

Full year results

31 March 2021



Alan Dunsmore

Chief Executive Officer



Highlights

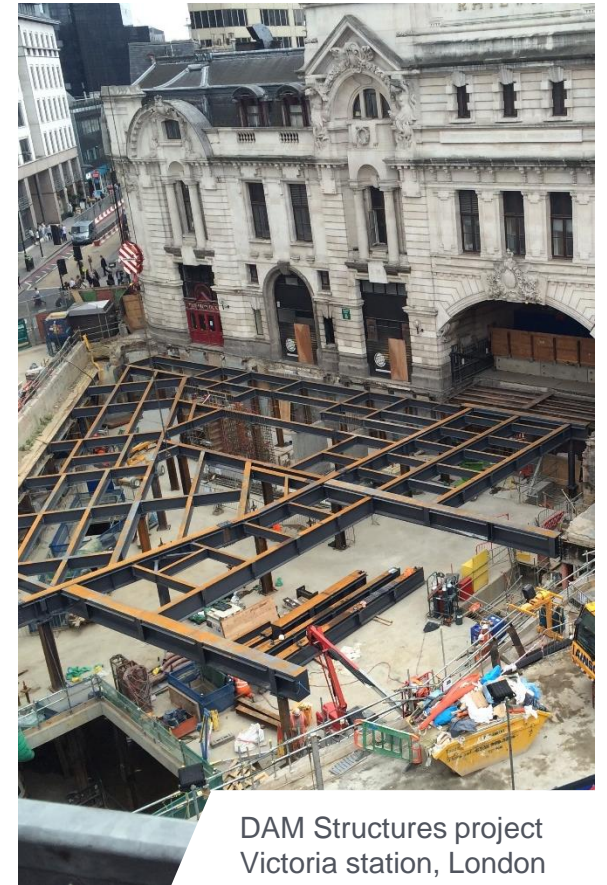
- Revenue up 11% at £363.3m
- Underlying profit before tax of £24.3m, demonstrates resilience against Covid-19 backdrop
- Acquisition of DAM Structures for initial consideration of £12m, deferred consideration of £7m in FY22, contingent consideration of up to £8m payable over five years
- Good cash generation resulting in cash balances of £25.0m – net funds of £4.4m, including acquisition loans of £20.7m
- UK and Europe order book of £301m including £18m for DAM Structures
- Share of loss from India of £0.7m, reflecting Covid-19 impacted loss in H1 and break-even profit position in H2
- Record India order book of £140m reflects strong underlying demand for structural steel
- Underlying basic EPS of 6.4p per share
- Total dividend maintained at 2.9p per share despite lower FY21 profits – reflects confidence in outlook

Market conditions and Covid-19

- UK and Europe – factories and sites fully operational, trading at normal (pre-pandemic) levels since the start of June 2020
- Tendering and pipeline activity remain very encouraging, albeit at tighter prices given current market conditions
- Additional resilience provided by our market sector, geographical and client diversity
- Steel price increases and supply chain pressures continue to be effectively managed
- No claims made under government support packages, including furlough scheme
- India – output currently being disrupted by ongoing second Covid-19 wave, step up in order book, strong pipeline and existing client relationships leaves business very well positioned once current Covid-19 issues subside
- Considerable positive momentum across the Group, optimistic in our outlook for FY22 onwards

Acquisition of DAM Structures

- Acquisition of DAM Structures (DAM) completed on 26 February 2021
- DAM is an innovative steel fabrication company with access to propping, railway and steel piling markets
- Initial consideration of £12m, on a cash and debt-free basis, funded by a term loan repayable over five years
- Deferred consideration of £7m payable in April 2022 and contingent consideration of up to £8m payable over five years if certain work-winning targets are achieved
- Acquisition will give us immediate access to attractive, complementary market sectors with strong growth potential, including HS2 and Network Rail work
- Ability to establish relationships and contracts at an earlier stage in site development with new and existing customers





Adam Semple
Group Finance Director



Group income statement

£m

	12 months to 31 Mar 2021	12 months to 31 Mar 2020
Revenue	363.3	327.4
Underlying operating profit (before JVs and associates)	25.5 7.0%	27.0 8.2%
Results of JVs and associates	(0.4)	2.4
Net finance expense	(0.8)	(0.7)
Underlying profit before tax	24.3	28.6
Tax	(4.5)	(5.0)
Underlying profit after tax	19.8	23.6

India income statement

£m	12 months to 31 Mar 2021	12 months to 31 Mar 2020
Revenue	48.0	109.3
Operating profit	1.6 3.3%	9.3 8.5%
Finance expense	(3.4)	(2.9)
(Loss)/profit before tax	(1.8)	6.4
Tax	0.4	(1.9)
(Loss)/profit after tax	(1.4)	4.5
Group share after tax (50%)	(0.7)	2.2

