



Severfield

Full Year Results

31 March 2020





Alan Dunsmore

Chief Executive Officer





Highlights

- Revenue up 19% at £327.4m – a ten year high for the Group
- Underlying profit before tax up 16% to £28.6m – ahead of strategic 2020 profit target of £26m
- Acquisition of Harry Peers for initial consideration of £18.9m, with contingent consideration of up to £7m payable in FY21
- Good cash generation resulting in net funds of £16.4m including outstanding acquisition loan of £13.1m for Harry Peers
- UK and Europe order book of £271m including £17m for Harry Peers
- Share of profit from India up 80% at £2.2m, reflecting both revenue and margin growth
- India order book of £110m, factory expansion now complete
- Underlying basic EPS up 15% at 7.7p



Acquisition of Harry Peers

- Acquisition of Harry Peers & Co Limited ('Peers') completed on 1 October 2019
- Peers is a leading full service steelwork business focusing on the nuclear, process industries and power generation sectors
- Net initial cash consideration of £18.9m, on a cash and debt free basis, funded by a term loan of £14m and cash reserves of £4.9m
- Contingent consideration of up to £7m payable in FY21, if certain financial and operational targets are achieved
- Acquisition will expand and extend Severfield's current capabilities into attractive complementary market sectors, broaden its market exposure and enhance its areas of expertise





