Severfield

Movin' on up

Company outlook

General industrials

14 September 2026

Severfield is the market leader in the design, fabrication and construction of structural steel in the UK and Europe. Its FY26 results in June were in line with market expectations and accompanied by a refreshed strategy, which was clearly articulated and supported by new medium-term ambitions, including underlying operating margins of 7–8% and £40–50m of underlying PBT. Margin drivers include efficiency improvements, moving up the value chain, improved project mix and a capital-light approach. Strong growth from the Indian JV, JSSL, is expected by management to contribute £10m to PBT in the medium term. Evidence of execution is visible in the FY26 results and the positive start to FY27. Our 50.5p/share P/E-based valuation implies 31% upside.

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
3/25	450.9	18.1	4.28	1.40	9.0	3.6
3/26	454.3	10.5	2.74	0.00	14.1	N/A
3/27e	472.4	13.3	3.51	0.00	11.0	N/A
3/28e	491.3	17.5	4.48	0.00	8.6	N/A

Note: PBT and EPS are on an underlying, diluted, company basis, excluding amortisation of acquired intangibles and exceptional items.

A positive start to FY27

Severfield delivered FY26 results that were in line with market expectations. The 29 July AGM trading update showed a positive start to FY27, with guidance for £12–15m of underlying PBT reiterated. Order books have continued to increase across all three geographies, providing improved revenue visibility. The UK and Europe order book rose from £507m as at 1 June 2026 to £534m, while JSSL's order book has grown by c 20% in constant currency terms over the same period. Recent orders include an increasing proportion of higher-quality work, illustrating continued execution of the strategic plan.

£40–50m of underlying PBT in the medium term

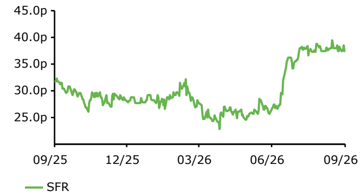
A refreshed strategy and new medium-term ambitions accompanied the FY26 results. Key targets include revenue of £500–550m, underlying operating margins of 7–8%, underlying PBT of £40–50m, cash conversion above 90% and a sustainable dividend. The company sees order opportunities ahead, with order momentum and higher-quality orders already visible. Margin improvement drivers include moving up the value chain, efficiency gains, improved project mix and a capital-light approach, with tangible evidence of improvement in many areas already. Management expects the contribution from JSSL to reach £10m, with momentum visible here too.

Valuation: 31% upside to 50.5p P/E-based valuation

Our underlying EPS estimates rise slightly for FY27 and FY28 supported by JSSL and, while the shares have recently risen by c 40%, reflecting what we believe is market appreciation of the refreshed strategy, they now trade broadly in line with the 10-year average 12-month forward P/E. Our 50.5p valuation, based on the discounted average of FY28 and FY29 P/E multiples (Exhibit 25), reflects our continued confidence in Severfield's execution, and implies 31% upside. Successful execution is the key to significant longer-term potential and is also the main risk.

Price	**38.65p**
Market cap	**£114m**
Net cash/(debt) at FY26	£(28.2)m
Shares in issue	296.2m
Free float	100.0%
Code	SFR
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	3.5	43.9	20.4
52-week high/low		39.8p	21.6p

Business description

Severfield is a market-leading UK structural steelwork fabricator operating across a broad range of market sectors, now with a Dutch subsidiary. An Indian facility undertakes structural steelwork projects for the local market in a joint venture with India's largest steel producer, JSW Steel.

Next events

H127 results 24 November 2026

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Edison profile page

Investment summary

Company description: Severfield at a glance

Severfield is the UK's market leader in the design, fabrication and construction of structural steel, with end markets spanning transport and infrastructure, commercial offices, industrial, data centres, nuclear and power and energy. Like many industrials, the company is cyclical with a footprint that requires utilisation. Between FY15 and FY26, revenues grew from £201.5m to £454.3m (a 7.7% CAGR) and operating margins averaged 6.6%. FY24 and FY25 saw revenues decline from their 2023 peak, with margins under pressure as end markets have become more challenging and the company had to undertake some remedial work on bridges. The leadership team has been refreshed: the current CEO joined in November 2025 and the new CFO joined in February 2026. Guidance for FY26 was met, and the company has reiterated FY27 guidance for underlying PBT of £12–15m, in the context of viewing FY27 as a transitional year. The year has seen a positive start according to the 29 July 2026 trading update given with the AGM.

Financials: FY26 results in line with market expectations

The FY26 results, for the year ending 31 March 2026, were in line with expectations and, as expected, the company shared the results of its strategic review, which had already resulted in the discontinuation of the Modular Solutions division. The refreshed strategy is focused on improving margins and returns, supported by a focus on value rather than volume, moving up the value chain and operational improvements. New medium-term ambitions encapsulate the strategy and include: revenue of £500–550m (FY26: £454m), a sustainable operating margin of 7–8% (FY26: 2.8%), underlying PBT of £40–50m (FY26: £10.5m) and a sustainable dividend. Severfield will continue to focus on its three key geographies: the UK, India and Europe. We believe management has laid out a clear path, with tangible levers and early evidence of execution, seen in cost reductions and higher-quality order wins, which provides confidence on its future execution.

Valuation: 50.5p/share implies 31% upside

Recent share price strength reflects what we believe is market appreciation of the refreshed and clearly articulated strategy combined with belief in new management's ability to execute. The 12-month forward P/E valuation is no longer at a discount versus five- and 10-year averages. Having previously referred to what we believed was Severfield's undemanding valuation, we have now introduced a more definitive approach. Our 50.5p/share valuation (Exhibit 25) is based on the average derived from FY28 and FY29 12-month forward P/Es of 10x and 11x discounted back by one year, while Exhibits 23 and 26 highlight the longer-term potential.

Sensitivities

The main risk for Severfield is execution related to the various components of the strategic plan. Additional risks include a further deterioration in the macroeconomic and geopolitical environment, cost pressures, pricing and a deterioration in the Indian economy.

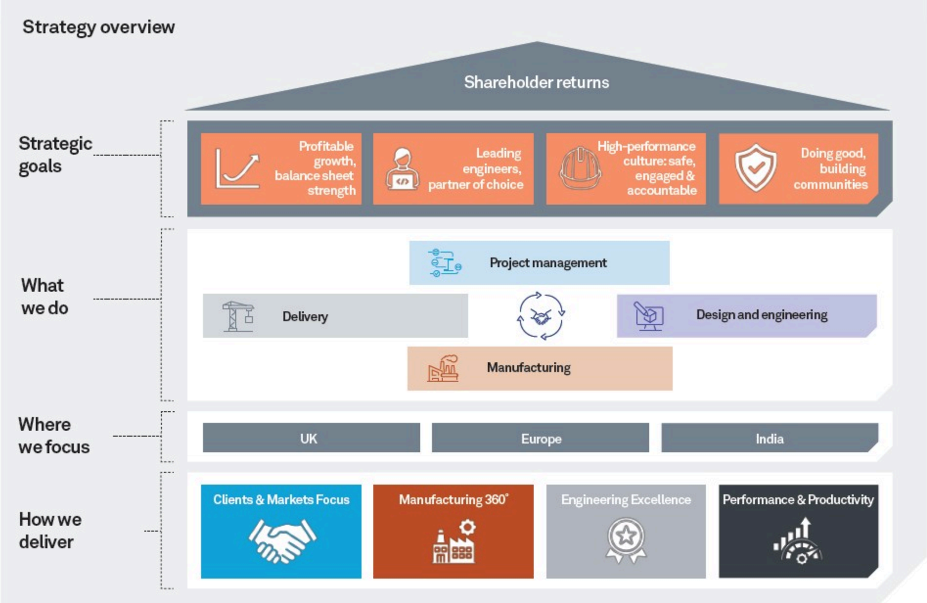
Refreshed strategy, clear medium-term ambitions

The six months from November 2025 to May 2026 under new CEO Paul McNerney, who joined on 3 November 2025, and new CFO Andrew Page, who joined on 16 February 2026, saw Severfield strengthen the business. During this period management has exited the Modular Solutions business, optimised the office footprint, established a new Clients and Markets team and separated the Infrastructure activities. Operational changes include cost reduction, with c £3m achieved so far, weekly business plan reviews and increased operational discipline. Financially Severfield has benefited from reduced net debt and refinanced banking facilities. These actions paved the way for what in our view was the most important part of the FY26 results announcement: the updated strategy.