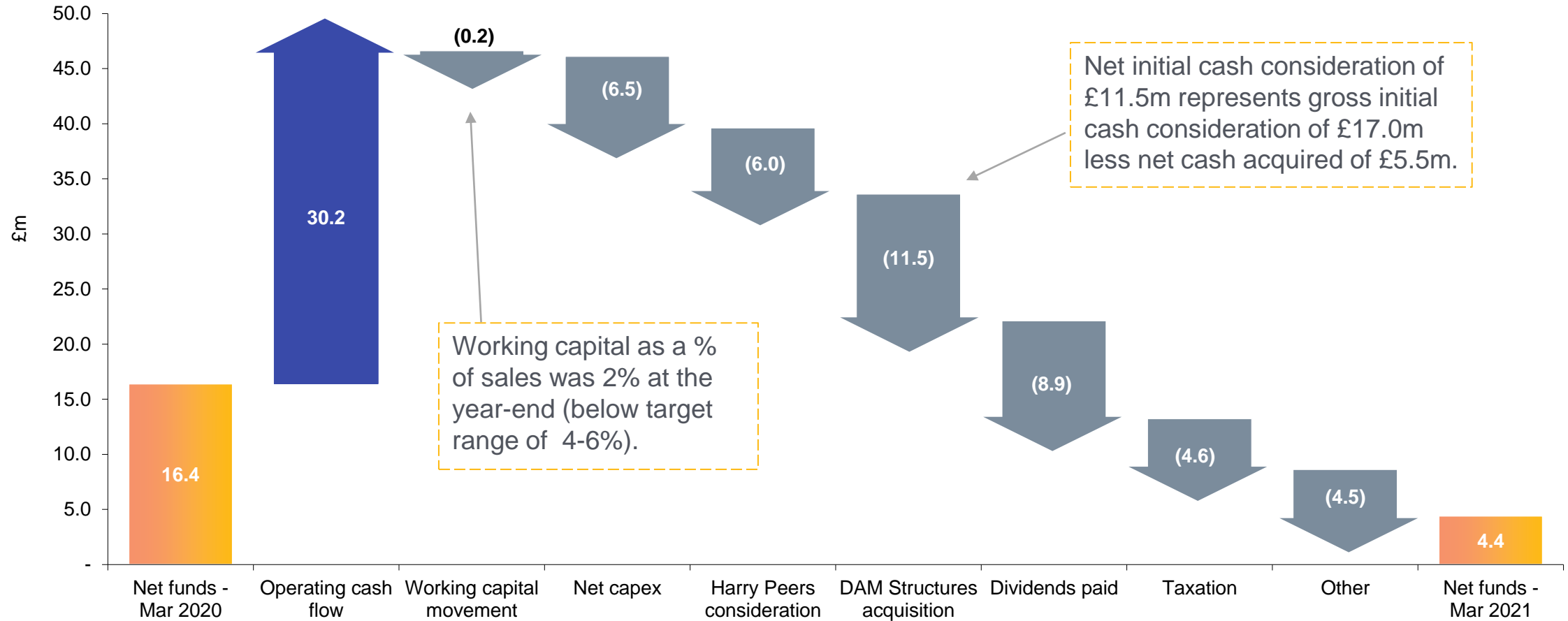
- India order book of £140m (November 2020: £98m)
- Production of 35,000 tonnes (November 2020: 95,000 tonnes)

Balance sheet

£m		31 Mar 2021	31 Mar 2020
Non-current assets		230.1	203.8
Current assets	Inventories	10.2	6.9
	Trade and other receivables	68.9	74.6
	Cash and cash equivalents	25.0	44.3
	Current tax asset	3.6	1.6
		107.7	127.4
Total assets		337.8	331.2
Liabilities	Trade and other payables	(88.4)	(85.4)
	Borrowings (includes IFRS 16 leases)	(31.9)	(39.4)
	Retirement benefit obligations	(22.4)	(18.7)
	Deferred tax liabilities	(4.2)	(4.0)
Total liabilities		(146.9)	(147.5)
Net assets		190.9	183.7