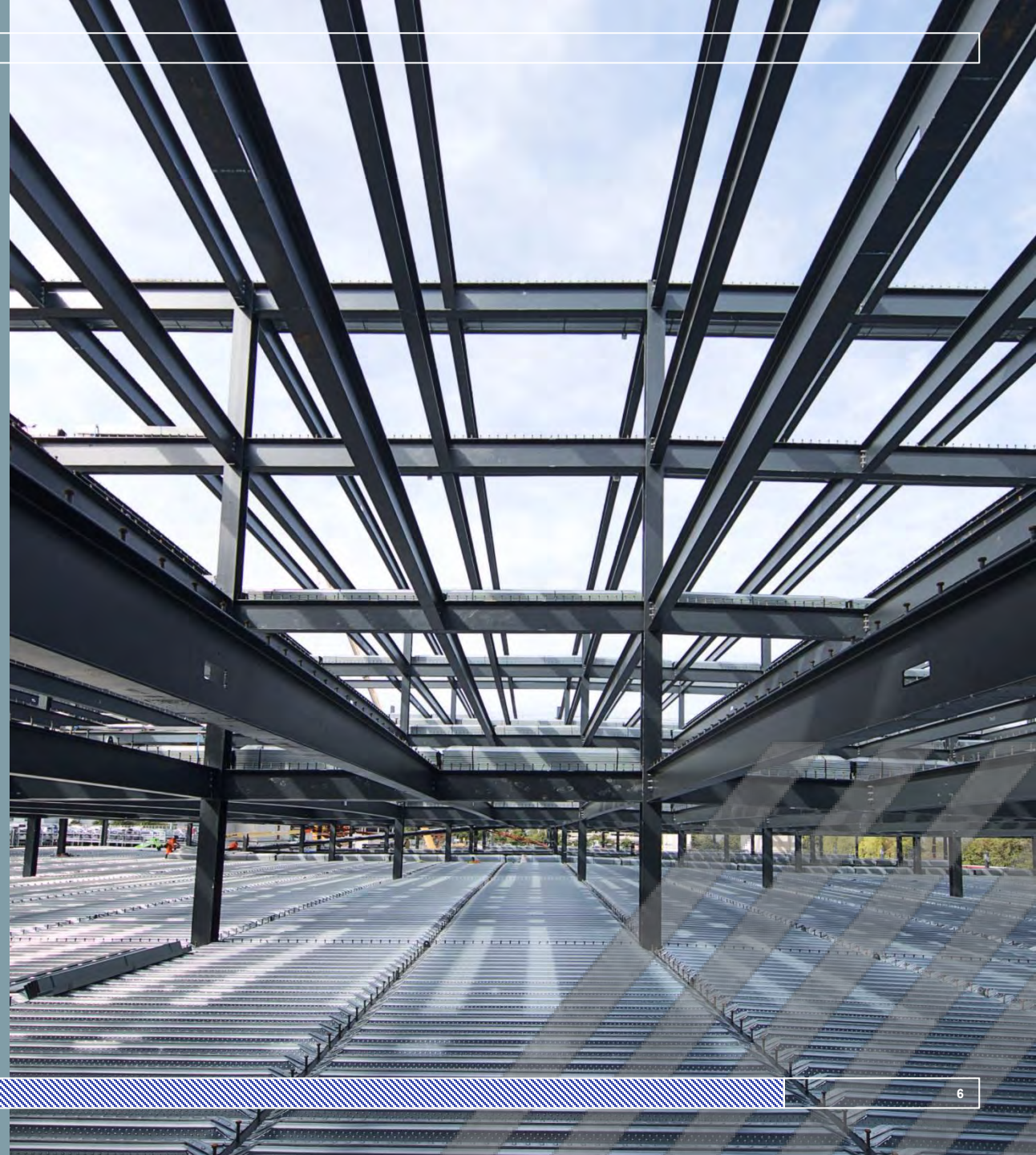
COVID-19

- Factories are operational and all of our UK and European construction sites remain open with strict precautions on social distancing, hygiene and cleaning
- Strong balance sheet and cash position, committed funding in place until 2023 and cash generative business model
- Tendering and pipeline activity remains encouraging but some client investment decisions being delayed
- Additional resilience provided by our market sector, geographical and client diversity
- Future market outlook remains uncertain