The key aims of the refreshed strategy are:

- to deliver increased shareholder returns by profitable growth, improved margins and cash conversion supported by disciplined project selection,
- to build a high-performance culture delivering operational excellence with accountability, and
- to reinforce Severfield's position as the leading engineering partner for high-value technically complex projects with certainty of delivery.

Exhibit 1: Strategy overview



Source: Severfield 2026 Annual Report

The financial elements are encapsulated by a refreshed set of medium-term ambitions:

- revenue of c £500–550m,
- a sustainable operating margin of 7–8%,
- underlying profit before tax of £40–50m (including £10m from the India joint venture (JV)),
- return on capital employed of greater than 15%,
- leverage of 1.0–1.5x,
- cash conversion in excess of 90%, and
- a sustainable dividend, underpinned by cash generation and a disciplined financial framework.

Below we discuss what we see as the key enablers for Severfield to achieve its medium-term ambitions.

Orders and revenue

The £525m mid-point of Severfield's guided revenue range implies revenue growth of c 2.1% over a five-year period or 2.7% over a four-year period. We believe this compares favourably with the c 3.7% FY19–26 CAGR excluding c £100m of M&A given that it is below the level delivered historically, implying a degree of caution.

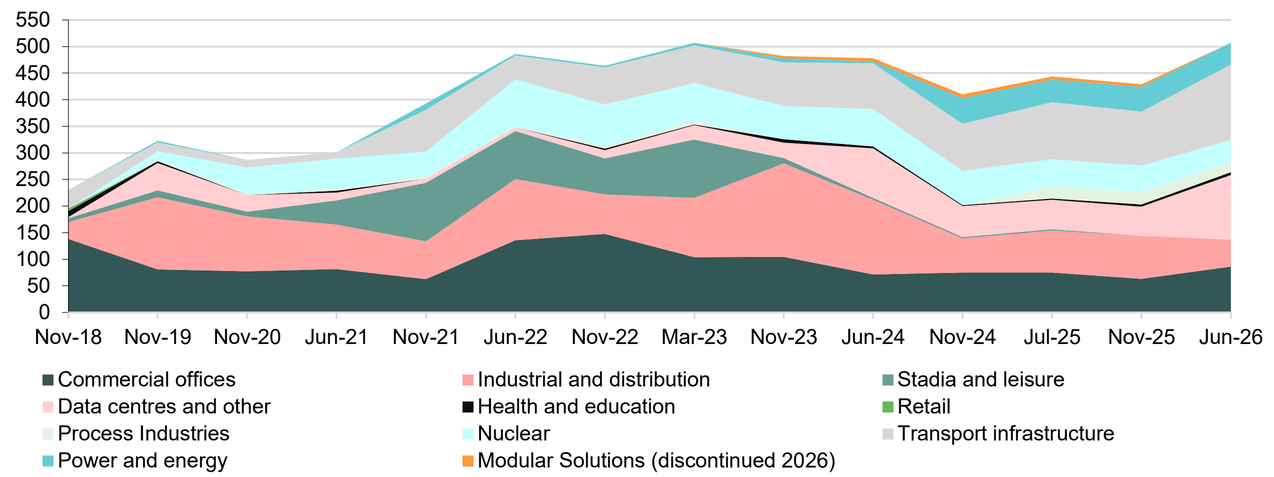
Exhibit 2: Implied and historical revenue growth CAGRs

Mid-point of £500–550m medium-term ambition	£525m
FY27e	£472m
5-year CAGR, % pa	2.1%
4-year CAGR, % pa	2.7%
FY19 revenue	£275m
FY26 revenue	£454m
CAGR, % pa	7.4%
Exclude c £100m of acquired revenue	354
CAGR, % pa	3.7%

Source: Severfield data, Edison Investment Research

While the macroeconomic backdrop in the UK and Europe is subdued, the company has nevertheless managed to grow its order book to £507m as of June 2026, which is close to previous peak levels. Part of management's refreshed strategy is to focus on moving the group up the value chain, as we discuss below, including early successes with pre-construction service agreements (PCSAs). Management also emphasised the importance of value over volume, with a desire to focus on contracts with higher margins and better cash flow relative to the levels delivered recently. While lower-margin contracts already in the order book create a headwind for FY27, the company highlights its attractive pipeline of higher-margin projects for FY28 and beyond, driven by sectors including data centres, transport and infrastructure, and commercial offices.

Exhibit 3: UK and Europe order book (£m) – close to previous peak



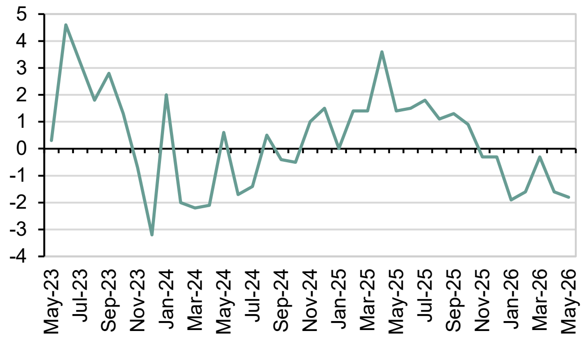
Source: Edison Investment Research, company data

UK and Europe order improvement notable given subdued macro backdrop

We think it is notable that Severfield has achieved the recent improvement in order volume and quality despite the ongoing subdued macroeconomic backdrop and competitive market of recent years. The UK structural steel market has contracted from around 1.2Mt pre COVID-19 to around 873kt currently, with low public and private sector budgets making it more challenging to extract value. UK construction output is in negative territory and while it appears that it may have stopped deteriorating, there is currently no sign of inflection. The same can be said for UK and eurozone construction PMIs, which both remain below 50 and show no signs of inflection, while UK and eurozone consensus GDP forecasts indicate modest growth ahead. We think the increased orders reflect the improved discipline implemented by the new management team, which is avoiding competing in the toughest part of the market where margins are lowest, the company's leading market position and its strong skill set.

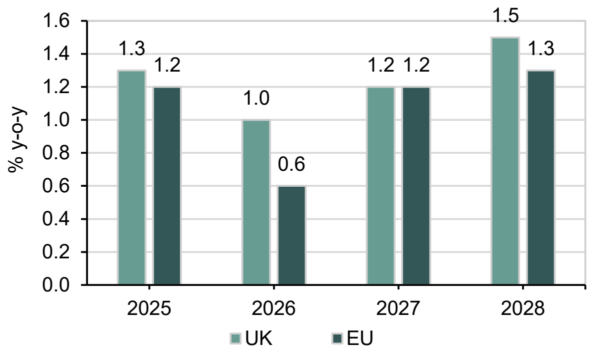
Importantly the company can see opportunities ahead, including stadia and London commercial property. Management is also targeting less cyclical sectors, such as defence and nuclear, which could reduce volatility. Data centres are likely to continue to be a source of orders, given that planned build-out in the UK alone includes c 5Mt of steel compared to the UK market capacity of 873kt.