Cash flow

Net funds bridge – year ended 31 March 2021



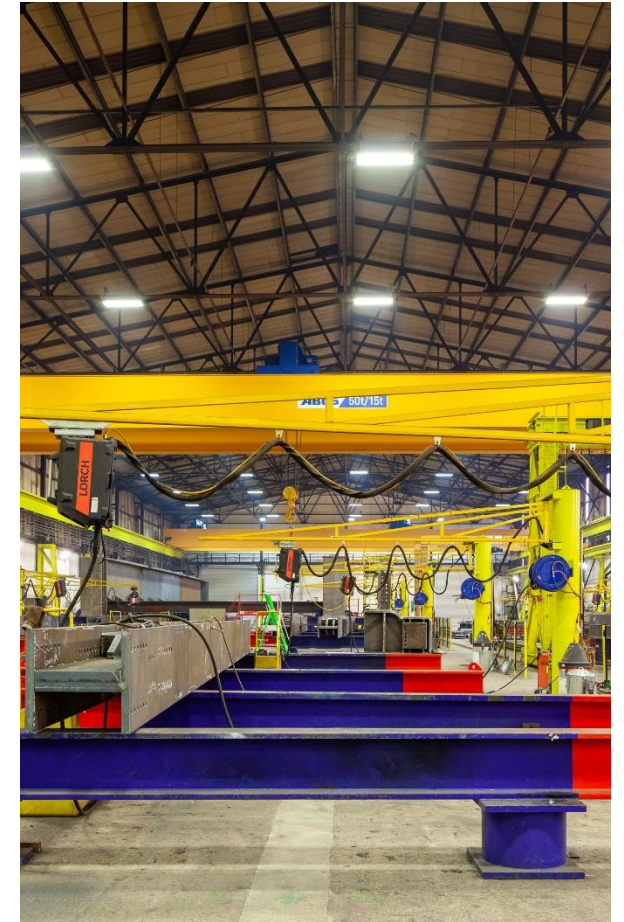
Summary of investment

Capital investment

£m

Site expansion and new production machinery	4.4
Other factory and site enhancements	1.9
Construction site equipment	0.3
Total	6.6

- Return on capital employed ('ROCE') was 13.6% in 2021 (17.2% in 2020)
- ROCE exceeds target of 10% over whole economic cycle





Alan Dunsmore

Chief Executive Officer



Strategic evolution

3 years of further progress

- Revenue growth of 30% from £270m to £360m
- Acquisition of Harry Peers and DAM Structures
- Established Severfield (Products & Processing) and European business
- Indian joint venture expansion – 100,000 tonnes capacity from Bellary facility
- ‘SSS’ operational improvements (including 2018 restructuring of North Yorkshire factory operations) have benefited margins
- Continued cash generation and maintained progressive dividend policy

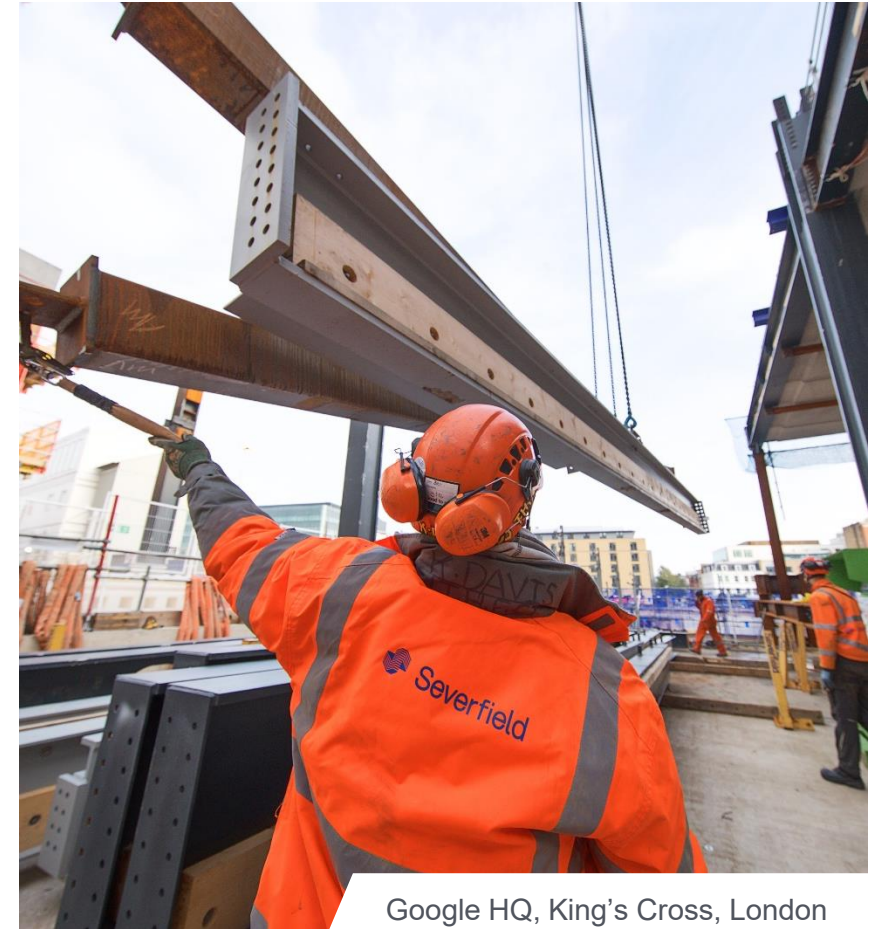


Cherry Park, Stratford, London

Strategic evolution

3 years of further progress

- Successfully navigated headwinds of Brexit and Covid-19
- More balanced and resilient business:
 - Market sector, geographical and client diversification
 - Market sectors increased from 8 to 10
 - Less reliant on any one geography or market sector including London commercial
 - Aligned with market sectors with strong growth potential including infrastructure



