth Classic (residential), Mumbai

Hubtown Solaris Office Extension, Mumbai



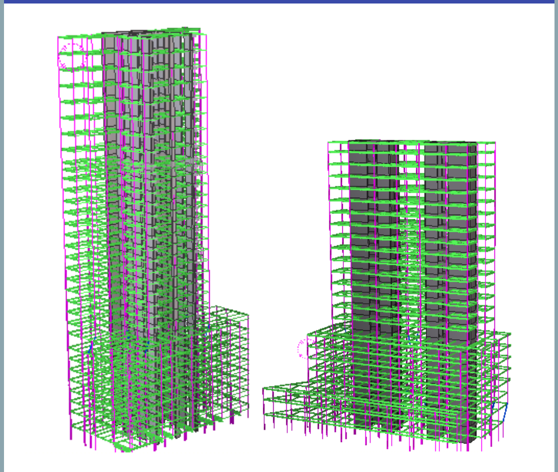
JSW Conveyor, Dolvi

ITC, Panchla

GSK Factory, Bangalore

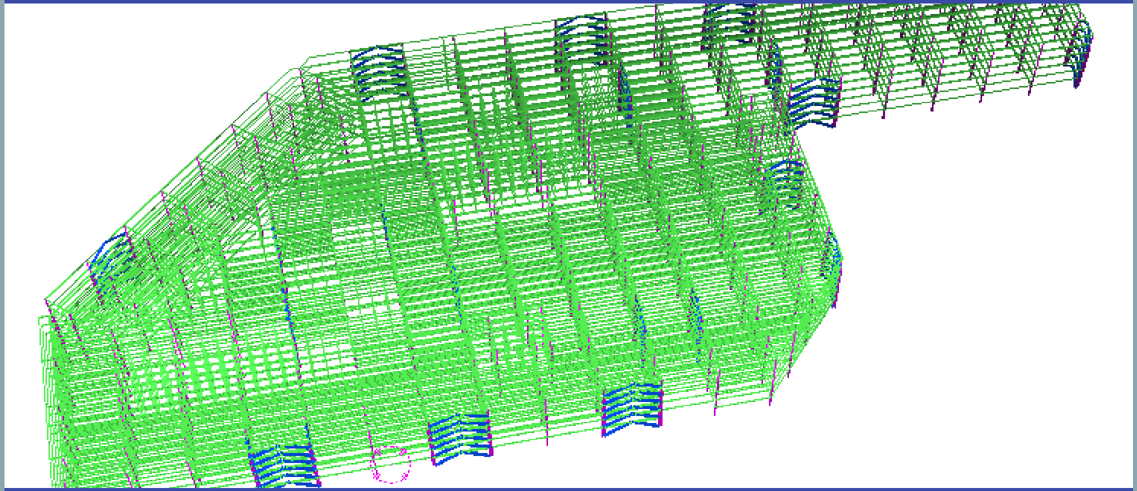
Prospects - India

Ghaswala Residential Towers, Mumbai



Rupa Renaissance, Mumbai

Intel Car Park, Bangalore



DIAL Asset 13 – Convention Centre for G20, Delhi

Group strategy 2013 to 2016

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Strategy	Achievement
Revenue Growth	
• Capitalise on improving economy	Order book grown by 57%
• Increase UK market share	Growth rate now in excess of the market
• Enter new market sectors	Infrastructure and bridge market enhanced capability
	Purchase of CMF
• Build from existing European opportunities	Opportunities being pursued
Margin improvement	
• Operational excellence	Operating margin up to 5.7%
• Improved technology	Investment continuing in production and systems technology
India	
• Indian JV to be sustainable	Indian JV close to break even for second year, but with good operating margins

Group strategic priorities 2016/17

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Our vision

To be recognised as **world-class leaders in structural steel**, known for our ability to deliver any project, to the highest possible standards.

Profit enhancement

- Sweat the assets – leverage scale of our asset base
- Next generation technology
- Operational excellence
- Rigorous control/environment
- Greater tie into our low cost Indian facility

New business

- **New sectors**
  - Bridge and infrastructure
  - Others to be developed
- **New products**
  - Cold formed products
  - Opens new markets
- **New geographies**
  - Europe
  - RoW

Planned outcome

Double 2015/16 **underlying profit before tax** in four years.

Well positioned for future growth

Group summary

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- **Strong results**
- **Stable market environment**
- **Evolving and successful strategy**
  - Operational excellence
  - Less dependence on any one sector
  - New markets
  - Building value in India

Our target is to double underlying profit before tax over the next four years, providing real shareholder value

Severfield

For more information:

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