

Severfield

H126 results

New CEO brings revived optimism

H126 results were expected to show year-on-year declines but management is expecting to achieve FY26 consensus profits, which implies an H226 result that is materially better than H225. The outlook, especially into FY27, looks increasingly encouraging, which should not only drive demand but also lead to improved pricing and underpin margin improvement. The CEO's strategy review, anticipated in H1 CY26, is likely to be evolutionary, offering a renewed future. Our estimates are marginally trimmed and, with the stock trading on a P/E of 6x to FY27e, we believe there is upside to risks.

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
3/24e	463.5	36.5	8.85	3.70	3.3	12.7
3/25e	450.9	18.1	4.28	1.40	6.8	4.8
3/26e	449.6	9.9	2.50	0.00	11.7	N/A
3/27e	458.6	18.3	4.62	0.00	6.3	N/A

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

Results reflect a market nadir

Revenue declined 18.3% to £206m in H126 due to lower market activity, and group underlying operating profit fell from £17.2m to £2.3m. An increase in the average debt levels gave rise to higher financing costs, which collectively resulted in underlying PBT of £0.6m, down from £16.1m in H125. Underlying EPS was 0.2p (H125: 4.0p) and the interim dividend was passed. H126 net debt fell from £43.1m at the end of March 2025 to £21.7m, reflecting modest net cash inflow, working capital movements and the receipt of £20m insurance proceeds.

Order books beginning to reflect improvement

Although Severfield's UK and Europe order book is down from May 2025, it is c 5% higher than a year ago (1 November 2025: £429m vs 1 November 2024: £410m), which is perhaps an early sign of improvement. The growth is well spread with an increase in both the Commercial and Industrial and the Nuclear and Infrastructure order books. The Indian order book continues to grow and stands at £286m, up 45% on a year ago and more than double its June 2023 level of £139m.

New CEO, strategic review in CY26

Despite recent largely resolved bridge issues, Severfield remains the market leader in its field, supported by a robust core business and strong fundamentals. With a refreshed executive management team in place, the new CEO's strategic review is expected to be presented to the market in the first half of CY26. In addition, the appointment of a new strategy and transformation director is set to support the forthcoming transformation agenda and drive future growth.

Valuation: Undemanding

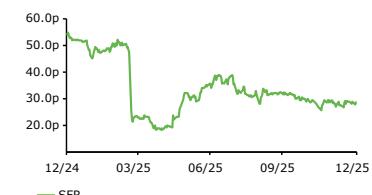
FY26 is expected to be the nadir for operating margins, which are anticipated to be as low as 2.9%, compared to 8.1% in FY24, and a medium-term target of 8–10% across both core divisions. In FY27, when the lower embedded margin work feeds out of the order book, we expect a recovery to 4.5%, which implies a P/E of 6.3x.

General industrials

11 December 2025

Price	29.20p
Market cap	£86m
Net cash/(debt) at 30 September 2025	£(21.7)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	0.3	(9.0)	(37.1)
52-week high/low	56.0p	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

Full-year trading update	April 2026
Preliminary results	May 2026

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H126 results

Severfield's H126 results largely reflect lower market demand, an unfavourable mix of business and competitive markets, hence profitability was materially affected. However, with the change of management comes renewed optimism that the full year outcome will achieve market consensus. Furthermore, the outlook beyond this financial year for higher-margin work is improving, supported by a vast infrastructure spending plan in the UK reiterated in the recent budget, and therefore medium-term recovery in profitability seems likely, and with it a return to dividend payments. The new management team is performing a review of the business and expects to report to the market in first half of CY26.

Lower production activity in Core Construction Operations was the principal driver of the decline in revenue of 18.3%, to £206m. Group underlying operating profit fell from £17.2m to £2.3m, reflecting the revenue decline mentioned and ongoing pricing pressure. Within the operating profit, Core Construction Operations reported underlying operating profit of £3.4m, while Modular Solutions reported a loss of £1.1m. CMF saw a small profit last year turn to a small loss and the Indian joint venture, JSSL, saw a small profit of £0.1m last year bounce strongly to a profit of £1.0m as projects were unblocked post the 2024 elections and volumes increased significantly. An increase in the average net debt levels gave rise to higher financing costs, which collectively resulted in underlying PBT of £0.6m, down from £16.1m in H125.