Group strategy

Growth

- Organic and through selective acquisitions
- European business
 - new geographies and markets
- Harry Peers
 - nuclear, power and process industries sectors
 - modular steel offerings
- DAM Structures
 - propping, railway and steel piling markets
 - early-stage access to clients and contracts
- Severfield (Products & Processing)
 - ‘Severstor’ and ‘Rotoflo’
 - new modular product ranges
- CMF
 - expansion underway
 - more cold rolled steel products

Operational improvements

- Manufacturing efficiency/Lean techniques
- Innovation – including engineering solutions
- Digital transformation, including systems development
- People, risk management, ESG, health and safety

India

- Growth and building value in JSSL

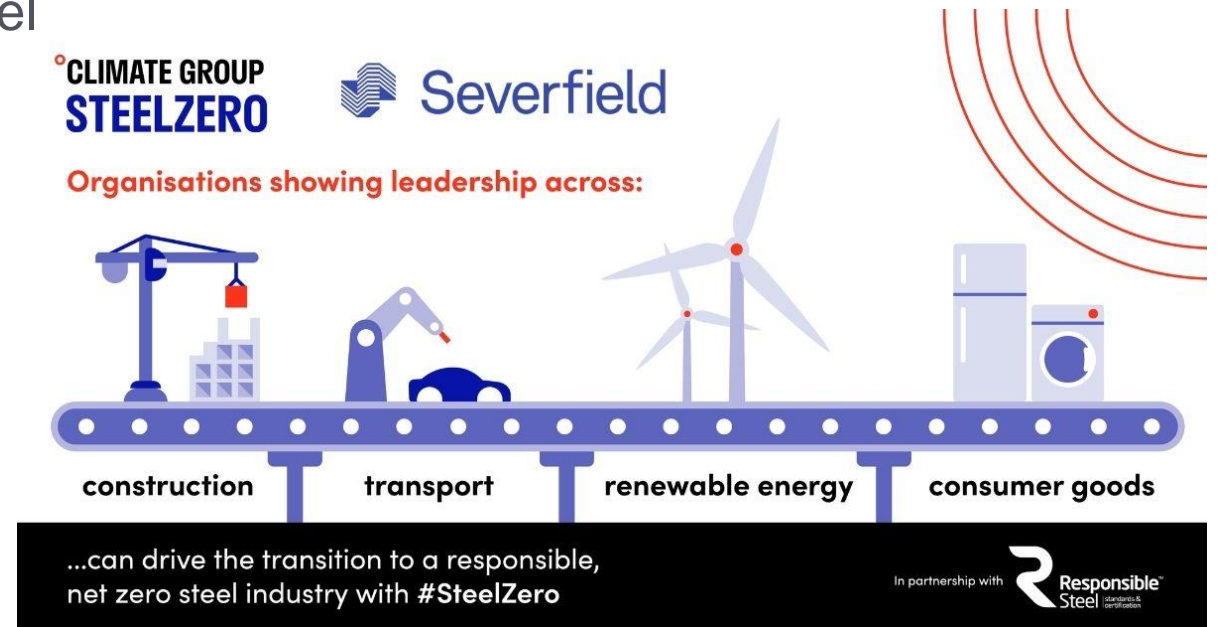




Reducing our carbon emissions

SteelZero – building a sustainable future

- Global initiative to speed up transition to a net zero steel industry
- Led by international non-profit organisations, The Climate Group and ResponsibleSteel
- Customer-led initiative by steel supply chain to drive a major shift in the market for responsible sourcing and production of steel
- Being signed up to by an increasing number of UK and international steel buyers
- Severfield is committing to transition to buying, specifying or stocking 100% net zero steel by 2050 (with interim targets of 50% to be achieved by 2030)



Our ESG momentum

Our achievements

- Reduced reported GHG emissions by 8% since 2020 and 53% since 2015 (and by 21% since 2020 and 64% since 2015 using a market-based approach)
- Included in Financial Times inaugural listing of Europe's climate leaders
- Maintained CDP rating of 'B', ahead of construction sector average, and awarded 'A' in CDP supplier engagement rating
- 73% green electricity used in our factories (with a commitment to increase to 100%)