Exhibit 4: UK construction output, y-o-y, %



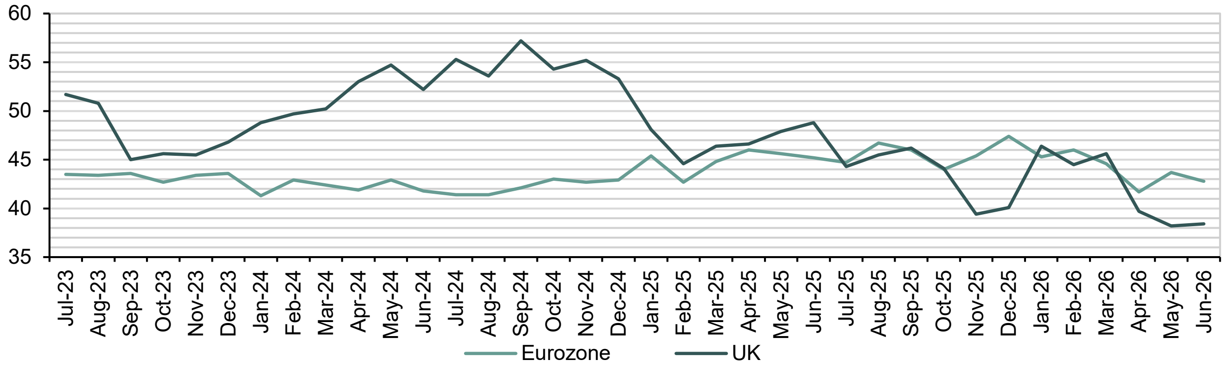
Source: Bloomberg, UK ONS

Exhibit 5: UK and eurozone consensus GDP growth expectations



Source: Bloomberg, Edison Investment Research

Exhibit 6: UK and eurozone construction PMIs

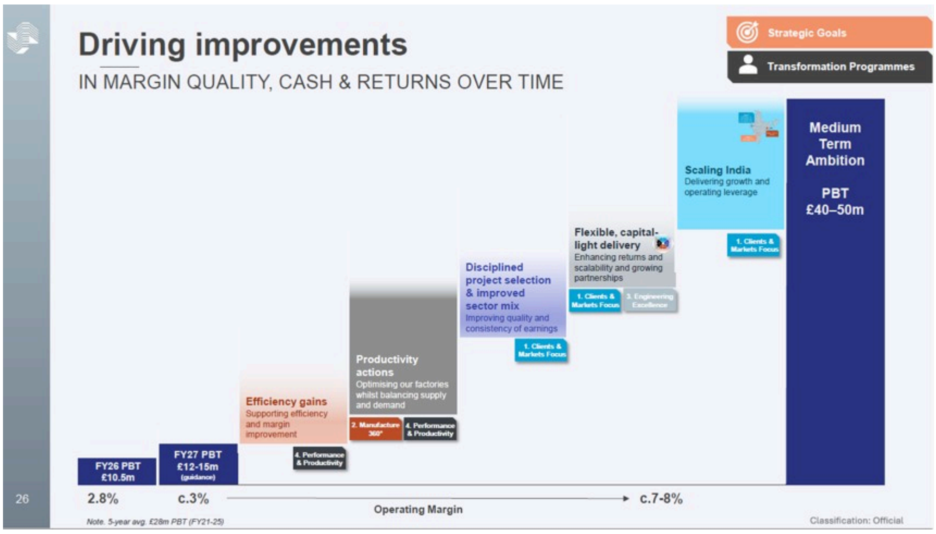


Source: Bloomberg, Edison Investment Research

Exploring the margin and PBT ambitions

Severfield presented the following slide illustrating the expected drivers of margin improvement that support both its 7–8% underlying margin and £40–50m underlying PBT ambitions. Management aims to build a high-performance culture with accountability. This is encouraging, as accountability in particular is a key element in many successful businesses, as it ensures people take responsibility for their decisions and therefore often results in faster decision-making. We believe a shift to this cultural framework is an important part of the foundations for improvement.

Exhibit 7: Underlying margin and PBT bridge



Source: Severfield, 23 June 2026

Efficiency gains and productivity improvements

Following c £3m of cost reduction in FY26, management indicates that there is scope for efficiency improvements totalling c £15m, leaving £12m left on the table. Potential gains could come from more efficient manufacturing, including more effective shift utilisation as well as undertaking more activities in-house, such as paint, c 60% of which is currently outsourced. Raw material purchasing and general overhead reduction, such as reducing office space (the York office has been closed), and improved configuration of manufacturing capacity could also support margin improvement. In Europe the company could consider a configuration that incorporates a lower-cost footprint in Eastern Europe.

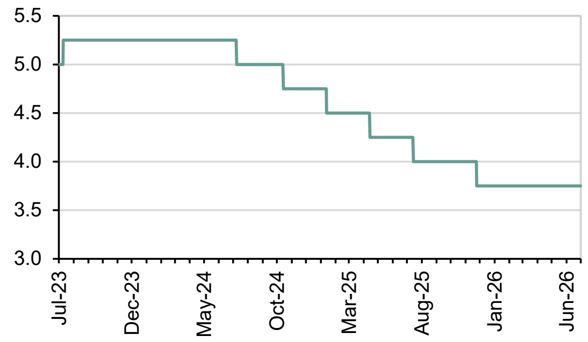
Moving up the value chain

Management describes Severfield as having been a linear business, with value creation from manufacturing to delivery, with the company cutting, welding and shaping steel, then delivering it and standing it. The new strategy encompasses moving up the value chain into front-end engineering design (FEED) and PCSAs by leveraging the company's expertise and experience and allowing it to capture more value by accessing higher-return, lower-risk opportunities. Consequently, Severfield aims to expand its design offer, allowing customers and partners to benefit from its extensive expertise and work collaboratively, which would also take Severfield further into project management. In practice, the company should be engaging with customers earlier in the process and remain involved for longer, allowing it to capture more value from advisory services, which would support margin progression and cash generation. These projects are also likely to be larger, albeit the likely accompanying greater complexity that justifies the advisory service also introduces an element of risk. Severfield is implementing this already, hence its reference on the FY26 call to early successes with PCSAs. It is also implementing this approach with Orsted for the Hornsea 3 offshore wind farm, while a new partnership with energy infrastructure provider GEG Global creates a framework for collaboration on new projects.

Improved project mix

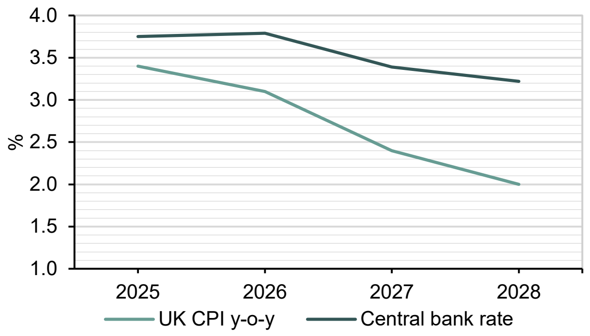
Complementary to moving up the value chain is management's intended focus on projects in counter-cyclical sectors such as nuclear, defence and renewables. It intends to bid on some large commercial property projects in the City of London, such as 99 Bishopsgate and Undershaft, and believes that the London market may benefit from lower interest rates once the current inflationary effects have worked their way through. We show UK base rates below (Exhibit 8) and Bloomberg consensus forecasts for UK inflation and base rates (Exhibit 9), both of which are expected to ease somewhat in coming years. There are also significant projects coming up in the stadia sector, with Manchester United having acquired land behind Old Trafford and Leeds United considering development, having announced in January 2026 that planning permission has been granted for capacity expansion at its Elland Road stadium.

Exhibit 8: UK base rates (%)



Source: Edison Investment Research, Bloomberg

Exhibit 9: UK consensus CPI and base rate forecasts



Source: Edison Investment Research, Bloomberg

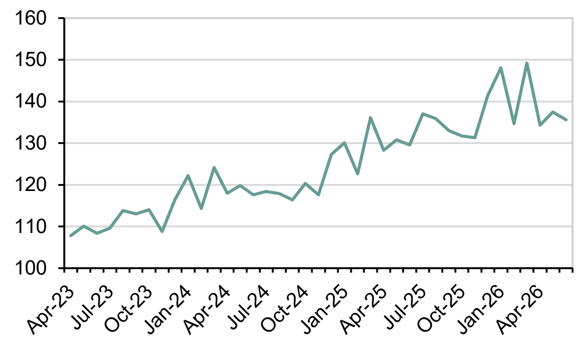
Capital-light approach

Given the subdued steel market, another lever Severfield intends to use to improve margins is to adopt a more capital-light approach where possible, to increase agility and flexibility in the manufacturing process. There are multiple potential benefits from this approach, including: reducing the constraint on the company that comes from fixed capacity; allowing it to focus on higher-value added fabrication; improved footprint optimisation and capacity utilisation; and leveraging the value from related partnerships including from potential sub-contractors. The capital-light approach has been used successfully by other companies in the UK industrial sector such as Spirax Sarco and Rotork, which have achieved similar returns on capital to Severfield's >15% ambition.