Underlying tax for the year was zero, underlying EPS was 0.2p (H125: 4.0p) and the interim dividend was passed. Severfield recognised £8.2m (H125: £21.9m) of non-underlying items, including other bridge-related costs (£3.3m), refinancing-related costs (£1.4m), amortisation of acquired intangibles (£1.3m) and other non-underlying costs (£2.2m). H126 net debt fell from £43.1m at the end of March 2025, to £21.7m, reflecting modest net cash inflow, the unwind of contract investment (working capital), the receipt of £20m insurance proceeds and previously provided bridge remedial costs of £10m, the disposal of a £3.0m property and other cash conservation initiatives. At the end of the period Severfield had over £50m of headroom in facilities.

Exhibit 1: Interims and full-year results summary

(£m)	FY23	H124	FY24	% change	H125	FY25	% change	H126	% change
Revenue									
Commercial and Industrial	382.1	166.5	361.8	-5.3%	205.0	349.6	-3.4%	143.5	-30.0%
Nuclear and Infrastructure	94.7	41.5	87.4	-7.7%	42.2	85.9	-1.8%	55.7	32.1%
Core Construction Operations	476.9	208.0	449.2	-5.8%	247.2	435.4	-3.1%	199.3	-19.4%
Modular Solutions	22.8	10.7	21.5	-5.7%	9.8	24.2	12.6%	9.6	-1.9%
Central items	(7.9)	(3.4)	(7.2)	-8.9%	(4.7)	(8.7)	20.8%	(2.8)	-39.7%
Total revenues	491.8	215.3	463.5	-5.8%	252.3	450.9	-2.7%	206.0	-18.3%
Underlying operating profit									
Core Construction Operations	33.7	14.7	37.4	10.9%	17.1	21.3	-43.1%	3.4	-80.0%
Modular Solutions	(0.6)	0.1	0.3	N/A	0.0	0.4	22.7%	(1.1)	N/A
Underlying operating profit	33.1	14.8	37.7	14.0%	17.2	21.7	-42.6%	2.3	-86.7%
CMF (share of profit)	0.6	0.1	0.1	-91.4%	0.4	0.0	-100.0%	(0.3)	-186.6%
India	1.3	0.6	1.9	46.2%	0.1	0.1	-94.7%	1.0	N/A
Interest	(2.5)	(1.4)	(3.1)	24.5%	(1.5)	(3.6)	16.8%	(2.4)	63.8%
Underlying profit before tax	32.5	14.2	36.5	12.6%	16.1	18.1	-50.4%	0.6	-96.4%
Underlying operating margin									
Core Construction Operations	7.1%	7.1%	8.3%	1.3%	6.9%	4.9%	3.6%	1.7%	-3.2%
Modular Solutions	-2.8%	0.9%	1.4%	4.2%	0.1%	1.5%	-2.7%	-11.9%	-13.4%
Underlying operating margin	6.7%	6.9%	8.1%	1.4%	6.8%	4.8%	3.4%	1.1%	-3.7%

Source: Severfield, Edison Investment Research

H1 trading characterised by weak underlying markets

As mentioned above, Core Construction Operations revenue declined 19.4% to £199.3m. However, this decline hides differing trends in the unit's two divisions. In the Commercial and Industrial division, revenue fell 30.0% to £143.5m, mainly due to lower levels of industry demand overall, but clearly the group remained active across a wide range of existing projects in both the UK and Continental Europe. In contrast, the smaller Nuclear and Infrastructure division reported revenue growth of 32.1%, to £55.7m, which reflected an elevated order book coming into the period and the wide range of project work being undertaken.

In Modular Solutions, revenue slipped 1.9% to £9.6m due to delays in higher-margin Severstor orders, which are now anticipated to be received in H2. The decline in profitability largely reflects a suboptimal mix of work. Losses also reflect reduced activity for metal decking and purlins, which relate directly to lower levels of activity in the Commercial and Industrial division.