A new sustainability framework

- Developed new sustainability strategy together with targets and KPIs to monitor progress
- Materiality assessment undertaken to confirm sustainability priorities and UN Sustainable Development Goals chosen to align with priority areas

Our commitments

- Become operationally carbon neutral in 2021 calendar year
- New targets to reduce scope 1 and 2 GHG emissions by 25% by 2025, against a 2018 baseline (based on Paris Agreement which seeks to limit global warming to below 1.5 degrees Celsius)

Green infrastructure investment

**Expert capability
to deliver for a
net zero world**



Low carbon transport



Renewable energy



New nuclear



Improved roads



UK and Europe

Market sectors



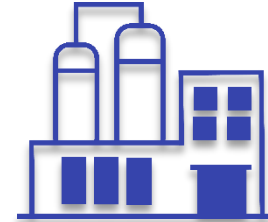
Commercial



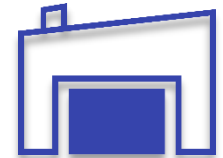
Stadia and leisure



Power and energy



Process industries



Industrial and distribution



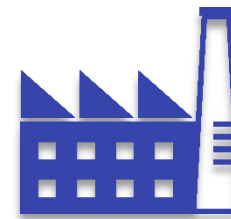
Retail



Transport



Health and education

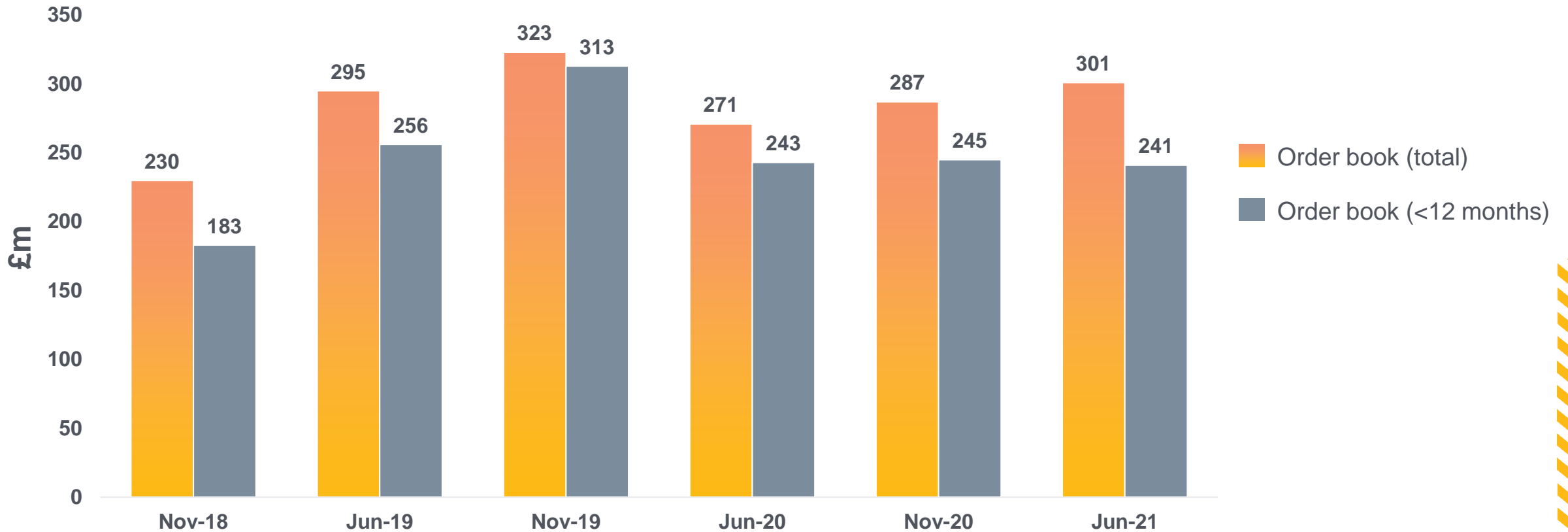


Nuclear













Data centres

High quality UK and Europe order book



- DAM Structures order book of £18m at 1 June 2021

UK and Europe order book

Sector	Jun 2021 £301m	Nov 2020 £287m	Future Trend
Industrial and distribution	28%	36%	
Commercial offices	27%	27%	
Nuclear	19%	17%	
Stadia and leisure	15%	3%	
Data centres and other	5%	11%	
Transport	4%	5%	
Process industries	1%	1%	
Health and education	1%	-	
Power and energy	-	-	
Retail	-	-	
UK	84%	68%	
Europe and Republic of Ireland	16%	32%	

