EDISON

Severfield

Full-year trading update

General industrials

16 April 2026

FY26 in line, shares unfazed by FY27 caution

In its pre-close trading update, Severfield reported FY26 PBT guidance of £10.2m in line with market expectations, while year-end net debt of c £28m was better than expected. The company introduced cautious FY27 PBT guidance of £12–15m, which the shares took in their stride. At 7.7x FY27 forward P/E, the valuation remains undemanding. FY26 results on 23 June, including an update on the strategic review, could be a potential catalyst.

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
3/24e	463.5	36.5	8.85	3.70	2.9	14.4
3/25e	450.9	18.1	4.28	1.40	6.0	5.4
3/26e	437.4	10.2	2.57	0.00	10.0	N/A
3/27e	472.4	13.2	3.35	0.00	7.7	N/A

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

FY26 PBT in line and net debt lower than consensus

Severfield's pre-close trading update confirmed that the company expects FY26 PBT to be in line with market expectations of £10.2m. Guidance for net debt of c £28m was a positive surprise versus the £48.5m consensus expected, driven by the receipt of a further insurance payment of £7.5m relating to bridge remedial works and disciplined cash management.

UK and Europe orders up 2% versus 1 November

The UK and Europe order book of £438m is lower than the £479m reported as at 1 January 2026 but c 2% higher than the £429m as at 1 November 2025 (disclosed with the H126 results) and remains well diversified across the group's end markets including transport, commercial offices, industrial, data centres, nuclear and power and energy. Order momentum in India is good and continues to strengthen, with £331m of orders representing a healthy increase on the £286m as at 1 November 2025. 72% of the Indian order book is higher margin commercial work.

Market unfazed by cautious 2027 outlook

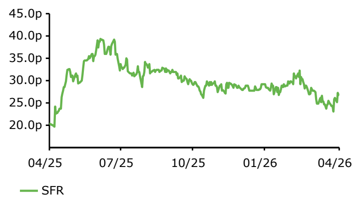
Severfield introduced cautious FY27 guidance for PBT of £12–15m, a c 30% downgrade versus company consensus of £19.3m. Market conditions in Europe and the UK remain subdued due to higher interest rates and macroeconomic and geopolitical uncertainty, which have affected business confidence. Several large projects slated to start in early FY27 have been delayed with a number now expected to enter production in H227. However, the opportunity pipeline remains healthy.

Valuation: Undemanding, next catalyst FY26 results

At 7.7x FY27 P/E, Severfield's shares trade at discounts of c 3% and c 20% to their five- and 10-year average 12-month forward P/Es, respectively. FY26 results on 23 June should include an update on the strategic review. A pathway to higher profitability could be a potential catalyst.

Price	**25.70p**
Market cap	**£76m**
Net cash/(debt) at FY26e	£(28.0)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	(12.3)	(8.5)	24.2
52-week high/low		40.5p	18.8p