Adam Semple

Group Finance Director





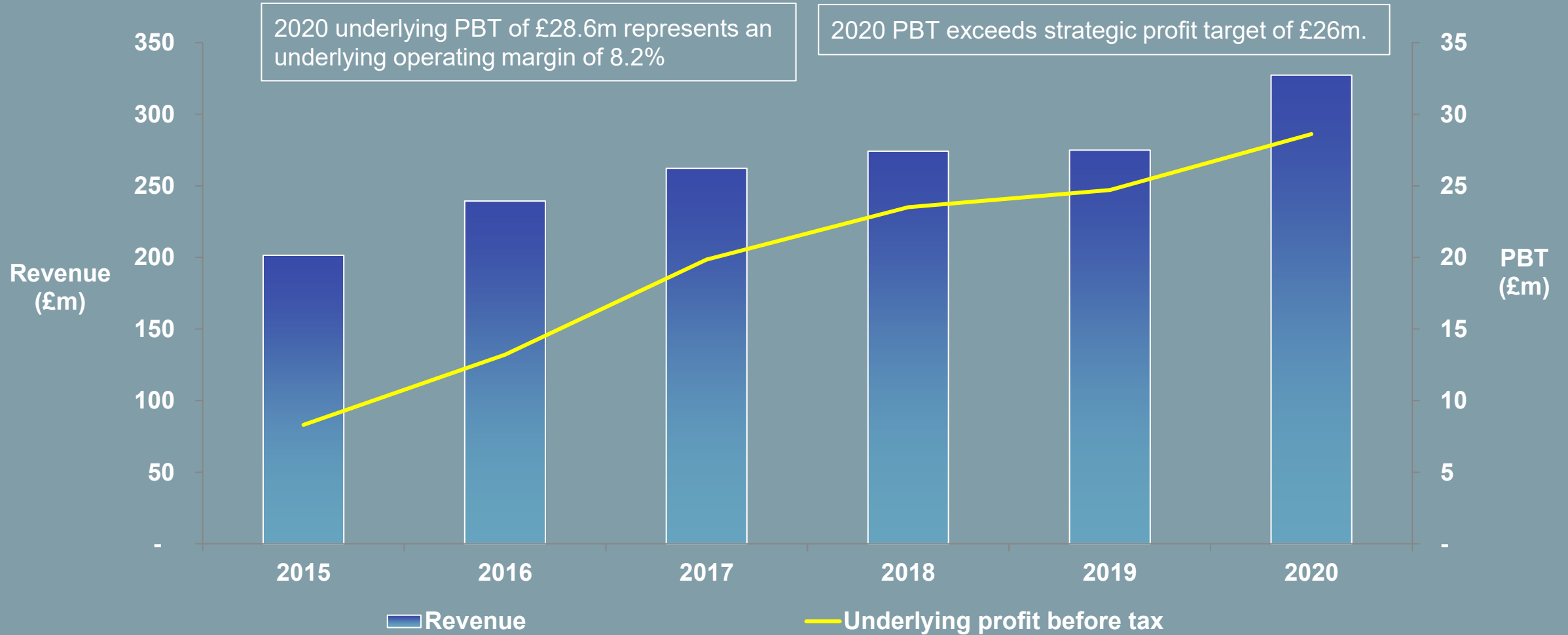
Group income statement

£m	12 months to 31 Mar 2020	12 months to 31 Mar 2019
Revenue	327.4	274.9
Underlying operating profit (before JVs and associates)	27.0 8.2%	23.3 8.5%
Results of JVs and associates	2.4	1.7
Net finance expense	(0.7)	(0.2)
Underlying profit before tax	28.6	24.7
Tax	(5.0)	(4.5)
Underlying profit after tax	23.6	20.2

- IFRS 16 adoption from 1 April 2019 – reclassification of £0.4m between operating profit and finance expenses
- Harry Peers – revenue of £14m, PBT of £1.2m



Revenue and profit





India income statement

£m	12 months to 31 Mar 2020	12 months to 31 Mar 2019
Revenue	109.3	84.1
Operating profit	9.3 8.5%	5.4 6.4%
Finance expense	(2.9)	(2.2)