HS2

A decade of infrastructure investment

Phase 1	Status	Opportunity
London to Birmingham	Underway Consortia <ul style="list-style-type: none"> • BBV (Balfour Beatty, Vinci) • SCS (Skanska, Costain, Strabag) • EK (Eiffage Genie, Kier) • Align (Bouygues, VolkerFitzpatrick, SRA) 	Four main stations <ul style="list-style-type: none"> • London Euston • Old Oak Common • Birmingham Interchange • Birmingham Curzon Street Bridges <ul style="list-style-type: none"> • Around 70 structures
Phase 2	Status	Opportunity
Birmingham to Crewe	2022+	Stations and bridges
Phase 3	Status	Opportunity
Manchester and Leeds (under government review)	-	-



- Acquisition of DAM Structures – access to HS2 ‘early stage’ work and piling and OLE work
- Order book includes first HS2 bridge packages

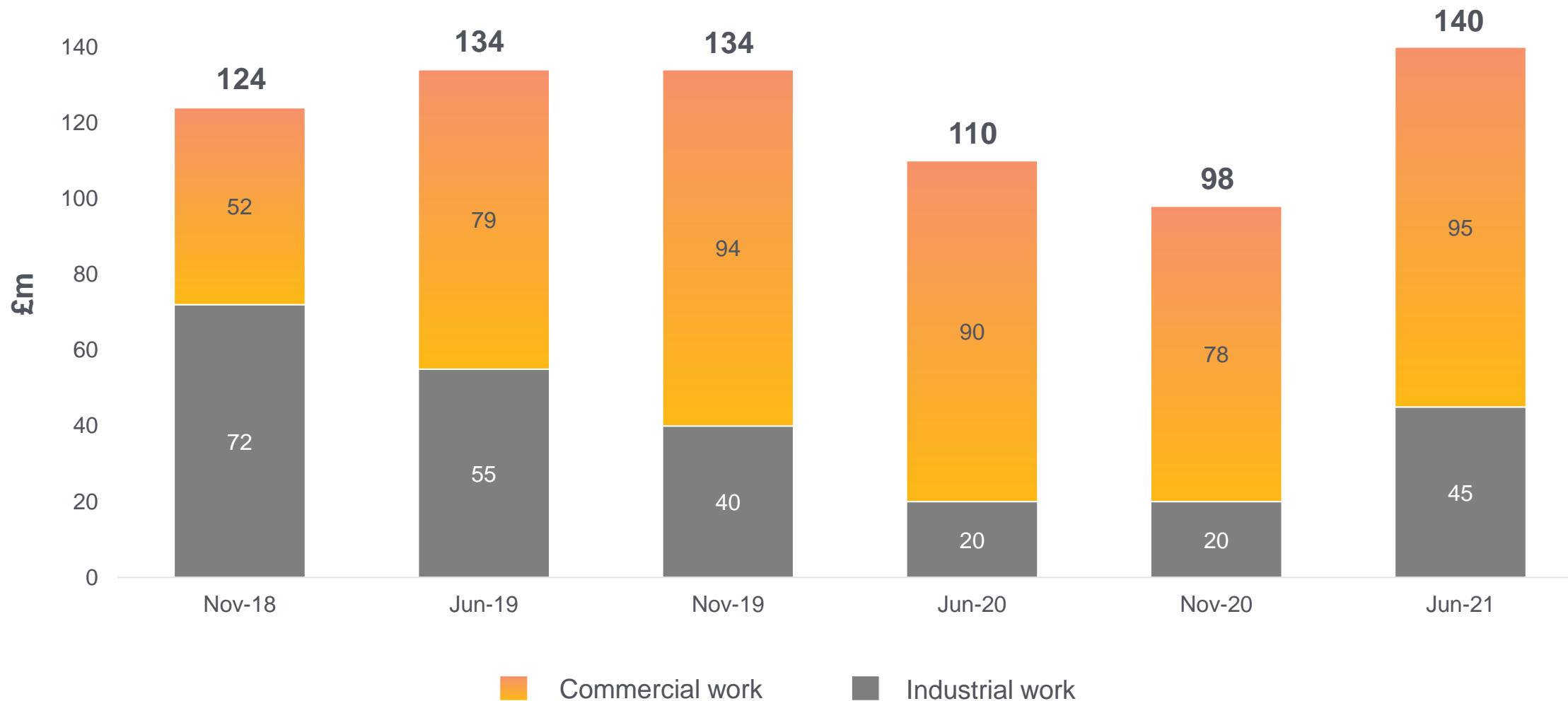
India



