

Severfield Interim Results – 24 September 2022

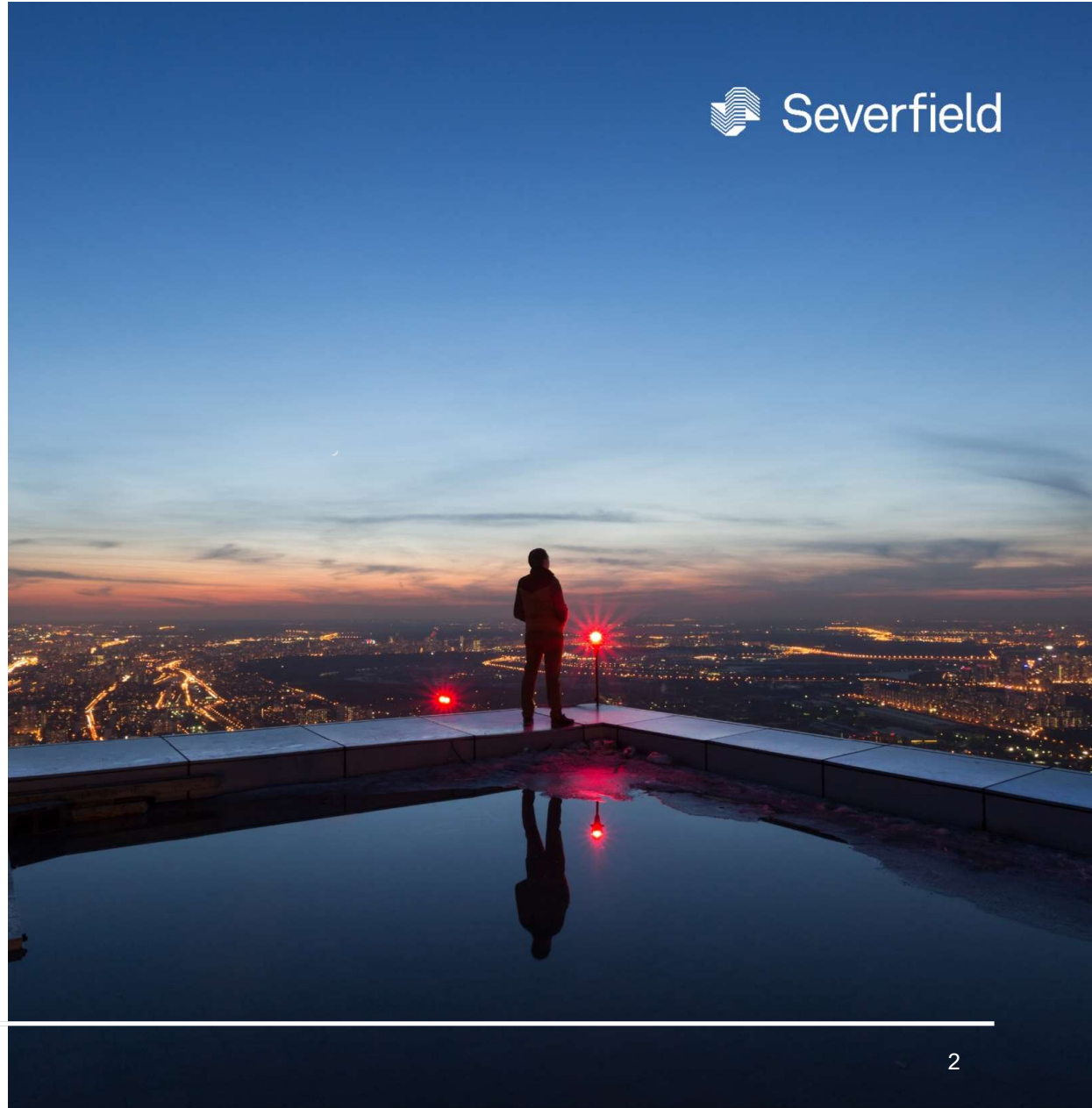


Interim Results

24 September 2022



Alan Dunsmore
Chief Executive Officer



A compelling investment case

Exciting growth prospects

- Aligned to sectors with strong growth potential in UK and Europe
- Significant opportunity to grow profits in India

Built on a platform of operational excellence

- Continued momentum from operational improvement initiatives
- Well invested business with >£50m CAPEX over last eight years

All underpinned by a strong focus on sustainability

- Internal roadmap to net zero by 2040
- Top UK construction business in FT climate change listing