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

FY26 results	23 June 2026

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Edison profile page

Severfield at a glance

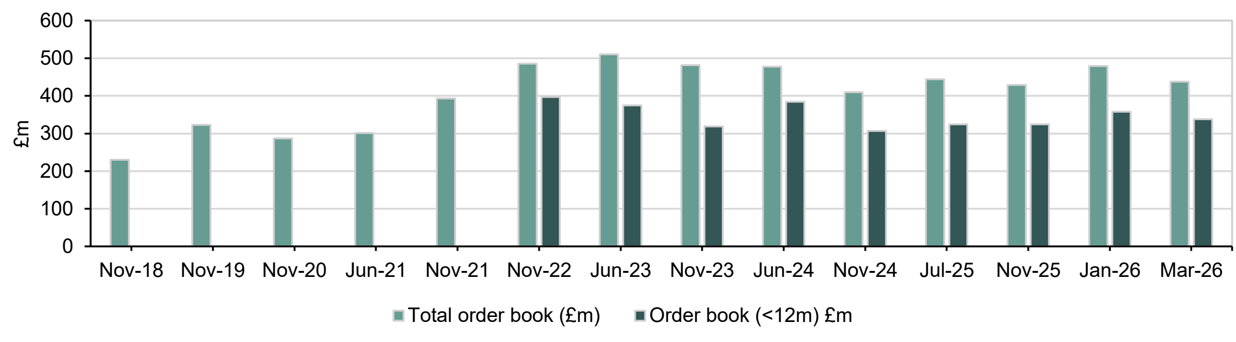
Severfield is the UK's market leader in the design, fabrication and construction of structural steel with end markets spanning transport and infrastructure, commercial offices, industrial, data centres, nuclear and power and energy. Like many industrials, the company is cyclical with a footprint that requires utilisation. Between 2015 and 2025 revenues grew from £201.5m to £450.9m (an 8.4% CAGR) and operating margins averaged 6.9%. The last two years have seen 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 has been met. The company has issued cautious guidance for FY27, which implies solid revenue growth but with margins at a multi-year low. Management is undertaking a strategic review, which has already resulted in the discontinuation of the Modular Solutions division. The company expects to share more details of the business review with its FY26 results on 23 June. The valuation is undemanding with implied FY27 adjusted operating profit margins at multi-year lows due to subdued end markets, projects delayed and the tail end of the bridge remedial works still in the mix. A re-rating of the shares could be driven by potential medium-term margin improvement supported by the execution of projects with better profitability and management initiatives stemming from the business review. Risks include a further deterioration in the macroeconomic and geopolitical environment, direct cost pressures, tighter pricing in end markets and execution risk.

More colour on FY27 caution, opportunity pipeline remains healthy

In the UK and Europe, sectors that have been particularly affected by subdued conditions and project delays include Industrial, Stadia and Commercial. However, the opportunity pipeline remains healthy and Severfield has secured replacement work mainly across continental Europe to maintain utilisation. As in the UK, the market environment in continental Europe is subdued, but the data centre market in the region benefits from better grid connections and simpler planning. The contracts the company has won in Europe reflect its ability to bid competitively. Although continental competitors have the benefit of local supply chains the market is quite fragmented, enabling Severfield to achieve a competitive margin that incorporates the company's logistical and labour requirements. Exhibit 1 below shows the evolution of the UK and Europe order book.

Severfield's direct cost exposure to disruption caused by the Middle East conflict is currently limited, as the company secures steel at the contract stage and hedges key commodity costs. This offers short-term protection, but prolonged disruption creates a risk for project timelines and supply chain reliability, and more generally for energy prices and economic growth.

Exhibit 1: Severfield's UK and Europe order book



Source: Severfield, Edison Investment Research

Business review progressing well, FY26 results a potential catalyst

The leadership team has recently been refreshed. CEO Paul McNerney joined from Laing O'Rourke and took up his position on 3 November 2025, while CFO Andrew Page started on 16 February 2026, having previously served as interim chief financial officer at privately-owned construction and engineering group ISG. The company has been conducting a strategic review and has begun implementing a number of changes, including the 29 January 2026 announcement that the Modular Solutions activities will be discontinued. The business review is ongoing and progressing well according to the company, with a further update expected with its FY26 results on 23 June.

Changes to estimates

We lower our FY26 revenue estimate to reflect the discontinuation of Modular Solutions, but nudge our margin estimate up slightly, resulting in a c 3% increase to FY26 PBT to £10.2m (£9.9m previously). Our year-end net debt estimate now sits in line with company guidance at £28m, reflecting the additional insurance receipt and disciplined cash management due to successful working capital improvements.

Severfield's trading update implies that its expectations for FY27 revenue remain broadly aligned with consensus at c £490m, suggesting solid FY27 revenue growth ahead. However, delays to project execution push out profit recognition, hence the company is guiding for lower PBT and by implication lower margins. Consequently, we increase our FY27 revenue estimate towards consensus while reducing our PBT estimate to reflect the newly introduced guidance.

