

Severfield

First signs of encouraging news emerge

Severfield has confirmed that FY25 PBT is anticipated to be in line with management's expectations and that year-end net debt was modestly better. Also, the UK and Europe order book has grown materially since 1 February. Furthermore, Severfield's professional indemnity insurers have accepted coverage with regard to the bridge remediation works programme and have indicated that an initial payment is possible as early as mid-June. The company confirmed FY26 profit expectations and indicated that FY27 was beginning to look more encouraging as some large opportunities are already emerging.

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
3/23	491.8	32.5	8.38	3.40	2.4	17.0
3/24	463.5	36.5	8.85	3.70	2.3	18.5
3/25e	449.6	18.1	4.56	1.50	4.4	7.5
3/26e	449.6	10.1	2.53	1.50	7.9	7.5

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

FY25 underlying PBT is expected to be in line with the range indicated at the 3 March trading update (£18–20m), while net debt as at 29 March was £44m, better than guidance and £1.8m better than our estimate, implying year-end headroom of c £30m.

Given the trading pressures currently being experienced, Severfield has been looking at cost reduction and cash generation actions. This has resulted in a decision to reduce the workforce by c 6% via redundancies and natural wastage, and to conserve cash via an increased focus on working capital management, an acceleration of tax refunds from HMRC, reduced capex expenditure and other ongoing cost reduction actions.

In addition to the cost and cash measures being undertaken, the UK and Europe, and India order books have been improving. The UK and Europe order book rose from £403m on 1 February to £440m on 1 April, with £327m (1 February: £281m) for delivery in the next 12 months. In India, the order book rose from £197m at 1 November to £210m at 1 April, with 79% (1 November: 77%) accounted for by high-margin commercial work.

Severfield has made significant progress with its bridge remedial works programme and the associated insurance claim, and continues to believe that the total costs (net of insurance proceeds) are largely unchanged at c £20m. Total testing and remedial costs to date amount to c £18m, with the remaining costs to be incurred in FY26 and FY27. Importantly, the group's professional indemnity insurers have confirmed coverage and have indicated that they will make an interim payment under the policy by mid-June, following the completion of a quantum verification exercise. Severfield will provide an update alongside the FY25 results in June.

The outlook for FY26 remains unchanged, with challenging conditions in the UK and Europe and tighter pricing conditions remaining in place, coupled with project deferrals or cancellations. Looking into FY27, the outlook appears more promising and Severfield has already secured some large projects. Opportunities are emerging in manufacturing (industrial), commercial offices and AI, which is driving demand for data centre infrastructure.

FY25 trading update

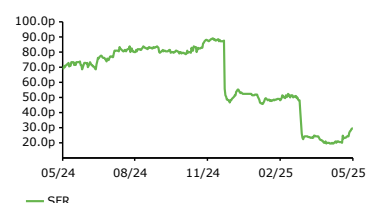
General industrials

7 May 2025

Price 20.00p
Market cap £60m

Net cash/(debt) as at 29 March £(44.0)m
2025
Shares in issue 296.2m
Free float 100.0%
Code SFR
Primary exchange LSE
Secondary exchange N/A

Share price performance



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.

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