India: Strong growth underpins expected medium-term PBT of c £10m

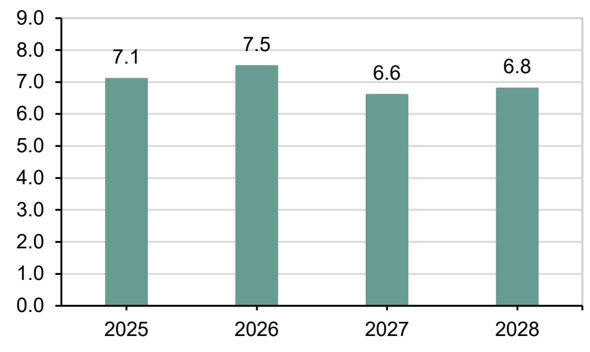
The economic backdrop in India is much stronger relative to the UK and Europe, with consensus economic growth of around 7% between 2026 and 2028 and the India Nine Core Industries Index of Steel showing a healthy trajectory in recent years, albeit with more recent volatility and potential stabilisation.

Exhibit 10: India Index of Steel



Source: Bloomberg, Edison Investment Research

Exhibit 11: India consensus GDP growth, y-oy, %



Source: Bloomberg, Edison Investment Research

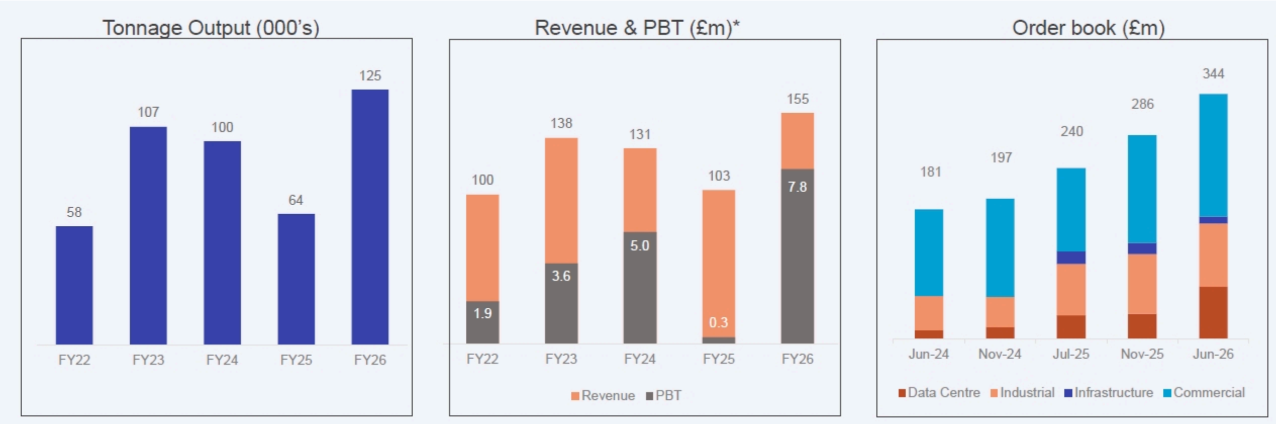
Severfield is exposed to India through its JSW Severfield Structures (JSSL) 50/50 JV with Indian steel company JSW Steel. JSSL appears as an associate in Severfield's P&L and has now achieved material profitability, with a contribution of £3m in FY26 and an anticipated £10m contribution included in the company's medium-term £40–50m underlying PBT ambition.

According to management, historically India preferred to build with concrete given its lower-cost profile and steel was priced against concrete. However, the country is now growing strongly (Exhibit 11) and Severfield notes that structural steel penetration remains significantly below that of more mature markets. India is also aiming for developed nation status by 2047, supported by public and private investment. The World Trade Organization (WTO) noted in its 21 July 2026 Trade Policy Review: India that the country was consistently the fastest growing G20 country in the post-pandemic period and needs to sustain growth of c 8% per year and address various challenges, including infrastructure gaps, to achieve this aim.

Consequently, management expects further significant growth from the JV and expects it to be an increasingly important part of the group, given JSSL's exposure to higher-margin and high-growth sectors with large projects, such as commercial offices and data centres, strong infrastructure demand, the accelerating expansion of its partner JSW and the capacity of the JV. JSW's steel capacity is expected to expand from c 36Mt in FY26 to c 62Mt by 2032, while JSSL's capacity is expanding, with Gujarat ramping up to c 150kt by 2029 (FY26: 1kt), while Bellary has capacity of 114kt. Severfield is applying a consistent strategy in India, where it also wants to apply the asset-light model using contract manufacturing (which could add an additional c 150kt of capacity), focus on high-margin sectors and use its engineering capability. This supports the ambition for 185kt steel production this year rising to a total capacity target of c 500kt in the medium term, with management noting that this may require £7–8m of additional investment, and importantly that it does not need to be at 500kt of capacity to achieve its £10m underlying PBT ambition.

JSSL's order book reached £344m at the end of FY26, representing 340kt up from 125kt in FY25 (Exhibit 12), and was described on the earnings call as consisting of sizeable contracts with good margins, with an expectation of more order wins ahead. JSSL achieved FY26 operating margins of 7.4%. Given the £3m contribution from India in FY26 and the £10m medium-term ambitions, £4–5m of underlying PBT for FY27 seems achievable, assuming a roughly linear path to £10m over five years. We conservatively assume a £4.1m contribution from JSSL in FY27.

Exhibit 12: JSSL – tonnage, revenue and order book



Source: Severfield FY26 results presentation

Clear geographic focus

The other aspect of the strategy that has been clearly articulated by management is the geographic focus on three key areas: the UK, Europe and India. Given management medium-term ambitions, we see execution as the key priority to maintain the diversification across these key geographies and to achieve the ambition to adopt a more acyclical sector exposure, which could help smooth the trajectory of future earnings somewhat and potentially improve the rating the market attaches to the shares.

Summarising the PBT and margin bridge

Having run through the main margin levers management illustrated, we have translated them into Exhibit 13 below using the bottom-end of management's revenue ambition of £500–550m. The expected efficiency and productivity improvements of c £12m account for around 240bp of margin, leaving around 160bp of margin, which appears from the table to be split roughly evenly between improved project selection and sector mix, and a capital-light approach. In addition, there is the £10m expected contribution from India as discussed above, but which is not a component of the underlying margin ambition.

Exhibit 13: Estimated PBT and margin bridge

Sales	£500.0m	
	PBT (£m)	Operating margin (EBITDA, %)
FY27 margins	15.0	3.0%
Add gross efficiency savings	12.0	2.4%
Subtotal	**27.0**	**5.4%**
Remainder of margin gains from		
Project selection	4.0	0.8%
Flexible/capital light	4.0	0.8%
Subtotal	**35.0**	**7.0%**
India	10.0	N/A
Medium-term ambition	**45.0**	

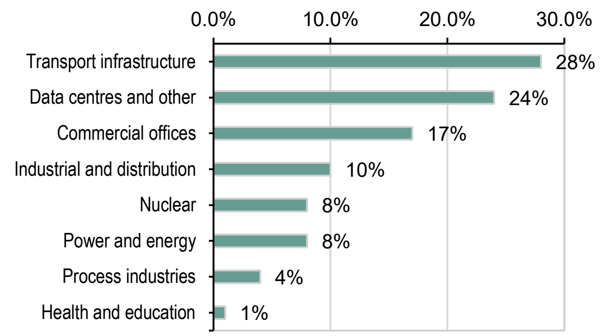
Source: Edison Investment Research

Financials

FY26 results

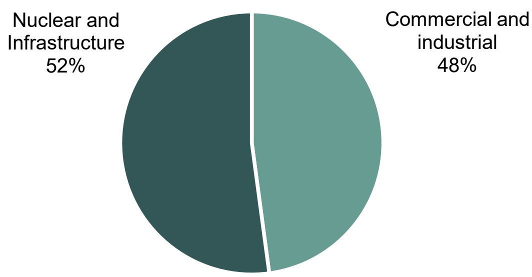
Severfield reported FY26 results on 23 June 2026 that were in line with the April 2026 trading update. Revenue grew 1% y-o-y to £454.3m while underlying PBT declined to £10.5m (FY25: £18.1m), in line with market expectations. Core Construction revenue rose 2% to £442.5m, with Nuclear and Infrastructure up 45% to £124.3m, offsetting a 9% decline in Commercial and Industrial and the Modular Solutions wind-down. The UK and Europe order book increased to £507m from £429m in November 2025, with £339m scheduled for delivery over the next 12 months. This improves visibility, but FY27 remains a transition year as lower-margin work rolls through, with larger, higher-value projects expected to commence in H2. Management sees the order book as a mix of lower-margin and higher-margin work that overall provides good revenue coverage, noting that a number of big contracts are about to start, such as Old Oak Common for High Speed 2 and some data centre projects. Consequently, management expects project slippage to be limited. We have shown the evolution of the order book in Exhibit 3 above, while data from Exhibit 14 below shows that c 70% of the £507m is spread across three sectors: transport and infrastructure (28%), data centres and other (24%) and commercial offices (17%).