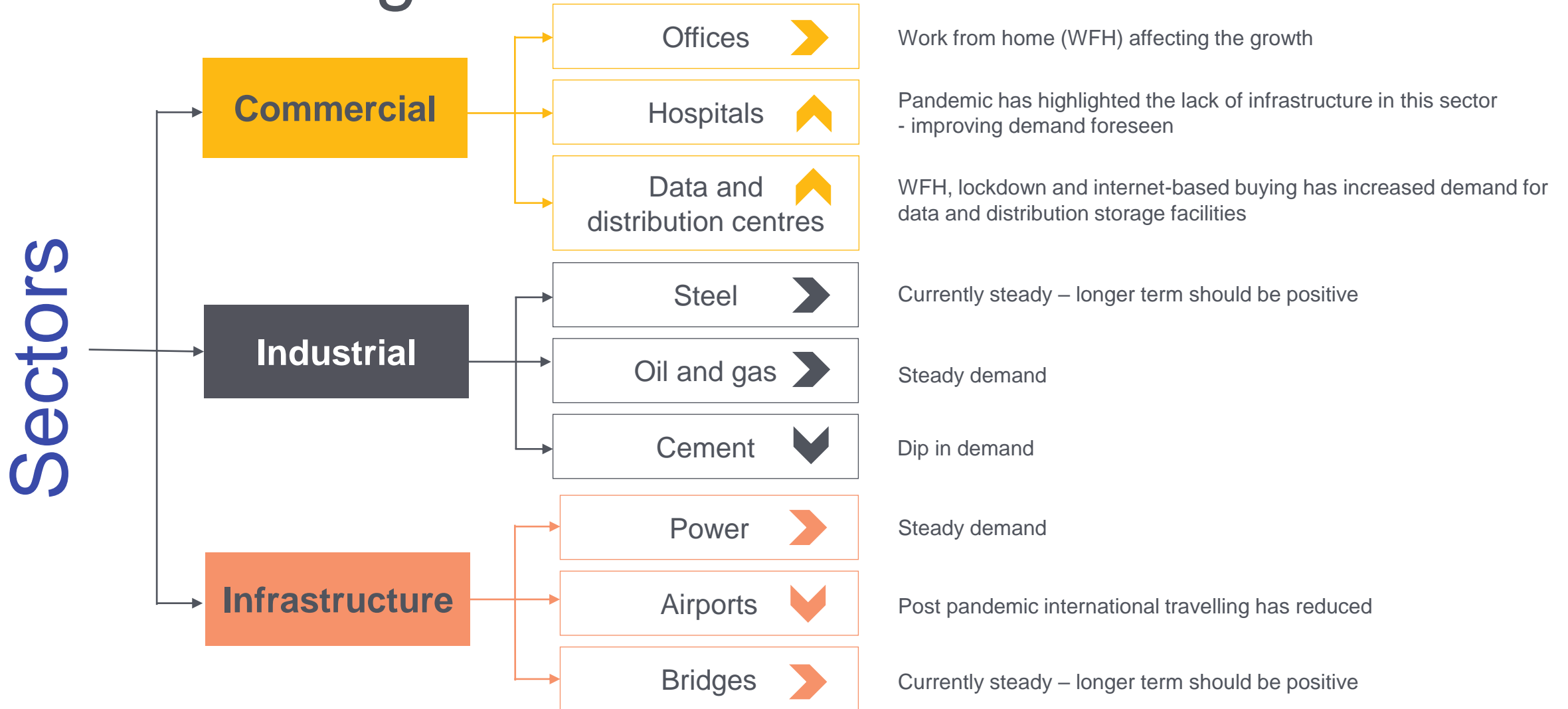
India - overview

- Second wave of Covid-19 continues to disrupt output in FY22
- Share of loss in FY21 reflects Covid-19 impacted loss in H1 and break-even profit position in H2
- Strong underlying demand for structural steel in India – clients continue to place orders – order book increased to £140m
- Good order pipeline, including commercial projects for key developers and established clients
- Key initiatives include development of strategic alliances with clients (nominated steelwork contractor) for commercial, data centre and healthcare projects
- Share of steel in construction remains below other developing countries
- Business is very well positioned in the market once current Covid-19 wave subsides – we remain positive about long-term development of market and further value creation potential of JSSL