Profit before tax	6.4	3.2
Tax	(1.9)	(0.9)
Profit after tax	4.5	2.4
Group share after tax (50%)	2.2	1.2

- India order book of £110m (November 2019: £134m)
- Expansion increasing capacity by 30,000 tonnes to 90,000 tonnes is now complete



Balance sheet

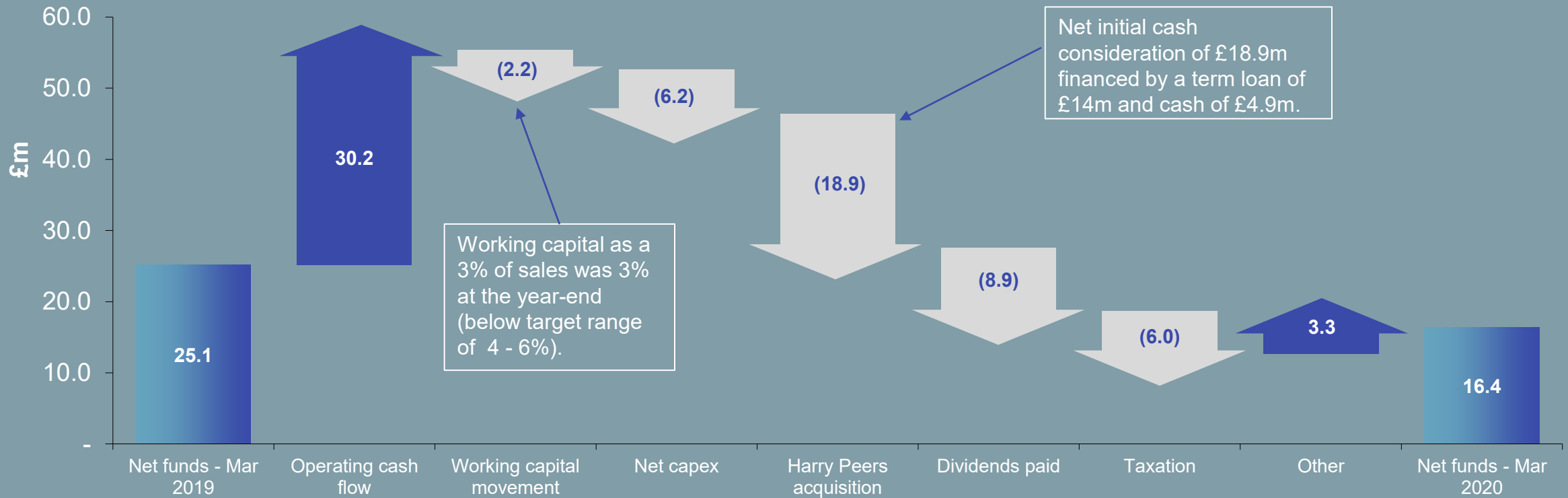
	£m	31 Mar 2020	31 Mar 2019
	Non-current assets	203.8	163.0
Current assets	Inventories	6.9	8.9
	Trade and other receivables	74.6	57.9
	Cash and cash equivalents	44.3	25.0
	Current tax asset	1.6	-
		127.4	91.8
	Total assets	331.2	254.8
Liabilities	Current liabilities	(85.4)	(58.6)
	Borrowings (includes IFRS 16 leases)	(39.4)	-
	Retirement benefit obligations	(18.7)	(20.0)
	Deferred tax liabilities	(4.0)	(1.2)
	Total liabilities	(147.5)	(79.8)
	Net assets	183.7	175.0