Exhibit 14: UK and Europe orders, 30 June 2026



Source: Edison Investment Research, company data

Exhibit 15: UK and Europe order book split, 30 June 2026



Source: Edison Investment Research, company data

The underlying operating margin before JVs fell to 2.8%, from 4.8% in FY25, reflecting competitive pricing, delayed awards and a weaker UK and European project mix. Statutory loss before tax was £39.9m after £50.3m of non-underlying items, mainly Modular Solutions closure costs, bridge-related remediation costs and impairments. Cash was stronger: conversion was 145%, net debt fell £15.1m to £28.2m and leverage improved to 1.2x. No final dividend was proposed.

Exhibit 16: Summary results table

(£m)	FY24	FY25	FY26	% change
Revenue				
Commercial and Industrial	361.8	349.6	318.2	*-9.0%*
Nuclear and Infrastructure	87.4	85.9	124.2	*44.7%*
Core Construction Operations	**449.2**	**435.4**	**442.5**	*1.6%*
Modular Solutions	21.5	24.2	16.3	*-32.5%*
Central items	(7.2)	(8.7)	(4.5)	*-47.8%*
Total revenues	**463.5**	**450.9**	**454.3**	*0.7%*
Underlying operating profit pre-associates	**37.7**	**21.7**	**12.7**	*-41.4%*
CMF (share of profit)	0.1	0.0	(0.5)	*n/a*
India (JSSL)	1.9	0.1	3.0	*n/a*
Interest	(3.1)	(3.6)	(4.7)	*30.2%*
Underlying profit before tax	**36.5**	**18.1**	**10.5**	*-42.1%*
Underlying operating margin	***8.1%***	***4.8%***	***2.8%***	*-2.0%*
Profit/(loss) before tax	**23.0**	**(17.5)**	**(39.9)**	*127.6%*
Total Tax	**(7.1)**	**3.4**	**4.3**	*24.5%*
Profit/(loss) attributable to equity shareholders	**15.9**	**(14.1)**	**(35.6)**	*152.7%*
EPS – basic (p)	***5.18***	***-4.66***	***-12.03***	*158.3%*
EPS – underlying, diluted, company basis (p)	***8.85***	***4.28***	***2.74***	*-36.0%*
DPS (p)	***3.70***	***1.40***	***0.00***	*-100.0%*

Source: Edison Investment Research, Severfield data

FY27: Guidance and a positive start

Positive start to FY27 (29 July AGM trading statement)

Severfield has made a positive start to 2027 despite an unchanged market backdrop, with FY27 guidance for underlying PBT of £12–15m unchanged from the FY26 results on 23 June 2026. Order books have increased across all three geographies (UK, Europe and India), providing improved revenue visibility. In recent weeks, Severfield has secured some significant project wins, primarily in data centres in the UK, Germany and Sweden, driving the UK and Europe order book up again from £507m as at 1 June 2026 to £534m, of which £375m is scheduled for the next 12 months, which is an 11% increase from the £339m as at 1 June, providing improved visibility of FY27 volumes.

Continental Europe now accounts for 32% of the UK and Europe order book, compared to 28% on 1 June, implying that the majority of the orders won in June were in continental Europe. Importantly, recent awards include an increasing proportion of higher-quality work, which is expected to support future margin progression and illustrates continued execution by management of its strategic ambitions to secure contracts in growing sectors, such as data centres, to support expansion of both revenue and margins. We note that this is being achieved despite an unchanged subdued macroeconomic backdrop in the UK and Europe. Severfield's Indian JV JSSL has also seen continued good momentum at the start of the year, with the order book increasing by 20% in constant currency to INR41,340m/£327m (1 June 2026 INR34,400m/£267m), reflecting successful data centre project awards and new orders from its partner JSW to support JSW's ongoing investment.

We believe the AGM trading update shows that the foundations for improvement and execution against management's medium-term ambitions continue to strengthen. Increased orders provide improved visibility, the quality of the order book is improving as the company works through lower-margin projects, strong growth in India continues and management is progressing with its transformation programmes. Consequently, it is ticking all the boxes next to its medium-term ambitions, which should continue to support the share price following recent gains post the FY26 results.

FY27 a transition year, guidance unchanged

Management views FY27 as a transition year, with unchanged guidance for £12–15m underlying PBT (FY26: £10.5m), which incorporates the headwind from lower-margin projects rolling off. However, the company points to an attractive pipeline of higher-margin projects for FY28 and beyond, including high-quality commercial office projects. The sectors showing the strongest growth are transport, infrastructure and data centres. Severfield's Indian JV JSSL is expected by management to continue to improve its contribution to the group, after a record contribution of £3m in FY26. FY27 is supported by a record order book for the JV of £344m, with contracts in higher-margin end markets in India such as commercial offices and data centres. The company expects broadly flat net debt in FY27, despite c £20m of non-underlying cash outflows mainly related to bridge remediation, partly offset by a £10m contract advance received post-year end. Maintenance capex is expected to return to what management sees as the usual £8m level in FY27. Liquidity headroom of £39.3m and the June 2026 announcement of refinanced banking facilities to 2029 provide flexibility.

The company remains committed to recommencing the dividend once the cash flow of the business supports it, acknowledging that this has been an important component for many long-term Severfield shareholders. At this stage we have taken a prudent approach and have yet to include a reinstated dividend.

Management incentives support medium-term ambition

It is always encouraging to see management incentives aligned with shareholders and we note that new PSP awards were granted in June 2026 and vest in June 2029. These are subject to an EPS target (50%) measured over a three-year performance period and a relative total shareholder return (TSR) target (50%) measured over a three-year performance period. Vested awards will be subject to a two-year holding period. The EPS target is 7.3p (25% vests) to 8.9p (100% vests), which are equivalent to underlying PBT of £26m and £32m respectively. We note that achievement of this incentive would imply that Severfield is on the right trajectory towards its medium-term ambition of £40–50m underlying PBT.

Changes to estimates

While our revenue estimates are unchanged, we now assume a slightly lower operating margin in FY27 of 2.85%. Our FY27 EBITDA estimate is c £2m higher due to c £1.4m higher operating profit driven by a c £2m uplift in the share of profits from associates and JVs (largely JSSL), with the latter flowing through into underlying PBT. A higher finance charge offsets much of the operating profit gain, leaving our underlying FY27 PBT and EPS estimates little changed. Net debt remains broadly flat as per company guidance. Our FY27 forecasts include the guided £20m non-underlying costs, the £10m contract advance, increased capex back to c £7m as per the earnings call and some working capital improvement.

Our FY28 forecasts incorporate progress towards Severfield's medium-term ambitions. We now assume 4% revenue growth, implying no acceleration from FY27 (albeit higher than our previous 2% forecast) and underlying PBT of £17.5m. Forecast underlying operating margin improves to 3.20% (previously 3.6%), which we expect to be driven by a combination of factors including fewer lower-margin contracts in the mix, operational improvements, improved sector focus and the move up the value chain. This reduces our operating profit forecast pre JVs and associates by c £1.6m and is more than offset by an increase in our forecast of the share of profits from JVs and associates (again from JSSL) to £5.9m (FY26: £2.9m) as JSSL progresses towards the £10m medium-term ambition. Our underlying PBT forecast therefore rises by c 2% to £17.5m. The slight increase in FY28 net debt is driven by changes in working capital following the contract advance in FY27.