Resilient business through economic cycles

- Sector, geographical and client diversity
- Good earnings visibility from record order book and strong pipeline

Delivering strong returns, cash generation and progressive dividend

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

Headlines

- Revenue up 20% to £234.9m reflects increased activity and steel prices
- Underlying profit before tax up 17% to £12.1m
- Net debt of £15.8m reflects stable H1 working capital position
- High quality UK and Europe order book of £464m provides good visibility of future earnings
- Share of profit from India of £0.6m reflects continued post-Covid growth
- Strong and high quality India order book of £143m
- Interim dividend up 8% at 1.3p per share



Adam Semple
Chief Financial Officer



Group income statement

£m

	6 months to 24 Sep 2022	6 months to 25 Sep 2021
Revenue	234.9	195.9
Underlying operating profit (before JVs and associates)	12.1	10.2
Results of JVs and associates	1.0	0.6
Net finance expense	(1.0)	(0.5)
Underlying profit before tax	12.1	10.3
Tax	(2.1)	(2.0)
Underlying profit after tax	10.0	8.3

India income statement

£m

	6 months to 24 Sept 2022	6 months to 25 Sept 2021	12 months to 26 Mar 2022
Revenue	70.3	41.2	100.3
Operating profit	3.9 5.6%	2.3 5.6%	5.2 5.2%
Finance expense	(2.5)	(1.6)	(3.3)
Profit before tax	1.4	0.7	1.9
Tax	(0.2)	(0.1)	(0.4)
Profit after tax	1.2	0.6	1.5
Group share after tax (50%)	0.6	0.3	0.8

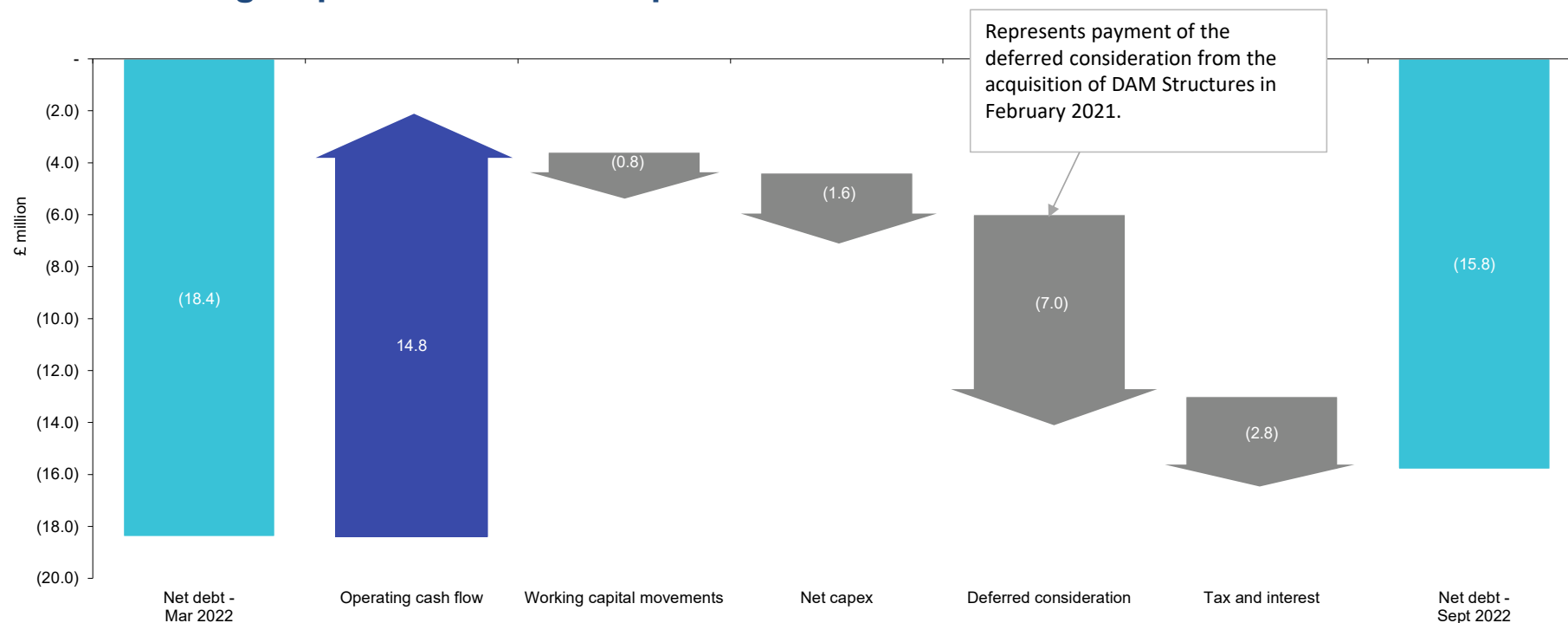
- Production of 44,000 tonnes (H1 2022: 25,000 tonnes)