India order book

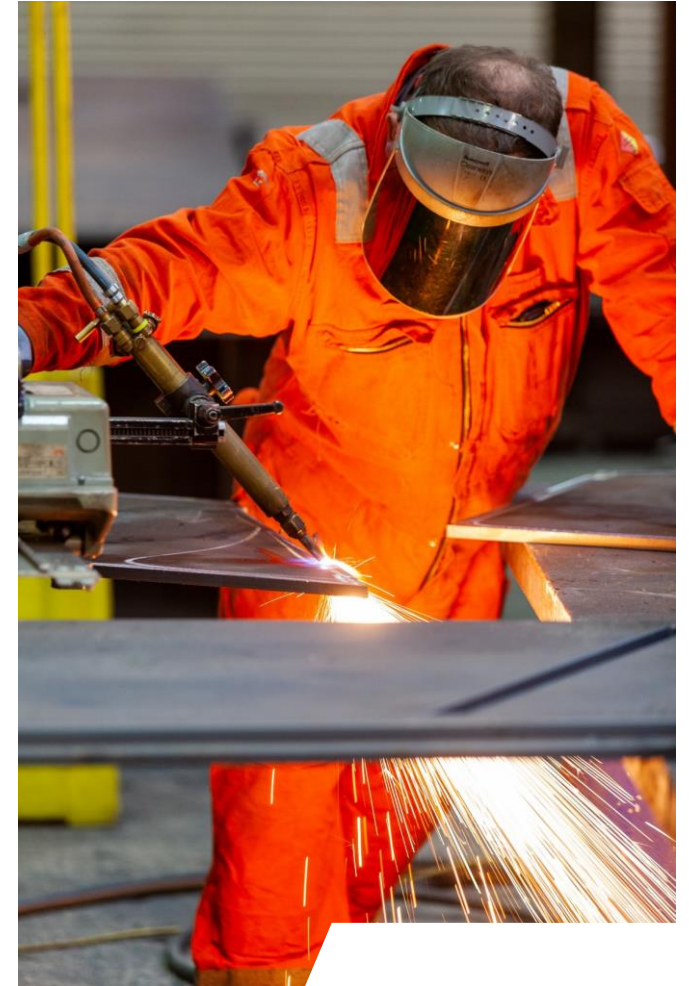


India – target sectors



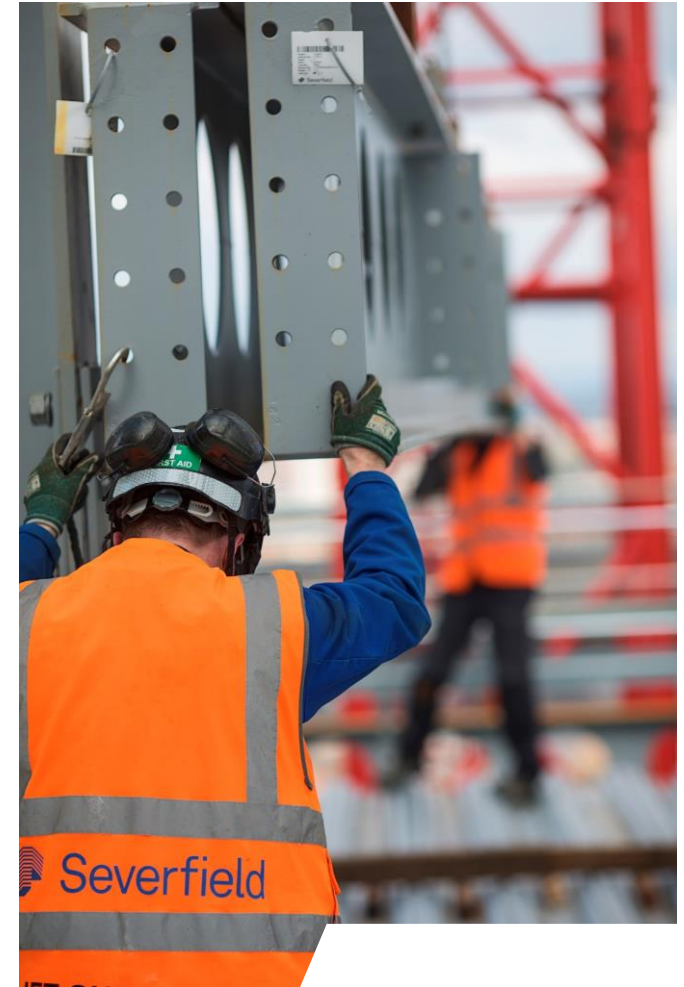
Summary

- Results demonstrate resilience against Covid-19:
 - Revenue up 11%, resilient profit performance
 - Good cash generation and strong balance sheet allows us to make the right long-term decisions
 - Final dividend maintained
- Significant strategic progress, including acquisition of DAM Structures
- Continued progress with ‘SSS’ operational improvements
- New sustainability strategy launched with commitment to be operationally carbon neutral in 2021 calendar year



Outlook

- Strategy remains unchanged
- Balanced, high quality UK and Europe order book of £301m – £241m for delivery over next 12 months
- Tendering and pipeline activity remain very encouraging, albeit at tighter prices
- Record India order book of £140m – we remain positive about the long-term development of the market and further value creation potential of JSSL
- A balanced business – resilience provided by market sector, geographical and client diversity
- Optimistic outlook – considerable positive momentum provides platform for further operational and strategic progress





Q&A