Exhibit 17: Changes to estimates

	2026	2027e			2028e		
£m		Old	New	% chg	Old	New	% chg
Revenue	454.3	472.4	472.4	0.0%	481.9	491.3	2.0%
Y-o-y % change	*0.7%*	*8.0%*	*4.0%*	-	*2.0%*	*4.0%*	-
EBITDA – Edison basis	22.2	23.5	25.4	8.1%	27.2	29.7	9.2%
Y-o-y % change	*-23.5%*	*8.1%*	*14.7%*	-	*15.5%*	*16.6%*	-
Underlying operating profit	15.2	16.5	17.9	8.5%	20.2	21.7	7.4%
Y-o-y % change	*-30.2%*	*11.9%*	*18.1%*	-	*22.0%*	*20.8%*	-
PBT (underlying, pre exceptionals)	10.5	13.2	13.3	0.8%	17.2	17.5	1.7%
Y-o-y % change	*-42.3%*	*30.1%*	*27.4%*	-	*29.8%*	*30.9%*	-
EPS – underlying, diluted (p)	2.74	3.35	3.51	4.8%	4.35	4.48	3.0%
Y-o-y % change	*-36.0%*	*30.1%*	*28.1%*	-	*29.8%*	*27.6%*	-
DPS (p)	0.0	0.0	0.0	-	2.5	0.0	-100.0%
Y-o-y % change	*-100.0%*	*N/A*	*N/A*	-	*N/A*	*N/A*	-
Net (debt)/cash (pre IFRS 16)	(28.2)	(27.9)	(28.2)	1.1%	(21.7)	(25.6)	17.9%
Y-o-y % change	*-34.6%*	*4.3%*	*0.0%*	-	*-22.1%*	*-9.2%*	-

Source: Edison Investment Research

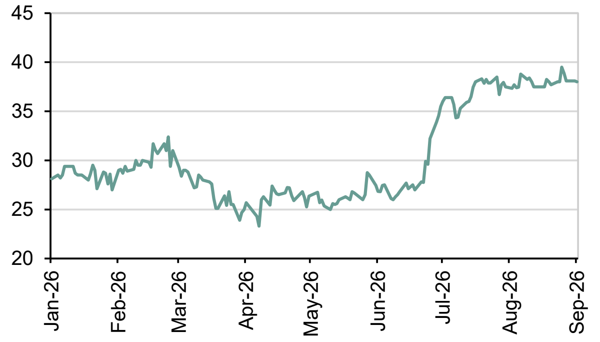
Valuation: 50.5p/share valuation implies 31% upside

Severfield's share price has risen by close to 40% following the FY26 results. We believe this is largely driven by the market's appreciation of the refreshed strategic plan, with clearly articulated medium-term ambitions. However, the share price remains depressed versus its long-term history.

Exhibit 18: Share price (p) history, last five years

Source: Bloomberg, Edison Investment Research

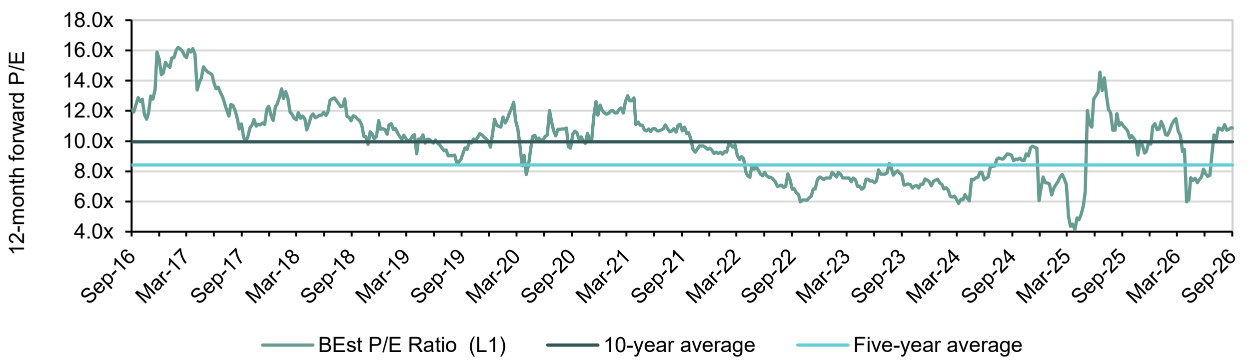
Exhibit 19: Year-to-date share price (p)



Source: Bloomberg, Edison Investment Research

The share price increase has closed the P/E discount versus the five- and 10-year averages we referred to in our April 2026 note. Based on our FY27 underlying EPS estimates, the shares currently trade at a P/E of 11.0x, a c 30% premium to the five-year average P/E of 8.4x, and a c 10% premium to the 10-year average of c 10.0x.

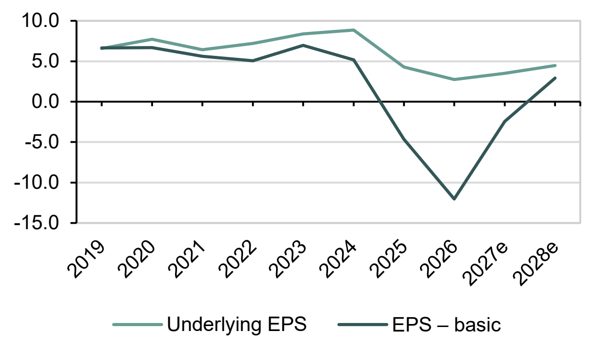
Exhibit 20: Severfield 12-month forward P/E ratio, with five- and 10-year averages



Source: Edison Investment Research, Bloomberg

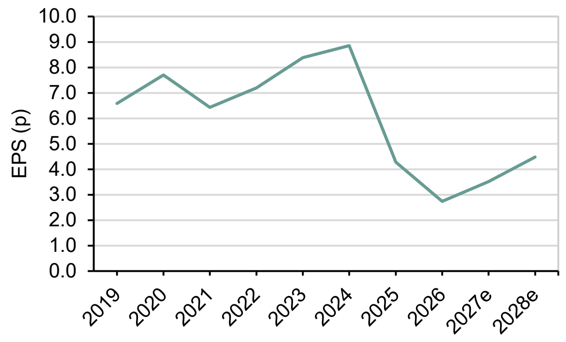
With the short-term value gap having closed, we believe execution against Severfield's medium-term ambitions is the key to further share price gains. We also expect the gap between underlying and reported EPS to narrow in the future (Exhibit 21) as the level of one-off charges declines significantly from c £20m in FY27 to c £2–3m in FY28 (we forecast £2.5m) to zero thereafter, reflecting the conclusion of the bridge remedial issues.

Exhibit 21: Underlying and basic EPS (p)



Source: Edison Investment Research, Severfield data

Exhibit 22: Underlying EPS



Source: Edison Investment Research, Severfield data

Tangible progress towards Severfield's medium-term ambition of underlying PBT of £40–50m that is reflected in higher EPS and consistent communication from management should allow the company to at least maintain and perhaps even improve its P/E rating. Underlying EPS in 2019, 2020 and 2021 were 6.58p, 7.70p and 6.43p, respectively (Exhibit 22), during which time the shares maintained a 12-month forward P/E that was mostly in the 10–12x range, reflecting underlying PBT of c £20m in 2019 and 2020 and £17.3m in 2021 and margins in the 7.0% to 8.5% range.

Exhibit 23 shows the range of valuations for Severfield at different P/E multiples using our current forecasts illustrating out to FY29 the upside potential from successful execution as well as the downside were the shares to de-rate back to lower multiples. We believe the risk-reward profile is skewed to the upside given the positive start to FY27 and management's clear strategic plan, which is more reliant on self-help than underlying market improvement.

Exhibit 23: Severfield's valuation potential (p/share) at a range of P/E multiples

Price	38.65p	2027e		2028e		2029e	
EPS (p)		3.51		4.48		5.94	
P/E multiple	Comment	Implied price	± (%)	Implied price	± (%)	Implied price	± (%)
6.0x		21.1	-46%	26.9	-30%	35.6	-8%
7.0x		24.6	-36%	31.3	-19%	41.6	8%
8.0x	5-year average 8.4x	28.1	-27%	35.8	-7%	47.5	23%
9.0x		31.6	-18%	40.3	4%	53.4	38%
10.0x	10-year average 10.0x	35.1	-9%	44.8	16%	59.4	54%
11.0x		38.6	0%	49.3	27%	65.3	69%
12.0x		42.1	9%	53.7	39%	71.2	84%
13.0x		45.6	18%	58.2	51%	77.2	100%
14.0x		49.1	27%	62.7	62%	83.1	115%
15.0x		52.6	36%	67.2	74%	89.0	130%
16.0x		56.2	45%	71.6	85%	95.0	146%
17.0x		59.7	54%	76.1	97%	100.9	161%

Source: Edison Investment Research

The strong start to FY27 communicated in the 29 July 2026 AGM trading statement helps to de-risk FY27, given the higher order books and associated visibility. The average valuation at 10x and 11x 12-month forward P/Es (Exhibit 24), which assumes the shares can continue to trade broadly in line with or somewhat above the current 12-month forward P/E and is consistent with the 10-year average and Severfield's historical range, suggests a valuation of around 42p.