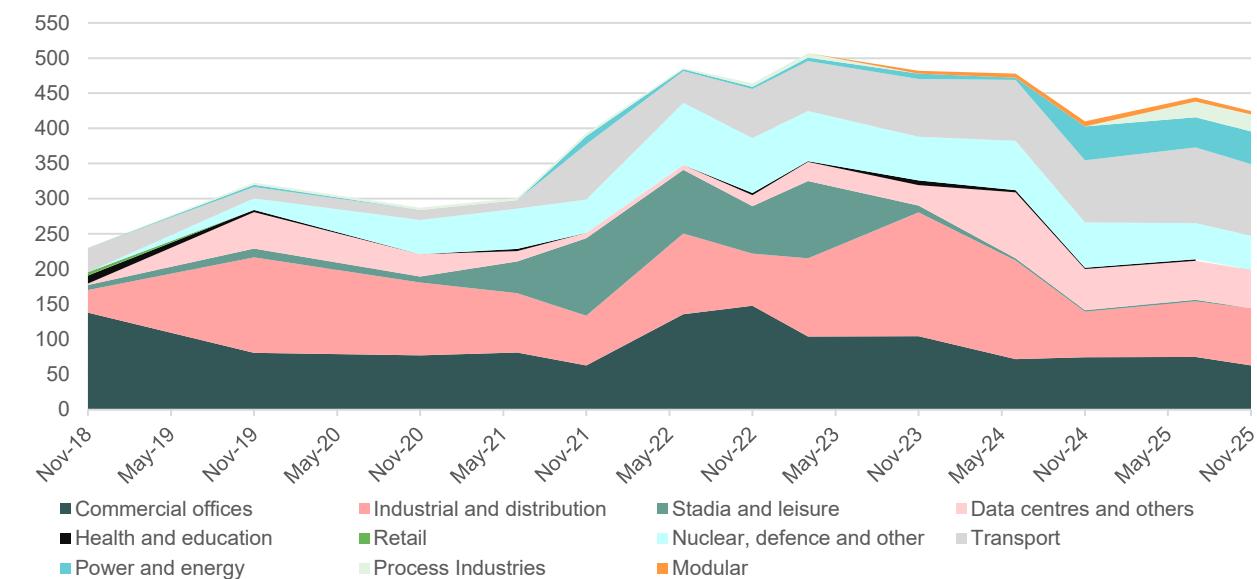
In contrast to the subdued activity in the core UK and European operations, the Indian joint venture, JSSL, enjoyed a much improved period, with total steel output rising from 31,000 to 48,000 tonnes. Revenue increased 34% to £65.8m and operating profit almost doubled from £2.5m to £4.7m. This ultimately led to a tenfold increase in Severfield's share of post tax profits, from £0.1m to £1.0m. In the last financial year, work began on the new 55-acre site at Gujarat and the first phase of the new facility is expected to complete in the current financial year. This new facility will take the in-house capacity from 114,000 to 184,000 tonnes and other planned expansion phases could take capacity to c 265,000 tonnes, or c 350,000 tonnes if subcontracted capacity is considered. The current and planned expansion reflects the very positive outlook for the Indian operations.

Outlook and order book

Although the FY25 and H126 results showed disappointing declines, the outlook into FY26, and particularly FY27, is encouraging. Management indicated that it is comfortable with existing consensus full-year profit expectations, and we have made only minor changes to our estimates, discussed below.

The UK and Europe order book stood at £429m at 1 November 2025, compared to £444m on 1 July and £410m a year ago. This level of order book was only modestly exceeded in the 2022–24 period and is comfortably ahead of the 2018–21 period, see Exhibit 2 below. The new management is confident in the outlook for the group, given a number of government spending plans and market trends. For example, the UK government reaffirmed its 10-year, £725bn infrastructure strategy and national Infrastructure Pipeline, which is expected to begin to result in orders in FY27. In addition, the growth in AI application and data infrastructure are driving data centre demand. Furthermore, construction activity in London is increasing, as are the green/low carbon agenda and energy security spending.