- IFRS 16 adoption from 1 April 2019 – new right-of-use asset of £10.1m and lease liability of £11.2m included in the balance sheet at 31 March 2020. Profit impact is immaterial.



Cash flow

Net funds bridge – year ended 31 March 2020

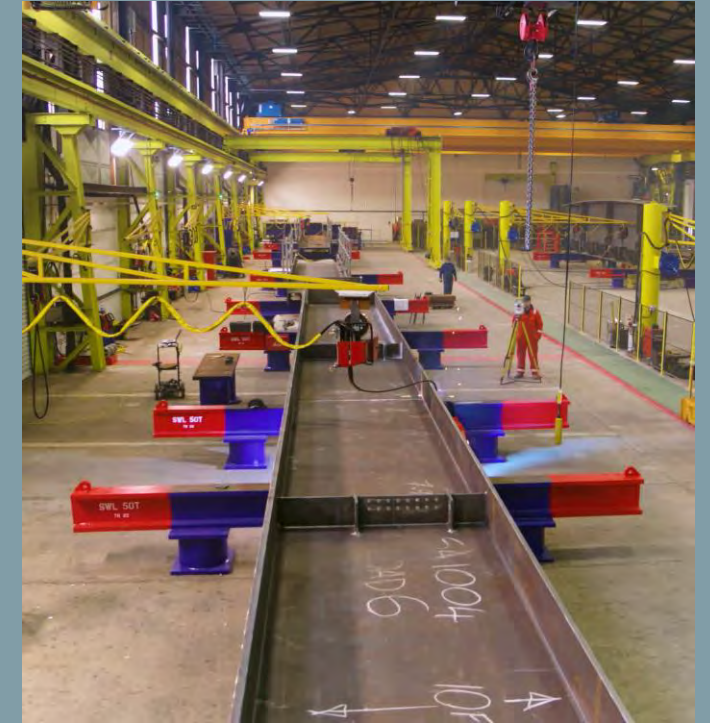




Summary of investment

Capital investment

	£m
Site expansion and further investment in our in-house painting facilities	2.7
Factory machinery and production-related equipment	2.3
Other factory and site enhancements	1.1
Construction site equipment	0.4
Total	6.5



- Return on capital employed ('ROCE') was 17.2% in 2020 (15.7% in 2019)
- ROCE exceeds target of 10% over whole economic cycle