Exhibit 24: Valuation based on 10–11x 12-month forward P/E for FY27 and FY28

	Valuation (p)		
12m forward P/E (x)	FY27e	FY28e	Average
10.0	35.1	44.8	**39.9**
11.0	38.6	49.3	**43.9**
Average			**41.9**

Source: Edison Investment Research

However, given the short horizon (we are already almost halfway through FY27) this does not capture much of the potential from management's strategic ambitions. In Exhibit 25 we repeat the exercise using FY28 and FY29 to start to capture more of the progress we expect Severfield to make towards its mid-term targets, and discount this back by one year at a generic 8% WACC, which suggests a valuation of c 50.5p per share with 31% implied upside. We believe this is more representative of Severfield's current investment thesis and apply this approach to our base-case valuation.

Exhibit 25: Valuation based on 10–11x 12-month forward P/E for FY28 and FY29

	Valuation (p)		
12m forward P/E (x)	FY28e	FY29e	Average
10.0	44.8	59.4	**52.1**
11.0	49.3	65.3	**57.3**
Average			54.7
Discounted for 1 year at 8%			**50.6**

Source: Edison Investment Research

Successful execution could see the shares rise over 2.5x in the medium term

Finally, in Exhibit 26, we illustrate what the shares could be worth if the medium-term targets are achieved. Taking the £45m mid-point of the £40–50m underlying PBT guidance implies EPS of 11.4p using the prevailing 25% UK corporate tax rate and the current share count. On the left of Exhibit 26 we show what this could be worth at 11.0x and 14.0x P/E on both a discounted and undiscounted basis using the generic 8% WACC. We include 14x as the potential upside target (assuming favourable market conditions) as this is near the top of the company's valuation range over the past 10 years (Exhibit 20). This results in a valuation range of c 85–109p after discounting back by five years at 8.0%, with the undiscounted valuation range spanning c 125–160p. This shows that successful execution could see the share price rise by over 2.5-fold over three to five years with significant potential value on offer from Severfield achieving its medium-term targets.

Exhibit 26: Valuation based on medium-term guidance for £40–50m underlying PBT

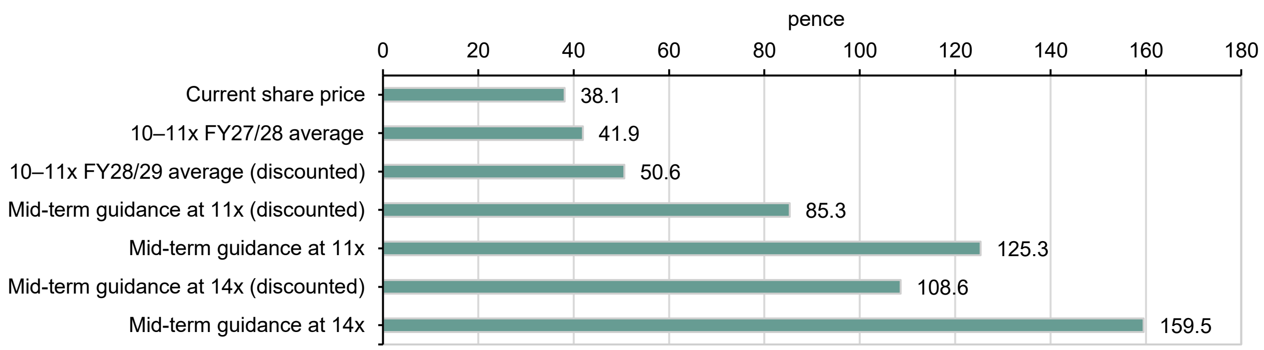
Estimated EPS based on mid-term guidance		Estimated valuation based on mid-term guidance		
Mid-point of underlying PBT guidance (£m)	45.0	PE multiple	11.0x	14.0x
Tax rate	25%	Undiscounted value (p)	125.3	159.5
Profit after tax (£m)	33.75	WACC	8.0%	8.0%
Shares in issue (m)	296.2	Years to discount	5	5
EPS (p)	11.40	Discount factor	0.68	0.68
		Present value (p)	85.3	108.6

Source: Edison Investment Research

50.5p captures the potential value over the coming 12–18 months

Exhibit 27 below summarises the results of our valuation analysis. At this stage we believe the most appropriate valuation is 50.5p based on the average of FY28 and FY29 estimates. We believe this approach better captures the initial effects of the successful execution we expect the company to demonstrate in the near term, particularly given that FY27 is seen by the company as a transition year, supported by a positive start, according to the AGM statement.

Exhibit 27: Valuation considerations summary chart



Source: Edison Investment Research

Sensitivities

The main risk for Severfield is execution on the various components of the strategic plan. Additional risks include a further deterioration in the macroeconomic or geopolitical environment, direct cost pressures, tighter pricing in end markets and a deterioration in the Indian economy.