Balance sheet

£m		24 Sep 2022	26 Mar 2022
Current assets	Non-current assets	228.8	230.0
	Inventories	17.6	18.0
	Trade and other receivables	118.3	118.5
	Current tax asset	1.0	4.2
	Total current assets	136.9	140.7
	Total assets	365.7	370.7
Liabilities	Trade and other payables	(111.7)	(114.7)
	Borrowings (includes IFRS 16 leases)	(27.3)	(30.5)
	Retirement benefit obligations	(8.5)	(14.4)
	Deferred tax liabilities	(7.9)	(7.2)
	Total liabilities	(155.4)	(166.8)
Net assets		210.3	204.0

Cash flow

Net debt bridge – period ended 24 September 2022



Strategy

Our strategic priorities are unchanged



Drive growth

- New frameworks and contracts in Nuclear and Infrastructure – green infrastructure and transport
- Growing European pipeline post pandemic
- Development of modular solutions – expansion of CMF and new product ranges
- Selective acquisitions



Improve operational efficiency

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



Grow Indian presence

- Benefitting from the structural shift from concrete to steel in India
- Identifying a new site to expand production capacity
- 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

New digitisation project launched in H1

1

Aims to maximise the automation of estimating, design, production and contract delivery processes

2

Involves a series of projects/initiatives designed to further standardise and automate systems and processes



3

A long-term project to ensure we remain at forefront of technology and innovation as market leaders in the industry

4

Sits alongside ongoing operational improvement programme

ESG leadership

Environmental

- Top UK construction business in 2022 – FT climate change listing
- CDP score of 'A-' for leadership on climate change, 'A' score in CDP supplier engagement rating
- Certified as carbon neutral for manufacturing and construction operations
- Net Zero target (Scope 1 and 2) established for 2040