Alan Dunsmore

Chief Executive Officer





Market sectors

Power and energy



Stadia and leisure



Health and education



Industrial and distribution



Nuclear



Retail



Commercial



Transport



Data centre and other

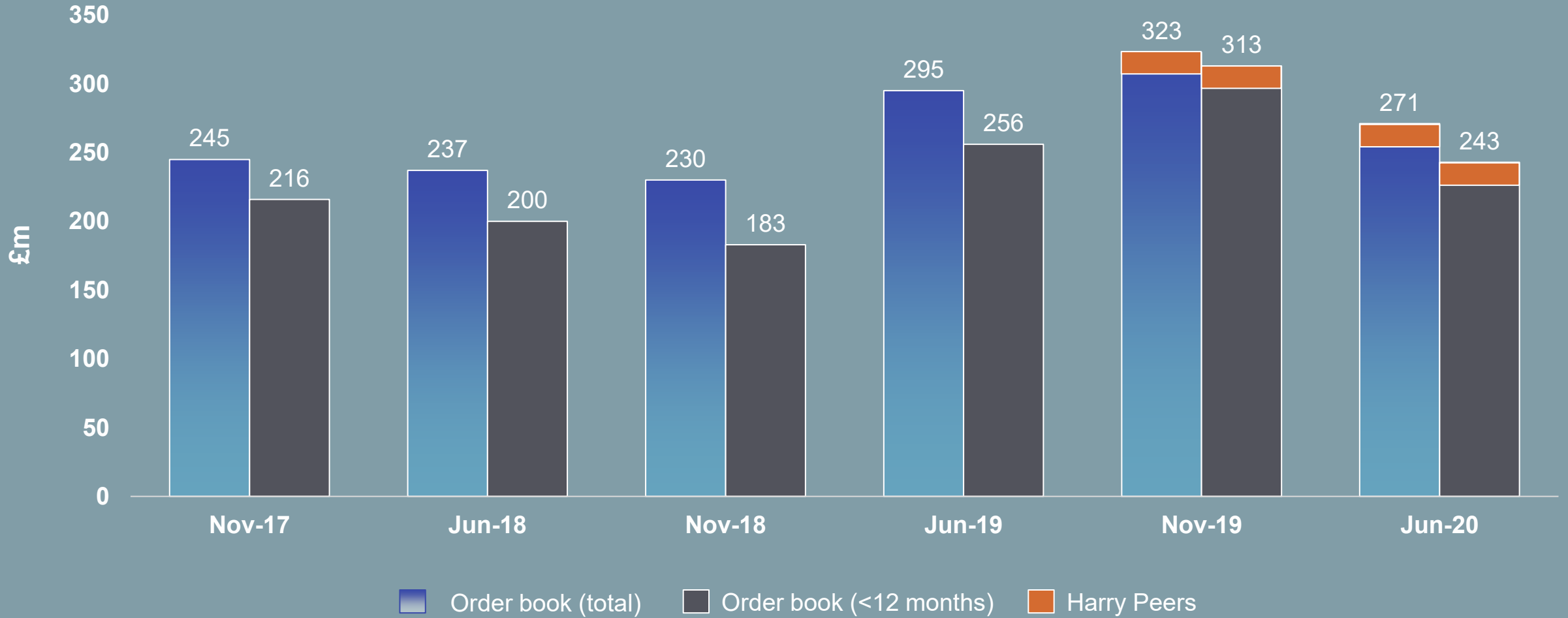


Process industries





High quality UK and Europe order book





Current major projects

Endorsing Severfield's leading market position

103 Colmore Row Birmingham



ESS Lund Sweden



Logistics Operations Centre Solihull



Data Centre Dublin



Bankside Yards London





Current major projects

Endorsing Severfield's leading market position

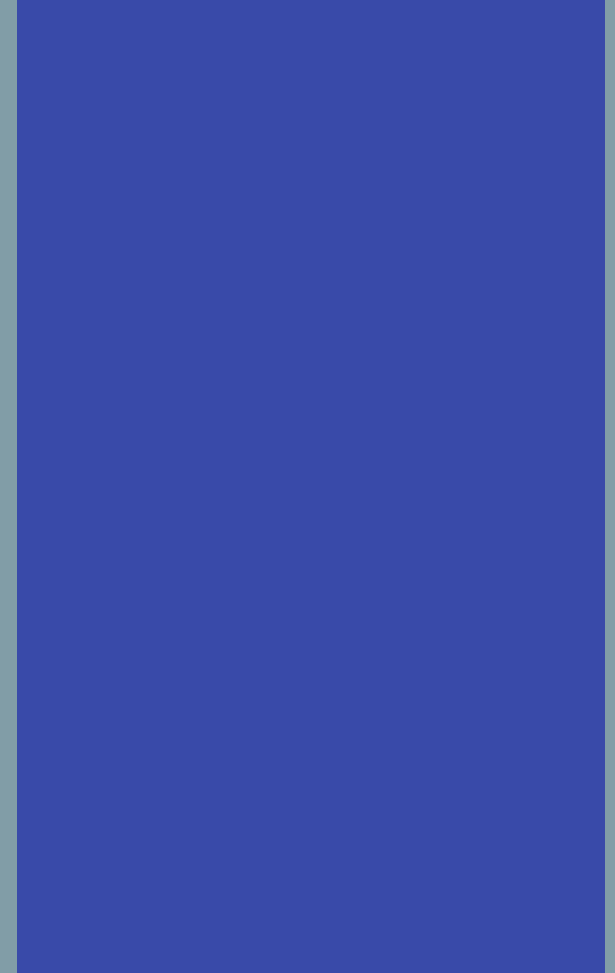
Google Headquarters King's Cross London



Lord's Cricket Ground London



Unity Square Nottingham



Fulham Football Club Riverside Stand Development London



One Sherwood Street London





UK and Europe order book

Sector	Jun 2020 £271m	Nov 2019 £323m	Future Trend
Industrial and distribution	45%	42%	
Commercial offices	24%	25%	
Data centres and other	15%	16%	
Stadia and leisure	5%	4%	
Transport	4%	5%	
Nuclear	4%	5%	
Process industries	1%	1%	
Power and energy	1%	1%	
Retail	1%	-	
Health and education	-	1%	

UK	54%	53%
Europe and Republic of Ireland	46%	47%



HS2 – a decade of infrastructure investment



Phase 1

Status

Opportunity

London to Birmingham

Underway

Consortia

- BBV (Balfour Beatty, Vinci)
- SCS (Skanska, Costain, Strabag)
- EK (Eiffage Genie, Kier)
- Align (Bouyges, VolkerFitzpatrick, SRA)

Four main stations

- London Euston
- Old Oak Common
- Birmingham Interchange
- Birmingham Curzon Street

Bridges

- Around 70 structures

Phase 2

Status

Opportunity

Birmingham to Crewe

2022+

Stations and bridges

Phase 3

Status

Opportunity

Manchester and Leeds (under government review)