Exhibit 28: Financial summary

£'m	2019	2020	2021	2022	2023	2024	2025	2026	2027e	2028e	2029e
Year end 31 March	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT											
Revenue	274.9	327.4	363.3	403.6	491.8	463.5	450.9	454.3	472.4	491.3	506.1
EBITDA	28.6	33.3	29.6	33.4	40.4	46.1	29.0	22.2	25.4	29.7	33.9
Normalised operating profit	24.9	29.3	25.1	28.2	35.0	39.6	21.8	15.2	17.9	21.7	25.9
Operating profit (U/L, Company basis, inc JVs)	24.9	29.3	25.1	28.2	35.0	39.6	21.8	15.2	17.9	21.7	25.9
Amortisation of acquired intangibles	0.0	(1.4)	(2.8)	(5.2)	(3.3)	(5.4)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Exceptionals	0.0	(1.4)	0.0	(0.2)	(1.5)	(7.8)	(32.9)	(47.7)	(2.5)	(2.5)	0.0
Share-based payments	(0.1)	(0.3)	0.6	1.0	3.4	0.4	0.5	0.4	0.5	0.5	0.5
Other	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported operating profit	24.8	26.7	22.9	23.8	33.6	26.8	(13.2)	(34.7)	13.3	17.1	23.8
Net Interest	(0.2)	(0.7)	(0.8)	(1.1)	(2.5)	(3.1)	(3.6)	(4.7)	(4.6)	(4.2)	(2.5)
Exceptionals	0.0	(0.5)	(0.4)	(0.7)	(0.6)	(0.3)	(0.2)	0.0	0.0	0.0	0.0
Profit Before Tax (norm)	24.7	28.6	24.3	27.1	32.5	36.5	18.1	10.5	13.3	17.5	23.4
Profit before tax (U/L, Company basis, ex JVs)	23.3	27.0	25.5	26.9	33.1	37.7	21.7	12.7	13.5	15.7	18.7
Profit before tax (U/L, Company basis)	24.7	28.6	24.3	27.1	32.5	36.5	18.1	10.5	13.3	17.5	23.4
Profit Before Tax (reported)	24.7	25.8	21.1	21.0	27.1	23.0	(17.5)	(39.9)	8.2	12.4	20.8
Reported tax	(4.5)	(5.4)	(3.8)	(5.4)	(5.5)	(7.1)	3.4	4.3	2.1	(3.7)	(5.9)
Profit After Tax (norm)	20.2	23.2	20.5	21.7	26.9	29.4	21.6	14.7	15.4	13.8	17.6
Profit After Tax (reported)	20.2	20.4	17.3	15.6	21.6	15.9	(14.1)	(35.6)	10.3	8.7	15.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)	20.2	23.2	20.5	21.7	26.9	29.4	21.6	14.7	15.4	13.8	17.6
Net income (reported)	20.2	20.4	17.3	15.6	21.6	15.9	(14.1)	(35.6)	10.3	8.7	15.0
Basic average number of shares outstanding (m)	303.1	305.4	307.3	308.8	309.5	307.1	302.5	295.9	296.2	296.2	296.2
EPS - basic reported (p)	6.7	6.7	5.6	5.1	7.0	5.2	(4.7)	(12.0)	3.5	2.9	5.1
EPS - basic normalised (p)	6.7	7.6	6.7	7.0	8.7	9.6	7.1	5.0	5.2	4.6	5.9
EPS - diluted normalised (p)	6.6	7.6	6.7	7.0	8.6	9.5	7.1	5.0	5.2	4.6	5.9
EPS - (U/L, diluted, company basis) (p)	6.6	7.7	6.4	7.2	8.4	8.9	4.3	2.7	3.5	4.5	5.9
Dividend (p)	2.8	2.9	2.9	3.1	3.4	3.7	1.4	0.0	0.0	0.0	0.0
Revenue growth (%)	N/A	19.1	11.0	11.1	21.9	(5.7)	(2.7)	0.7	4.0	4.0	3.0
EBITDA Margin (%)	10.4	10.2	8.1	8.3	8.2	10.0	6.4	4.9	5.4	6.0	6.7
Operating margin, UL, Company basis, ex JVs (%)	8.5	8.2	7.0	6.7	6.7	8.1	4.8	2.8	2.9	3.2	3.7
Normalised Operating Margin (%)	9.1	9.0	6.9	7.0	7.1	8.6	4.8	3.3	3.8	4.4	5.1
BALANCE SHEET											
Fixed Assets	163.0	203.8	230.1	230.1	228.4	259.3	254.3	218.7	217.7	219.5	225.0
Intangible Assets	54.7	78.1	95.4	92.5	89.3	104.0	100.4	86.9	86.9	86.9	86.9
Tangible Assets	84.0	88.9	91.7	91.4	92.1	96.4	96.7	88.7	88.2	87.7	87.7
Investments & other	24.3	36.8	43.0	46.1	47.0	58.9	57.2	43.0	42.6	44.8	50.3
Current Assets	91.8	127.4	107.7	140.7	136.6	119.1	146.6	144.5	141.4	147.1	161.7
Stocks	8.9	6.9	10.2	18.0	13.2	11.6	11.8	7.4	7.1	9.8	10.1
Debtors	57.1	74.6	67.8	117.9	109.7	88.3	116.4	110.5	107.7	108.1	111.3
Cash & cash equivalents	25.0	44.3	25.0	0.0	11.3	13.8	15.5	24.4	24.4	26.9	38.0
Other	0.8	1.6	4.6	4.8	2.3	5.3	2.9	2.2	2.2	2.2	2.2
Current Liabilities	(58.6)	(106.4)	(85.4)	(123.3)	(109.0)	(91.5)	(92.4)	(105.6)	(111.8)	(110.5)	(113.6)
Creditors	(57.7)	(84.4)	(77.8)	(111.7)	(102.7)	(78.9)	(82.1)	(98.2)	(104.4)	(103.2)	(106.3)
Tax and social security	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short term borrowings	0.0	(19.4)	(5.9)	(5.9)	(4.2)	(6.2)	(6.2)	(3.8)	(3.8)	(3.8)	(3.8)
Other	(1.0)	(2.6)	(1.7)	(5.7)	(2.2)	(6.3)	(4.1)	(3.6)	(3.6)	(3.6)	(3.6)
Long-Term Liabilities	(21.2)	(41.2)	(61.4)	(43.5)	(38.3)	(54.4)	(95.0)	(78.7)	(78.7)	(78.7)	(78.7)
Long-term borrowings	0.0	(8.8)	(14.9)	(9.0)	(4.8)	(13.8)	(52.6)	(48.8)	(48.8)	(48.8)	(48.8)
Other long-term liabilities	(21.2)	(32.4)	(46.5)	(34.5)	(33.5)	(40.6)	(42.4)	(29.9)	(29.9)	(29.9)	(29.9)
Net Assets	175.0	183.7	190.9	204.0	217.7	232.6	213.5	178.9	168.7	177.3	194.3
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	175.0	183.7	190.9	204.0	217.7	232.6	213.5	178.9	168.7	177.3	194.3
CASH FLOW											
Op Cash Flow before WC and tax	28.7	36.3	34.0	40.5	45.6	54.3	34.4	28.7	31.7	35.9	40.1
Working capital	(7.9)	(2.2)	(0.2)	(34.5)	13.8	11.0	(2.8)	28.0	9.3	(4.3)	(0.4)
Exceptional & other	0.0	(2.3)	(3.5)	(5.4)	(4.8)	(8.7)	(35.5)	(27.3)	(5.1)	(5.1)	(2.6)
Tax	(3.4)	(6.0)	(4.6)	(3.8)	(3.5)	(7.3)	5.5	(0.4)	2.1	(3.7)	(5.9)
Other	(2.8)	(3.8)	(0.2)	(2.4)	(0.8)	(4.2)	(2.2)	(6.1)	(4.5)	(5.9)	(7.2)
Net operating cash flow	14.6	22.0	25.3	(5.7)	50.3	45.1	(0.5)	22.9	33.5	16.8	24.0
Capex	(6.3)	(6.2)	(6.5)	(5.0)	(6.2)	(10.9)	(6.9)	(2.3)	(7.0)	(7.5)	(8.0)
Acquisitions/disposals	(4.2)	(13.4)	(19.9)	(0.5)	(8.5)	(26.5)	(0.1)	0.0	0.0	0.0	0.0
Net interest	(0.4)	(0.6)	(0.7)	(1.1)	(2.5)	(3.2)	(3.2)	(4.8)	(4.0)	(4.2)	(3.5)
Equity financing	1.7	0.1	0.4	0.9	0.0	(3.1)	(8.6)	0.0	0.0	0.0	0.0
Dividends	(13.4)	(8.9)	(8.9)	(9.2)	(9.9)	(10.7)	(11.2)	0.0	0.0	0.0	0.0
Other	0.1	(1.8)	(1.8)	(2.2)	(2.1)	(2.6)	(3.2)	(1.1)	(22.5)	(2.5)	(1.5)
Net Cash Flow	(7.8)	(8.8)	(12.0)	(22.8)	21.1	(12.0)	(33.7)	14.7	(0.0)	2.6	11.0
Opening net debt/(cash), pre-IFRS 16	(33.0)	(25.2)	(16.4)	(4.4)	18.4	(2.7)	9.4	43.1	28.2	28.2	25.6
Other non-cash movements	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0
Closing net debt/(cash), pre-IFRS 16	(25.2)	(16.4)	(4.4)	18.4	(2.7)	9.4	43.1	28.2	28.2	25.6	14.6

Source: Severfield accounts, Edison Investment Research

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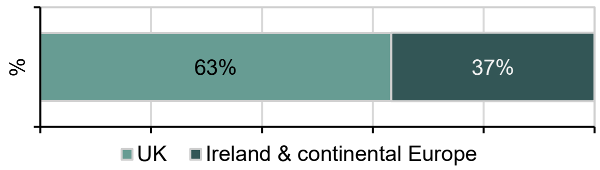
Revenue by geography



Management team

CEO: Paul McNerney

Paul McNerney is a business leader with wide-ranging experience across the UK and Australia. He has spent much of his working life in the construction, infrastructure and manufacturing sectors, leading teams and businesses to deliver long-term value. Before joining Severfield, Paul held multiple senior executive roles at Laing O'Rourke and he is currently a member of the Confederation of British Industry's UK competitiveness committee and serves on the Liverpool to Manchester Railway Partnership Board.

CFO: Andrew Page

Andrew Page brings extensive financial leadership experience from roles across a range of sectors and organisations. Most recently, he served as interim CFO at ISG, a privately owned construction and engineering group. Prior to this, he held senior finance positions at British Energy Group, Centrica, FirstGroup and Ocado Group. With extensive experience in the UK listed market, he brings strong strategic finance and capital markets capabilities. Andrew qualified with the Institute of Chartered Accountants of Scotland in 1998.

Principal shareholders	%
Perpetual Ltd	12.92%
Artemis Investment Management LLP	12.83%
M&G PLC	9.56%
Unicorn Investment Funds	6.54%
Aberforth Partners LLP	5.22%
Invesco Ltd	5.18%

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United Kingdom

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