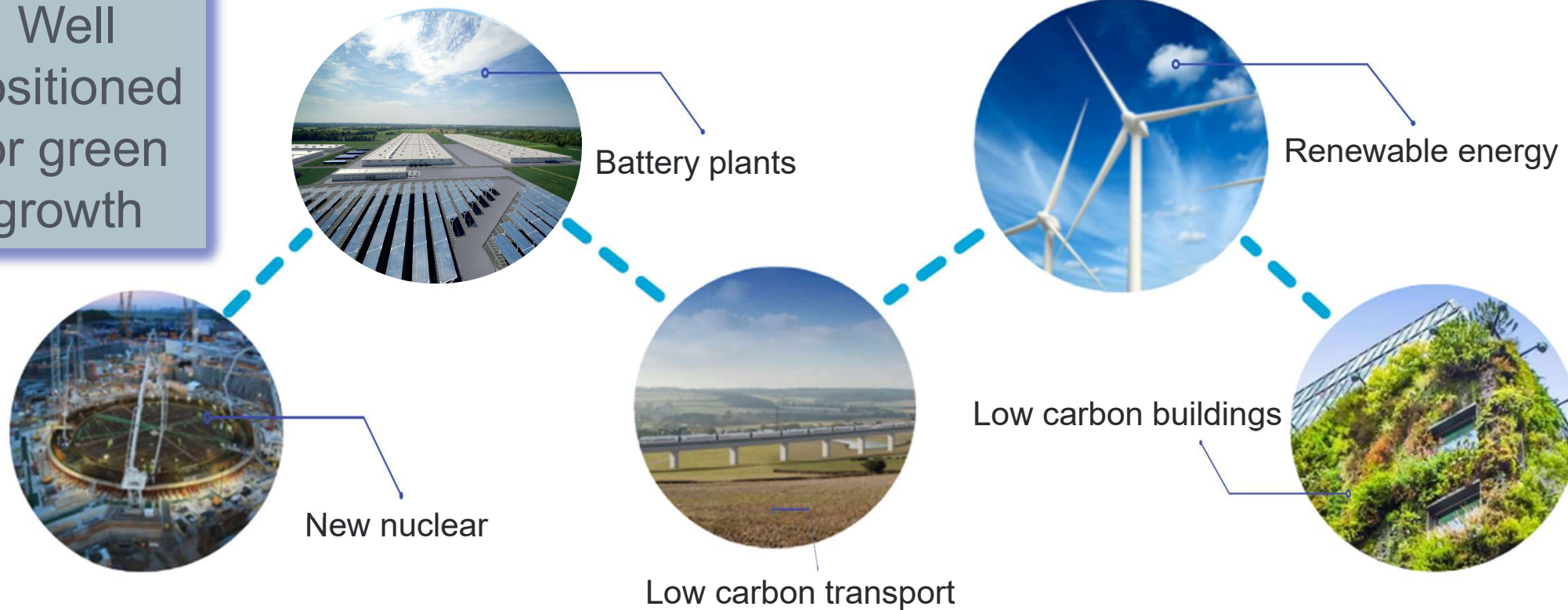
Social

- Achieved gold membership of 'The 5% Club' – record number of UK apprentices recruited
- 'Social value' is increasingly a work winner and is important in tenders – TOMs methodology adopted