-

-

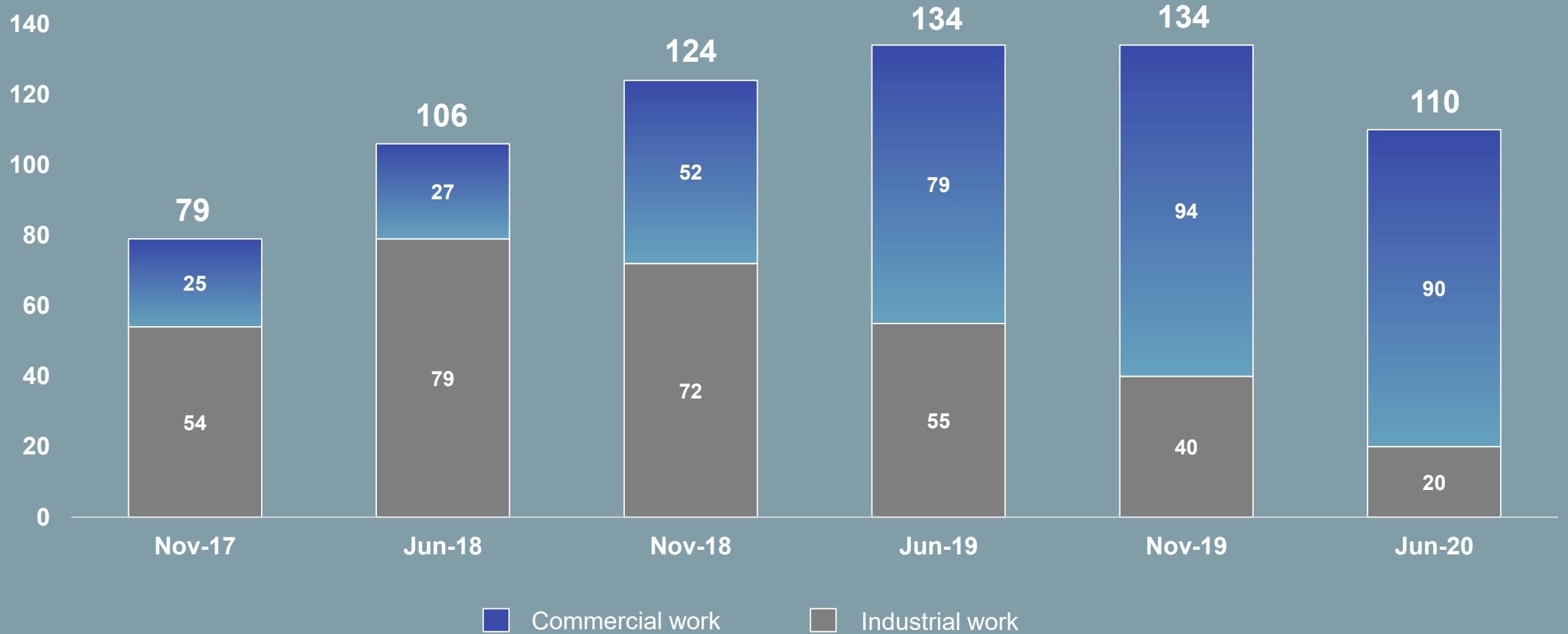


India - overview

- Strong FY20 results reflecting further expansion of the business and margin improvement
- Good order pipeline which includes a number of commercial projects for key developers and established clients
- Expansion of Bellary factory is now complete
- COVID-19 is disrupting operations in FY21
- Share of steel in construction remains well below other developing countries which will benefit long term development of Indian market
- We remain positive about the long term value creation potential of JSSL, given ongoing political, commercial, social changes and the government's focus on simplifying regulation, and expansion of the business to date