Exhibit 2: UK and Europe order book (£m)



Source: Severfield

Modest revisions to forecast expectations

As mentioned above, despite management's expectation to achieve the current market consensus underlying pre-tax profit, we have made very modest changes to our expectations. We have raised our FY26 net debt estimate from £45.4m to £48.7m, due to the anticipated additional spending on bridge remediation, which results in a slightly higher interest charge and a very modest downgrade in FY26 underlying PBT to £9.9m.

The only other change of note is the elimination of dividends from FY26 and FY27 as a cash saving exercise following

the passing of the H126 payment. Assuming net debt falls as planned and the higher-margin work materialises, a reinstatement of dividend payments could well be considered thereafter.

Investors should be aware that management is instigating a cost saving and cash conservation exercise, which is expected to generate some positive outcomes. It is also pursuing third-party cost recoveries in relation to the bridge remediation issue that may result in cash inflow. The new CEO, Paul McNerney, has initiated a strategic review of Severfield's markets, operations and organisational structure, which will be presented to the market in the first half of CY26. Furthermore, the management team has appointed a new strategy and transformation director and will be looking to engage a new chief financial officer in due course to replace the current interim CFO, Jan Bramall.

Exhibit 3: Revised full year expectations

£m	2025		2026e		2027e		
	Old	New	% chg	Old	New	% chg	
Revenue	450.9	449.6	0.0%	458.6	458.6	0.0%	
Y-o-y % change	-2.7%	2.0%	-0.3%	-	2.0%	2.0%	-
EBITDA – Edison basis	29.0	21.5	21.5	-0.1%	30.6	29.8	-2.8%
Y-o-y % change	-37.2%	5.6%	-25.8%	-	42.3%	38.5%	-
Underlying operating profit	21.8	14.5	14.5	-0.1%	23.6	22.8	-3.6%
Y-o-y % change	-45.1%	6.9%	-33.4%	-	62.8%	57.1%	-
PBT (underlying, pre exceptional)	18.1	10.1	9.9	-2.2%	19.3	18.3	-5.4%
Y-o-y % change	-50.4%	4.8%	-45.5%	-	91.1%	84.8%	-
EPS – underlying, diluted (p)	4.3	2.6	2.5	-2.0%	4.9	4.6	-5.7%
Y-o-y % change	-51.7%	11.8%	-41.5%	-	91.9%	84.8%	-
DPS (p)	1.4	1.5	0.0	-100.0%	2.0	0.0	-100.0%
Y-o-y % change	-64.9%	0.0%	N/A	-	33.3%	N/A	-
Net (debt)/cash (pre IFRS 16)	(43.1)	(45.4)	(48.7)	7.3%	(39.0)	(41.5)	6.5%
Y-o-y % change	-358.7%	2.3%	13.1%	-	-14.1%	-14.7%	-