Exhibit 2: Changes to estimates

	2025	2026e			2027e		
£m		Old	New	% chg	Old	New	% chg
Revenue	450.9	449.6	437.4	-2.7%	458.6	472.4	3.0%
Y-o-y % change	-2.7%	-0.3%	-3.0%	-	2.0%	8.0%	-
EBITDA – Edison basis	29.0	21.5	21.8	1.3%	29.8	23.5	-21.0%
Y-o-y % change	-37.2%	-25.8%	-24.9%	-	38.5%	8.1%	-
Underlying operating profit	21.8	14.5	14.8	2.0%	22.8	16.5	-27.4%
Y-o-y % change	-45.1%	-33.4%	-32.1%	-	57.1%	11.9%	-
PBT (underlying, pre exceptionals)	18.1	9.9	10.2	2.9%	18.3	13.2	-27.6%
Y-o-y % change	-50.4%	-45.5%	-43.9%	-	84.8%	30.1%	-
EPS – underlying, diluted (p)	4.3	2.5	2.6	2.9%	4.6	3.35	-27.6%
Y-o-y % change	-51.7%	-41.5%	-39.8%	-	84.8%	30.1%	-
DPS (p)	1.4	0.0	0.0	-	0.0	0.0	-
Y-o-y % change	-64.9%	N/A	N/A	-	N/A	N/A	-
Net (debt)/cash (pre IFRS 16)	(43.1)	(48.7)	(26.7)	-45.1%	(41.5)	(27.9)	-32.8%
Y-o-y % change	-358.7%	13.1%	-37.9%	-	-14.7%	4.5%	-

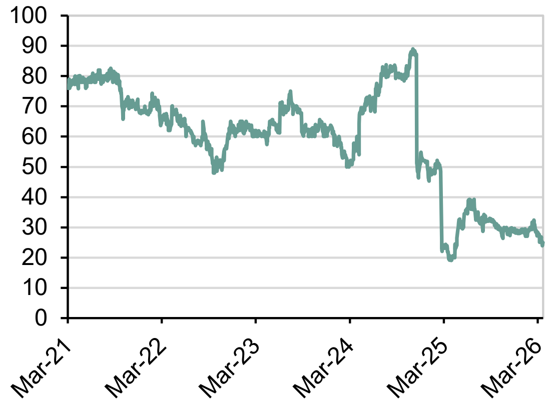
Source: Edison Investment Research

Valuation remains undemanding

Severfield's shares took the pre-close update in their stride. The company had used words such as 'uncertain', 'challenging' and 'subdued' to describe the market backdrop with the H126 results (1 December 2025). Since then the geopolitical and macroeconomic backdrop has become more challenging due to the conflict in the Middle East and the shares have drifted lower. This is despite the company making progress with its strategic review and the bridge remedial works. Consequently, we suspect that the market was already anticipating some additional pressure on the business and while the pre-close update points to lower sequential PBT, orders and revenue are solid and end FY26 net debt is ahead of expectations. The positive share price reaction on the day (31 March 2026) implies that market fears were somewhat excessive.

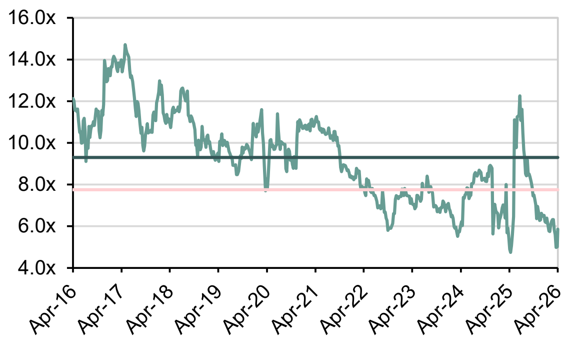
In Exhibits 3 and 4 below we show how the shares have de-rated in recent years. On our estimates the forward P/E of 7.7x is at a c 20% discount to the 10-year average of 9.3x, and broadly in line with the five-year average of 7.8x, reflecting the margin pressures the group has experienced. FY26 adjusted operating profit margins of 2.9% are the lowest annual level since the start of our data in 2015.

Exhibit 3: Severfield share price (p)



Source: Bloomberg, Edison Investment Research

Exhibit 4: Severfield 12m forward P/E with 10-year (black) and five-year (pink) average



Source: Bloomberg, Edison Investment Research

Severfield's FY26 results are due on 23 June and should include an update on the strategic review. The leadership team might see this as an opportunity to introduce some medium-term targets, providing a framework for investors to assess prospects and performance over the next few years. We note that historically Severfield's operating margins have been in the 5–9% range. FY27 guidance indicates minimal margin improvement in the coming 12 months, given tighter pricing and the project delays the company is experiencing. However, it is possible that improved pricing, a robust strategic plan and an improvement in macroeconomic conditions could offer the potential for margin improvement in the medium term. We also recognise that the company followed a sensible approach to capital allocation by stopping the dividend for FY26, which creates the possibility that this could be reinstated in future should financial performance improve.