Strong proactive approach is increasingly important to competitive advantage

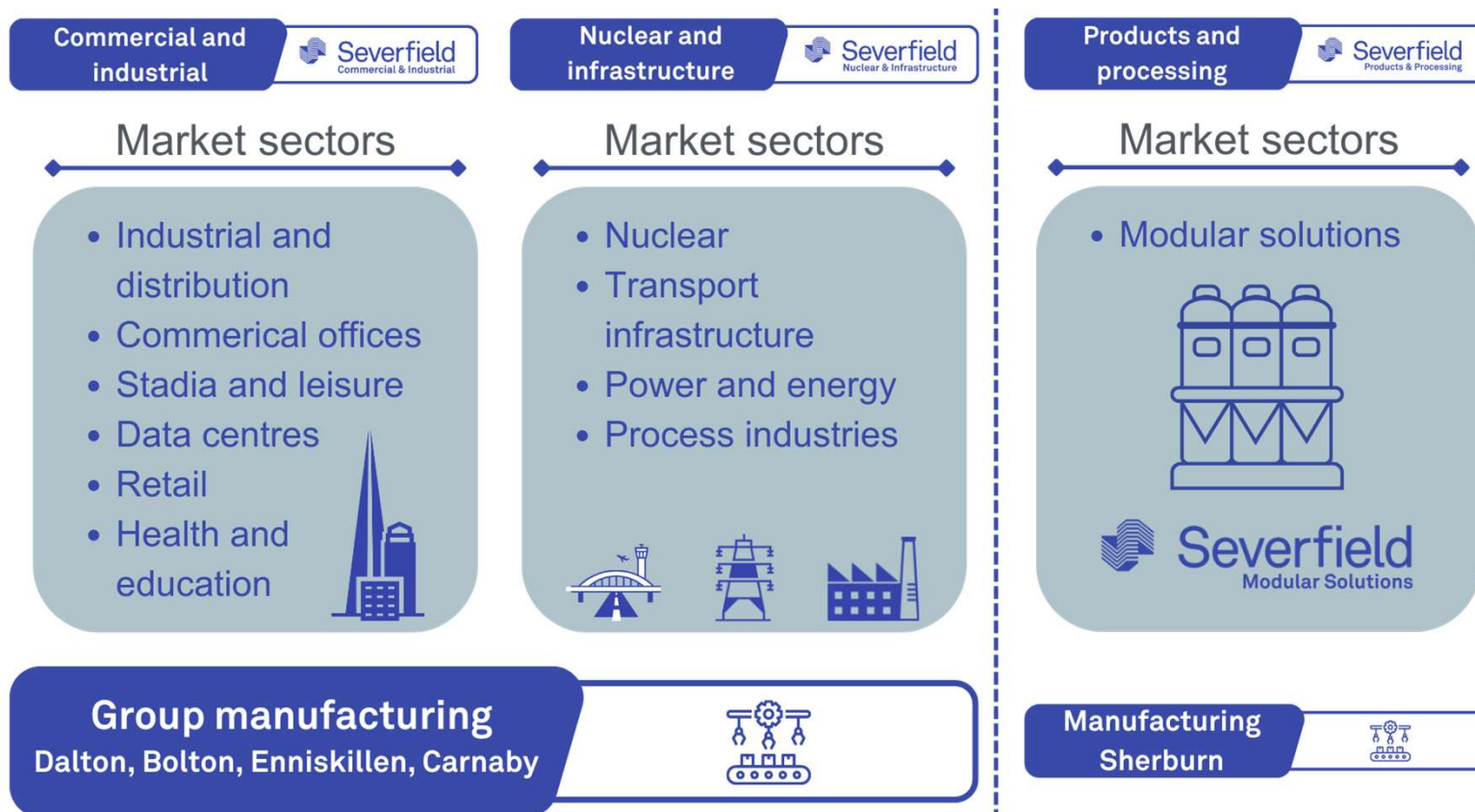
Green investment

Well
positioned
for green
growth



UK and Europe

Divisional structure – UK and Europe

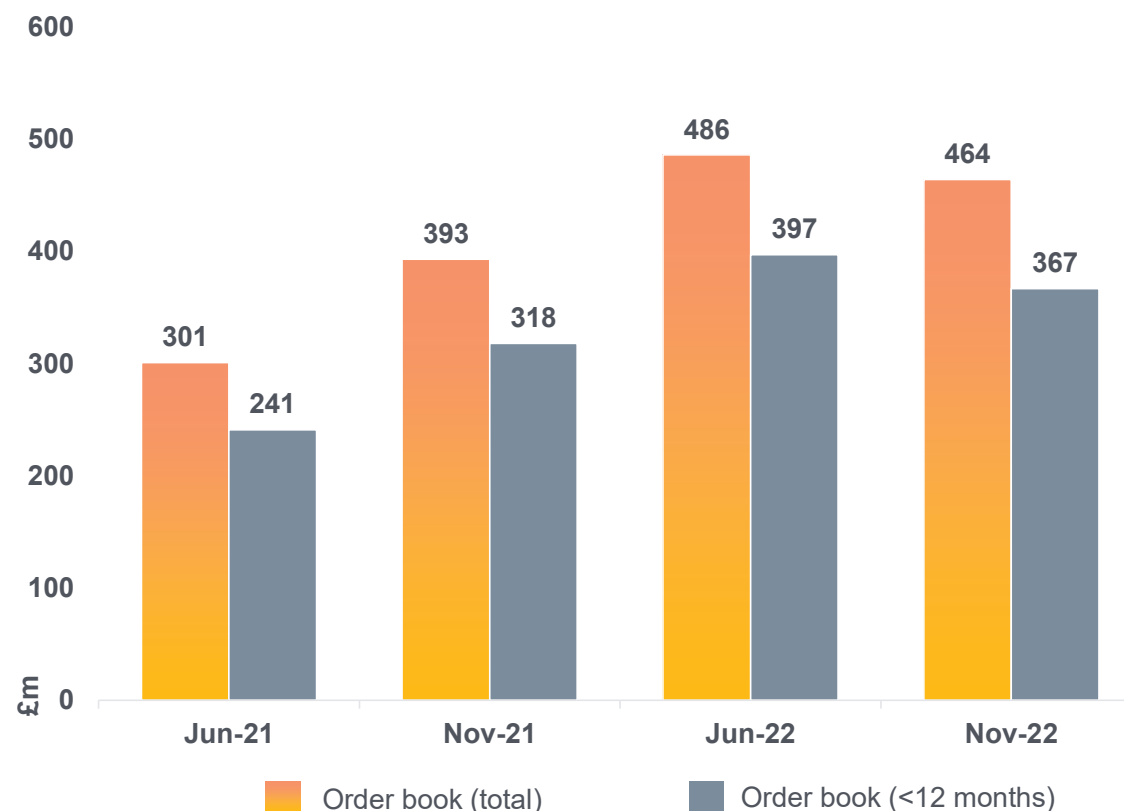


Market conditions

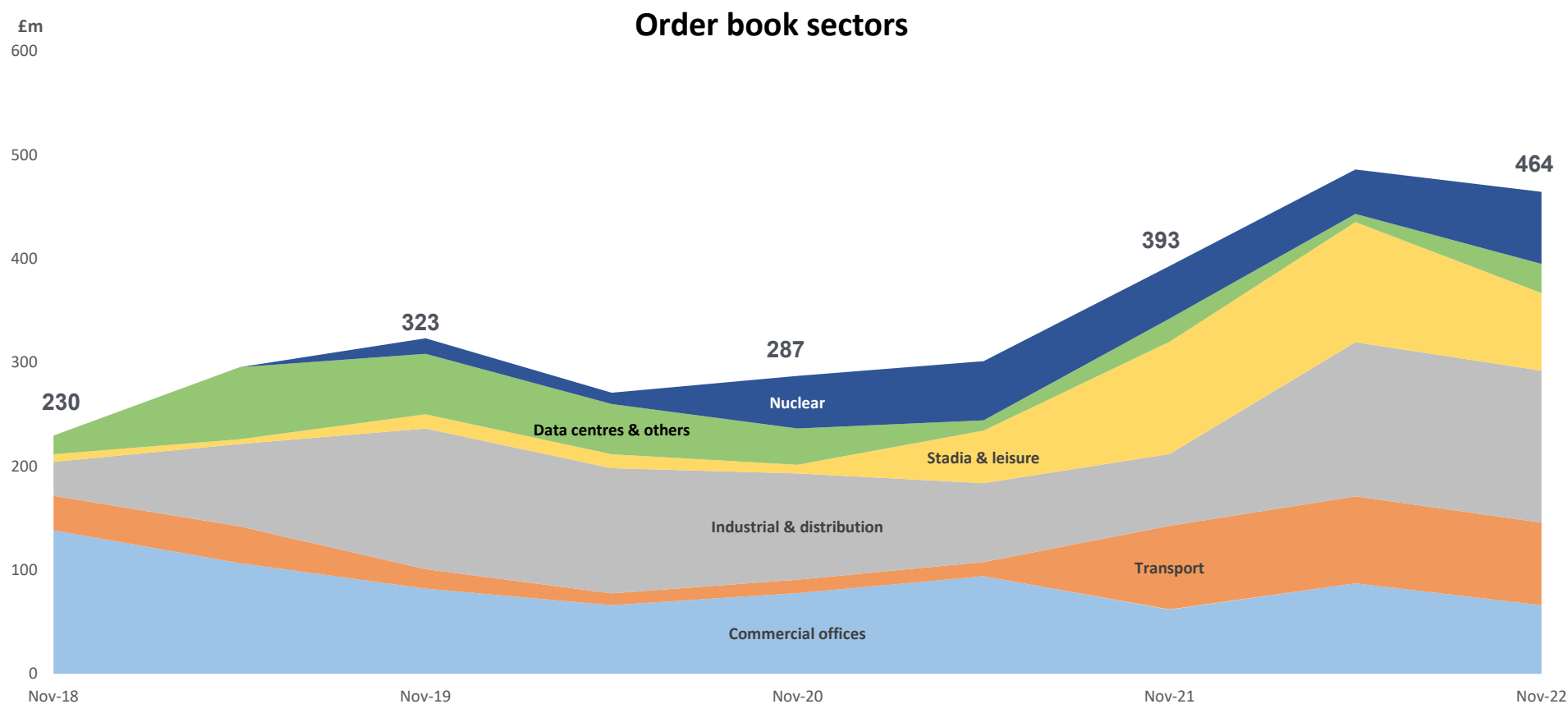
- Some inflationary and supply issues for us and our clients have continued
- Inflationary pressures expected to continue for rest of year and beyond
- No significant disruption to operations or material profit impact
- Cost impact being well managed through:
 - Contractual protection
 - Operating efficiencies
 - Higher selling prices
 - Forward purchasing

High quality UK and Europe order book

Divisional mix (£m)	Nov-22	Jun-22
Group	464	486
Commercial and Industrial	308	348
Nuclear and Infrastructure	151	136
Products and Processing	5	2
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UK	95%	96%
Europe & Ireland	5%	4%









Diversified UK and Europe order book



Commercial and Industrial

Order book

	Nov-22 £308m	Jun-22 £348m	Future trend for Severfield
Industrial and distribution	48%	39%	
Stadia and leisure	24%	33%	
Commercial offices	22%	26%	
Data centres and other	5%	2%	
Health and education	1%	—	
Retail	—	—	
TOTAL	100%	100%	
UK	94%	95%	
Europe and Ireland	6%	5%	

Market conditions

- Demand remains strong
- Inflationary and labour market headwinds being well managed

Outlook

- Strong pipeline in UK and continental Europe
- Order book gives confidence over earnings for H2 and beyond

Nuclear and Infrastructure

Order book

	Nov-22 £151m	Jun-22 £136m	Future trend for Severfield
Transport infrastructure	52%	65%	■
Nuclear	46%	33%	▲
Power and energy	2%	2%	▲
Process industries	-	-	▲
TOTAL	100%	100%	