Source: Severfield, Edison Investment Research

Exhibit 4: 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	449.6	458.6	467.8	
EBITDA	28.6	33.3	29.6	33.4	40.4	46.1	29.0	21.5	29.8	33.3	
Normalised operating profit	24.9	29.3	25.1	28.2	35.0	39.6	21.8	14.5	22.8	26.3	
Operating profit (U/L, Company basis, inc JVs)	24.9	29.3	25.1	28.2	35.0	39.6	21.8	14.5	22.8	26.3	
Amortisation of acquired intangibles	0.0	(1.4)	(2.8)	(5.2)	(3.3)	(5.4)	(2.6)	(5.2)	(5.2)	(5.2)	
Exceptionals	0.0	(1.4)	0.0	(0.2)	(1.5)	(7.8)	(32.9)	0.4	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)	10.2	18.5	22.0	
Net Interest	(0.2)	(0.7)	(0.8)	(1.1)	(2.5)	(3.1)	(3.6)	(4.6)	(4.5)	(3.9)	
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	9.9	18.3	22.4	
Profit before tax (U/L, Company basis)	24.7	28.6	24.3	27.1	32.5	36.5	18.1	9.9	18.3	22.4	
Profit Before Tax (reported)	24.7	25.8	21.1	21.0	27.1	23.0	(17.5)	4.7	13.1	18.2	
Reported tax	(4.5)	(5.4)	(3.8)	(5.4)	(5.5)	(7.1)	3.4	1.3	(4.6)	(5.6)	
Profit After Tax (norm)	20.2	23.2	20.5	21.7	26.9	29.4	21.6	11.2	13.7	16.8	
Profit After Tax (reported)	20.2	20.4	17.3	15.6	21.6	15.9	(14.1)	6.0	8.5	12.6	
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	11.2	13.7	16.8	
Net income (reported)	20.2	20.4	17.3	15.6	21.6	15.9	(14.1)	6.0	8.5	12.6	
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)	2.0	2.9	4.3	
EPS - basic normalised (p)	6.7	7.6	6.7	7.0	8.7	9.6	7.1	3.8	4.6	5.7	
EPS - diluted normalised (p)	6.6	7.6	6.7	7.0	8.6	9.5	7.1	3.8	4.6	5.7	
EPS - (U/L, diluted, company basis) (p)	6.6	7.7	6.4	7.2	8.4	8.9	4.3	2.5	4.6	5.7	
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)	(0.3)	2.0	2.0	
EBITDA Margin (%)	10.4	10.2	8.1	8.3	8.2	10.0	6.4	4.8	6.5	7.1	
Normalised Operating Margin (%)	9.1	9.0	6.9	7.0	7.1	8.6	4.8	3.2	5.0	5.6	
BALANCE SHEET											
Fixed Assets	163.0	203.8	230.1	230.1	228.4	259.3	254.3	251.3	250.0	250.2	
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	95.7	94.7	93.7	
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	154.3	157.1	159.9	
Stocks	8.9	6.9	10.2	18.0	13.2	11.6	11.8	18.0	18.3	18.7	
Debtors	57.1	74.6	67.8	117.9	109.7	88.3	116.4	121.4	123.8	126.3	
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)	(91.2)	(92.8)	(94.5)	
Creditors	(57.7)	(84.4)	(77.8)	(111.7)	(102.7)	(78.9)	(82.1)	(80.9)	(82.5)	(84.2)	
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)	(98.7)	(89.5)	(77.8)	
Long-term borrowings	0.0	(8.8)	(14.9)	(9.0)	(4.8)	(13.8)	(52.6)	(58.2)	(51.1)	(41.4)	
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	215.7	224.7	237.8	
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	215.7	224.7	237.8	
CASH FLOW											
Op Cash Flow before WC and tax	28.7	36.3	34.0	40.5	45.6	54.3	34.4	28.0	36.3	39.8	
Working capital	(7.9)	(2.2)	(0.2)	(34.5)	13.8	11.0	(2.8)	(12.3)	(1.2)	(1.2)	
Exceptional & other	0.0	(2.3)	(3.5)	(5.4)	(4.8)	(8.7)	(35.5)	(4.8)	(4.8)	(4.8)	
Tax	(3.4)	(6.0)	(4.6)	(3.8)	(3.5)	(7.3)	5.5	3.6	(6.6)	(7.6)	
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)	10.9	19.4	21.3	
Capex	(6.3)	(6.2)	(6.5)	(5.0)	(6.2)	(10.9)	(6.9)	(4.7)	(4.7)	(4.7)	
Acquisitions/disposals	(4.2)	(13.4)	(19.9)	(0.5)	(8.5)	(26.5)	(0.1)	(1.5)	(1.5)	(1.5)	
Net interest	(0.4)	(0.6)	(0.7)	(1.1)	(2.5)	(3.2)	(3.2)	(4.6)	(4.5)	(3.9)	
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)	(5.6)	7.2	9.7	
Opening net debt/(cash), pre-IFRS 16	(33.0)	(25.2)	(16.4)	(4.4)	18.4	(2.7)	9.4	43.1	48.7	41.5	
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	48.7	41.5	31.8	

Source: Severfield, Edison Investment Research

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