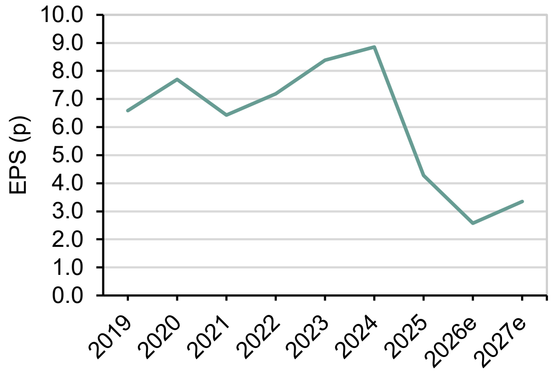
Exhibit 5 shows the potential range of valuations on offer from Severfield at different P/Es using our current forecasts. Given Severfield's cautious view of the year ahead, and in the absence of further shocks, we would be surprised to see the stock de-rate significantly from these levels (see our December 2025 update note). While investors may need to be patient given the pressure on PBT from project delays, a pathway to higher adjusted operating margins such as the c 5% in FY25 or c 8% of FY24 could boost sentiment, driving the shares to valuations closer to their 10-year average. We note that average underlying operating margin between 2015 and 2025 was 6.9%. In Exhibits 6 and 7 we show how our earnings expectations appear to be around a trough. Consequently, while the current 12-month forward P/E is just marginally below the five-year average, one could argue that this is on depressed earnings. Visibility towards a medium-term earnings recovery could also support the share price.

Exhibit 5: Severfield's valuation potential (p/share) at a range of P/E multiples

Price	25.0p	2026e		2027e		2028e	
EPS (p)		2.57		3.35		4.35	
PE Multiple	Comment	Implied price	+ / - (%)	Implied price	+ / - (%)	Implied price	+ / - (%)
3.0x		7.7	-69%	10.0	-60%	13.0	-48%
4.0x		10.3	-59%	13.4	-46%	17.4	-30%
5.0x		12.9	-49%	16.7	-33%	21.7	-13%
6.0x		15.4	-38%	20.1	-20%	26.1	4%
7.0x		18.0	-28%	23.4	-6%	30.4	22%
7.8x	5 year average	20.0	-20%	25.9	4%	33.7	35%
8.0x		20.6	-18%	26.8	7%	34.8	39%
9.0x		23.2	-7%	30.1	21%	39.1	56%
9.3x	10 year average	23.9	-4%	31.1	25%	40.4	62%
10.0x		25.7	3%	33.5	34%	43.5	74%
11.0x		28.3	13%	36.8	47%	47.8	91%
12.0x		30.9	24%	40.2	61%	52.1	109%

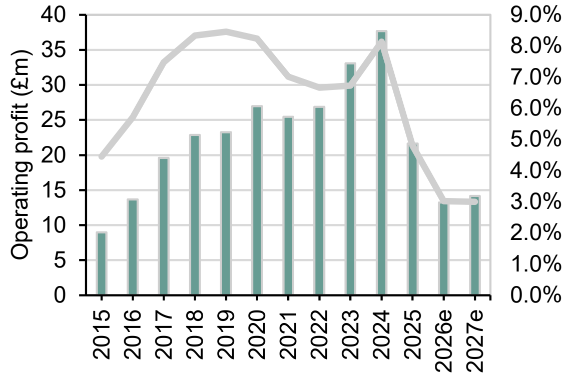
Source: Edison Investment Research

Exhibit 6: Severfield underlying EPS (p)



Source: Edison Investment Research, Severfield

Exhibit 7: Severfield operating profit and margin



Source: Edison Investment Research, Severfield

Risks

Risks include a further deterioration in the macroeconomic/geopolitical environment, direct cost pressures, tighter pricing in end markets and execution risk.