Market conditions

- Inflation being well managed
- Frameworks including for ancillary steelwork at Hinkley

Outlook

- Group capability aligned to strong infrastructure growth
- Strong order book and pipeline of opportunities

Products and Processing

Consists of Severfield Products & Processing (SPP) and Construction Metal Forming (CMF) Joint Venture

SPP

- Growing higher margin Severstor and Rotoflo product ranges
- Severstor – repeat orders with blue chip clients and growing pipeline
- Rotoflo – developing overseas footprint including with Indian paint industry

CMF

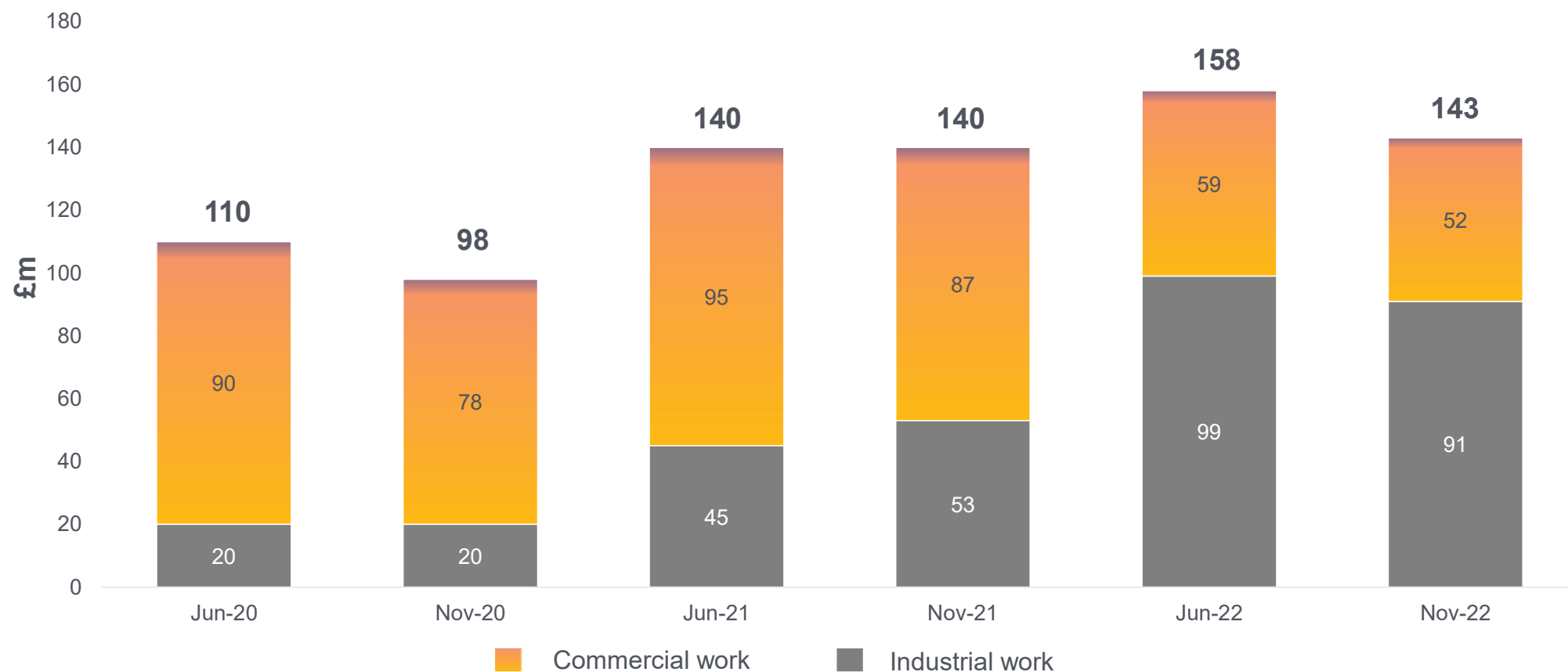
- Expanding cold formed market
- Increased use of steel in office and modular construction
- Growing product range
- New production facility is complete – expanded capacity expected to be operational in H2