India order book





Current major projects - India

IKEA Bengaluru



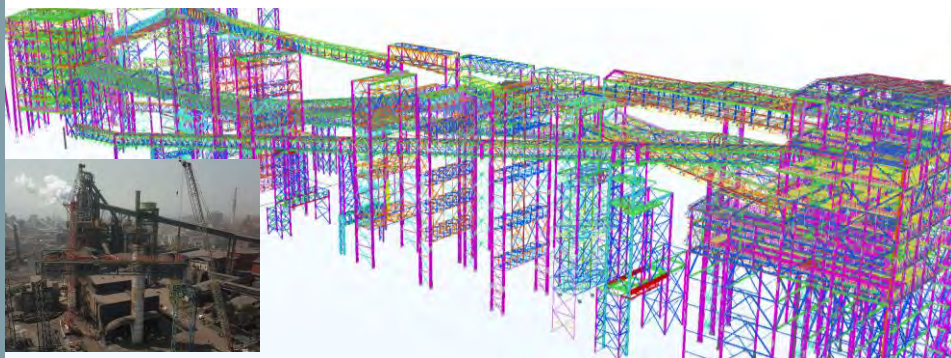
Phoenix BHUB Hyderabad



Sattva Knowledge Park Hyderabad



JSW RMHS II Dolvi



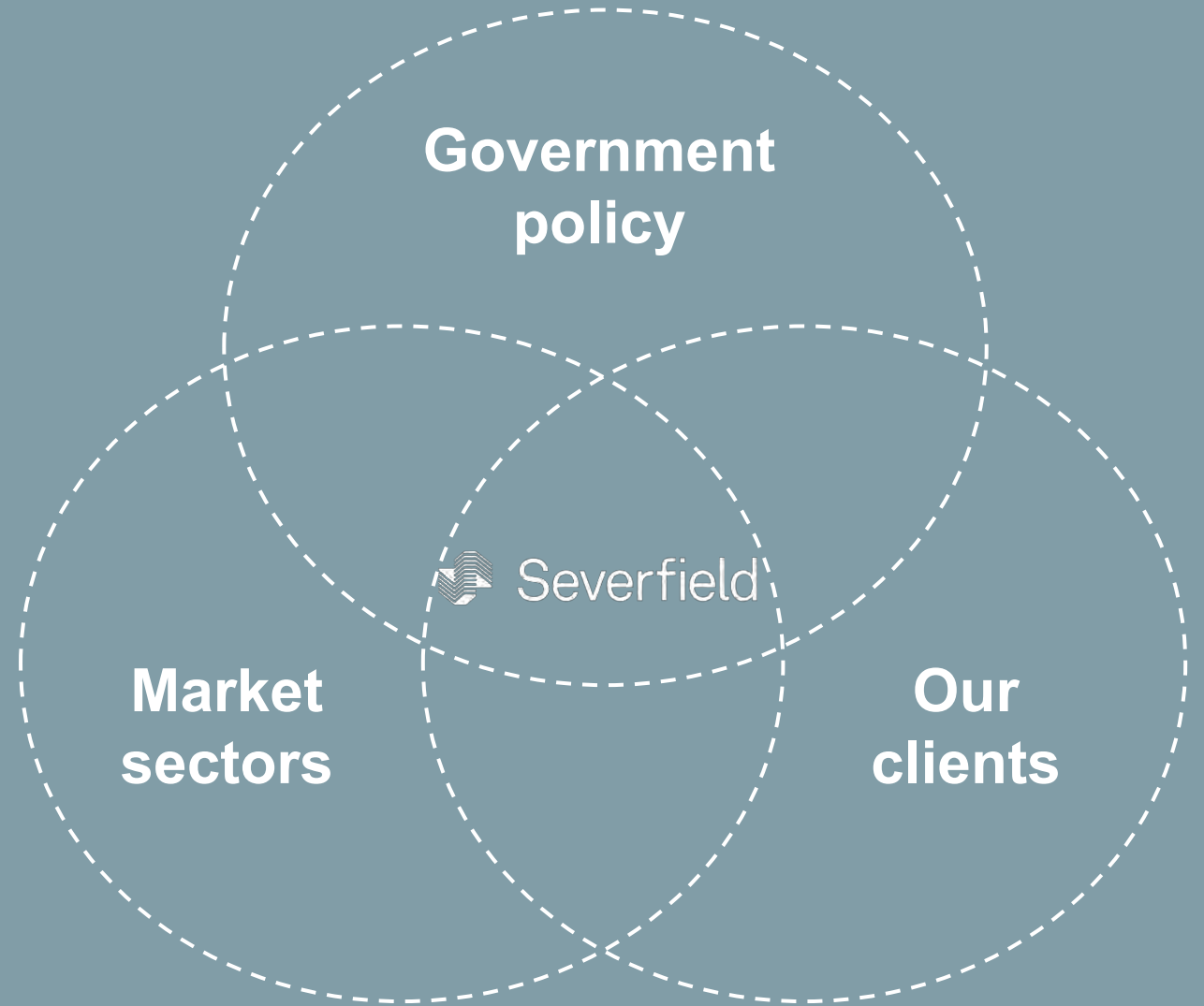
Phoenix Centaurus Hyderabad





Responding to the 'new normal'

Our capability and agility to respond to the post COVID-19 market dynamics is greater than it has ever been before





Driving future growth

New revenue streams

- Acquisition of Harry Peers
 - Nuclear, process industries and power sectors
 - Capability in modular steel offerings
- European business
 - First contract (ESS Lund) in delivery phase
 - Developing its high-quality pipeline
 - Assisting UK operations with European work
- Severfield (Products & Processing)
 - Orders being delivered to expanding customer base
 - Focus on further developing pipeline of opportunities
 - New 'Severstor' and 'Seversilo' product ranges added
- Residential solution – several potential opportunities but longer gestation period
- CMF – more cold rolled products

Smarter, Safer, more Sustainable

- 'SSS' operational improvement initiatives form part of continuous improvement cycle, with increased focus on manufacturing efficiency
- Innovation
- Systems
- People
- Risk management, control and safety





Summary

- Strong annual results with:
 - Increased revenue
 - Excellent profit growth – exceeding strategic profit target
 - Good cash generation
- Continued progress with ‘SSS’ initiatives with an increased focus on manufacturing efficiency
- Acquisition of Harry Peers





Outlook

- Future outlook remains uncertain due to COVID-19
- High quality UK and Europe order book of £271m, of which £243m is for delivery over the next 12 months
- India order book of £110m – we remain positive about long term development of Indian market and value creation potential of JSSL
- Additional resilience provided by market sector, geographical and client diversity
- Strong balance sheet, committed funding in place and cash generative business model

Q&A