Exhibit 8: Financial summary

£'m	2019	2020	2021	2022	2023	2024	2025	2026e	2027e	2028e
Year end 31 March	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	437.4	472.4	481.9
EBITDA	28.6	33.3	29.6	33.4	40.4	46.1	29.0	21.8	23.5	27.2
Normalised operating profit	24.9	29.3	25.1	28.2	35.0	39.6	21.8	14.8	16.5	20.2
Operating profit (U/L, Company basis, inc JVs)	24.9	29.3	25.1	28.2	35.0	39.6	21.8	14.8	16.5	20.2
Amortisation of acquired intangibles	0.0	(1.4)	(2.8)	(5.2)	(3.3)	(5.4)	(2.6)	(2.6)	(2.6)	(2.6)
Exceptionals	0.0	(1.4)	0.0	(0.2)	(1.5)	(7.8)	(32.9)	(10.0)	0.4	0.4
Share-based payments	(0.1)	(0.3)	0.6	1.0	3.4	0.4	0.5	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
Reported operating profit	24.8	26.7	22.9	23.8	33.6	26.8	(13.2)	2.7	14.8	18.5
Net Interest	(0.2)	(0.7)	(0.8)	(1.1)	(2.5)	(3.1)	(3.6)	(4.6)	(3.3)	(3.0)
Exceptionals	0.0	(0.5)	(0.4)	(0.7)	(0.6)	(0.3)	(0.2)	(0.4)	(0.4)	0.6
Profit Before Tax (norm)	24.7	28.6	24.3	27.1	32.5	36.5	18.1	10.2	13.2	17.2
Profit before tax (U/L, Company basis)	24.7	28.6	24.3	27.1	32.5	36.5	18.1	10.2	13.2	17.2
Profit Before Tax (reported)	24.7	25.8	21.1	21.0	27.1	23.0	(17.5)	(2.8)	10.6	15.6
Reported tax	(4.5)	(5.4)	(3.8)	(5.4)	(5.5)	(7.1)	3.4	1.3	(3.3)	(4.3)
Profit After Tax (norm)	20.2	23.2	20.5	21.7	26.9	29.4	21.6	11.4	9.9	12.9
Profit After Tax (reported)	20.2	20.4	17.3	15.6	21.6	15.9	(14.1)	(1.6)	7.3	11.3
Minority interests	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
Net income (normalised)	20.2	23.2	20.5	21.7	26.9	29.4	21.6	11.4	9.9	12.9
Net income (reported)	20.2	20.4	17.3	15.6	21.6	15.9	(14.1)	(1.6)	7.3	11.3
Basic average number of shares outstanding (m)	303.1	305.4	307.3	308.8	309.5	307.1	302.5	296.2	296.2	296.2
EPS - basic reported (p)	6.7	6.7	5.6	5.1	7.0	5.2	(4.7)	(0.5)	2.5	3.8
EPS - basic normalised (p)	6.7	7.6	6.7	7.0	8.7	9.6	7.1	3.9	3.3	4.3
EPS - diluted normalised (p)	6.6	7.6	6.7	7.0	8.6	9.5	7.1	3.9	3.3	4.3
EPS - (U/L, diluted, company basis) (p)	6.6	7.7	6.4	7.2	8.4	8.9	4.3	2.6	3.3	4.3
Dividend (p)	2.8	2.9	2.9	3.1	3.4	3.7	1.4	0.0	0.0	2.5
Revenue growth (%)	N/A	19.1	11.0	11.1	21.9	(5.7)	(2.7)	(3.0)	8.0	2.0
EBITDA Margin (%)	10.4	10.2	8.1	8.3	8.2	10.0	6.4	5.0	5.0	5.6
Normalised Operating Margin (%)	9.1	9.0	6.9	7.0	7.1	8.6	4.8	3.4	3.5	4.2
BALANCE SHEET										
Fixed Assets	163.0	203.8	230.1	230.1	228.4	259.3	254.3	251.5	250.4	250.8
Intangible Assets	54.7	78.1	95.4	92.5	89.3	104.0	100.4	100.6	100.8	101.0
Tangible Assets	84.0	88.9	91.7	91.4	92.1	96.4	96.7	95.9	95.1	94.3