India

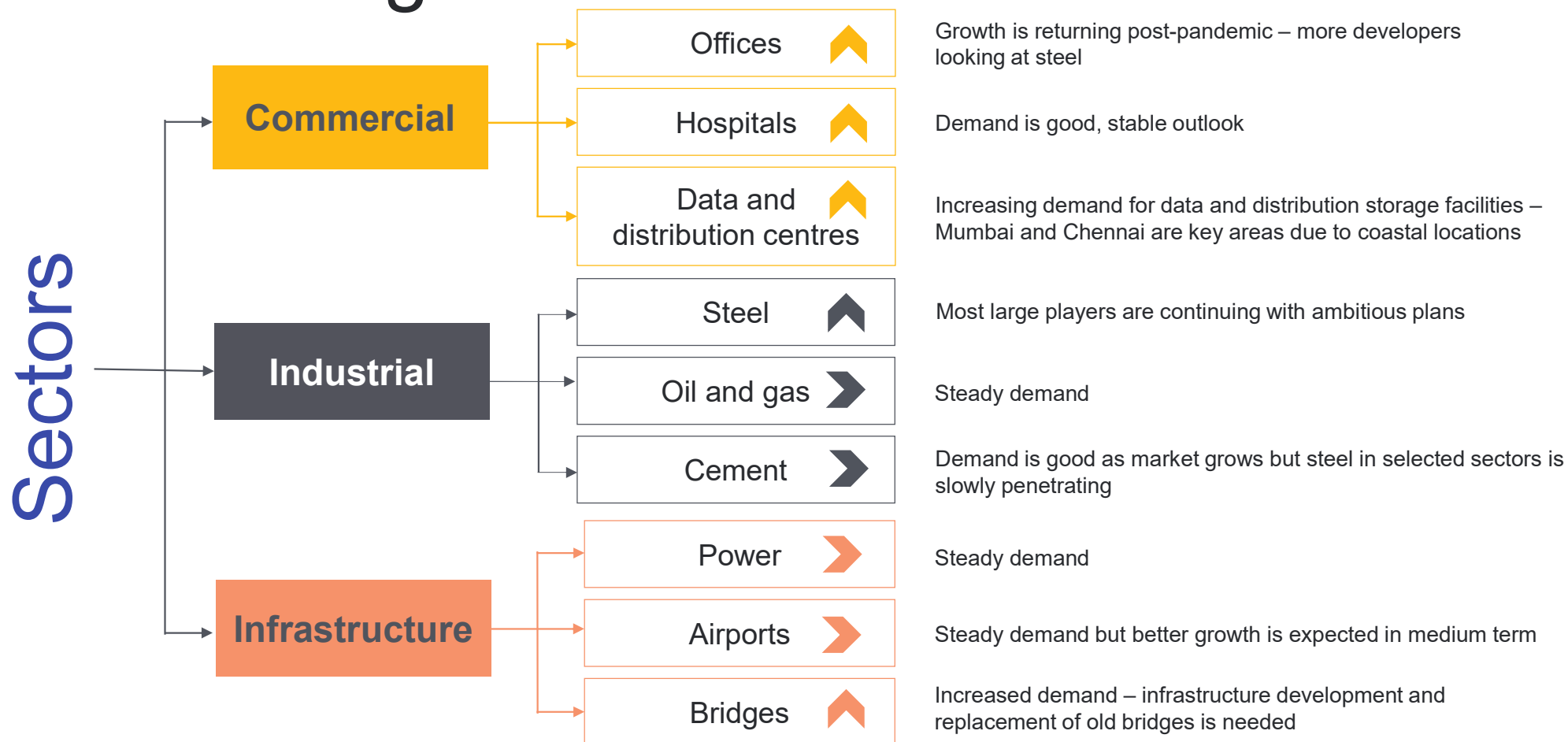
India – overview

- 70% increase in JSSL revenue to £70m and operating profit to £4m reflects continued post-Covid growth
- Group share of profit increased to £0.6m
- Strong order book of £143m and growing order pipeline reflects expanding range of opportunities for steel
- Continuing strong demand for structural steel – share of steel in construction remains below other developing countries
- Steel in construction expected to grow from 5m tonnes in 2020 to 14m tonnes in 2030 with an increasing bias towards factory-made steel
- Land purchase for next phase of expansion expected to be completed in H2

India order book



India – target sectors





Summary and outlook

Summary and outlook

- Results demonstrate growth and resilience:
 - Profits up 17%
 - Strong balance sheet is important
 - Increased interim dividend
- Strong, high quality order books provide good visibility of earnings into FY24
- Tendering and pipeline activity remains encouraging in UK, Europe and India
- Expect inflationary challenges to remain in H2 and beyond
- Confident in delivering further progress and a full year result in line with previous expectations