Investments & other	24.3	36.8	43.0	46.1	47.0	58.9	57.2	55.0	54.5	55.5
Current Assets	91.8	127.4	107.7	140.7	136.6	119.1	146.6	130.2	142.0	144.5
Stocks	8.9	6.9	10.2	18.0	13.2	11.6	11.8	17.3	18.4	18.8
Debtors	57.1	74.6	67.8	117.9	109.7	88.3	116.4	98.0	108.7	110.8
Cash & cash equivalents	25.0	44.3	25.0	0.0	11.3	13.8	15.5	12.0	12.0	12.0
Other	0.8	1.6	4.6	4.8	2.3	5.3	2.9	2.9	2.9	2.9
Current Liabilities	(58.6)	(106.4)	(85.4)	(123.3)	(109.0)	(91.5)	(92.4)	(89.0)	(95.3)	(97.3)
Creditors	(57.7)	(84.4)	(77.8)	(111.7)	(102.7)	(78.9)	(82.1)	(78.7)	(85.0)	(87.0)
Tax and social security	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)	(6.2)	(6.2)	(6.2)
Other	(1.0)	(2.6)	(1.7)	(5.7)	(2.2)	(6.3)	(4.1)	(4.1)	(4.1)	(4.1)
Long-Term Liabilities	(21.2)	(41.2)	(61.4)	(43.5)	(38.3)	(54.4)	(95.0)	(76.7)	(75.8)	(67.7)
Long-term borrowings	0.0	(8.8)	(14.9)	(9.0)	(4.8)	(13.8)	(52.6)	(36.2)	(37.4)	(31.2)
Other long-term liabilities	(21.2)	(32.4)	(46.5)	(34.5)	(33.5)	(40.6)	(42.4)	(40.4)	(38.4)	(36.4)
Net Assets	175.0	183.7	190.9	204.0	217.7	232.6	213.5	215.9	221.2	230.4
Minority interests	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	215.9	221.2	230.4
CASH FLOW										
Op Cash Flow before WC and tax	28.7	36.3	34.0	40.5	45.6	54.3	34.4	36.1	27.4	31.1
Working capital	(7.9)	(2.2)	(0.2)	(34.5)	13.8	11.0	(2.8)	9.6	(5.5)	(0.6)
Exceptional & other	0.0	(2.3)	(3.5)	(5.4)	(4.8)	(8.7)	(35.5)	(12.6)	(2.2)	(2.2)
Tax	(3.4)	(6.0)	(4.6)	(3.8)	(3.5)	(7.3)	5.5	3.6	(5.3)	(6.3)
Other	(2.8)	(3.8)	(0.2)	(2.4)	(0.8)	(4.2)	(2.2)	(3.6)	(4.4)	(4.9)
Net operating cash flow	14.6	22.0	25.3	(5.7)	50.3	45.1	(0.5)	33.1	10.0	17.1
Capex	(6.3)	(6.2)	(6.5)	(5.0)	(6.2)	(10.9)	(6.9)	(6.4)	(6.4)	(6.4)
Acquisitions/disposals	(4.2)	(13.4)	(19.9)	(0.5)	(8.5)	(26.5)	(0.1)	0.0	0.0	0.0
Net interest	(0.4)	(0.6)	(0.7)	(1.1)	(2.5)	(3.2)	(3.2)	(4.6)	(3.3)	(3.0)
Equity financing	1.7	0.1	0.4	0.9	0.0	(3.1)	(8.6)	1.0	1.0	1.0
Dividends	(13.4)	(8.9)	(8.9)	(9.2)	(9.9)	(10.7)	(11.2)	(4.2)	0.0	0.0
Other	0.1	(1.8)	(1.8)	(2.2)	(2.1)	(2.6)	(3.2)	(2.5)	(2.5)	(2.5)
Net Cash Flow	(7.8)	(8.8)	(12.0)	(22.8)	21.1	(12.0)	(33.7)	16.4	(1.2)	6.2
Opening net debt/(cash), pre-IFRS 16	(33.0)	(25.2)	(16.4)	(4.4)	18.4	(2.7)	9.4	43.1	26.7	27.9
Other non-cash movements	0.0	0.0	0.0	0.0	0.0	(0.1)	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	26.7	27.9	21.7

Source: Severfield, Edison Investment Research

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