

Severfield

Delivering against strategy

Good momentum is apparent in Severfield's results, with healthy progress in revenue and margins in the UK and a profit contribution from the Indian JV. Our estimates now expect a sustained JV profit contribution (previously neutral) and, with unchanged UK expectations, Severfield is on track to double PBT between FY16 and FY20. All in all, we see a clear strategy that is being well executed against visible financial targets.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/16	239.4	13.7	3.8	1.5	21.1	1.9
03/17	262.2	20.3	5.7	2.3	14.0	2.9
03/18e	263.2	22.2	6.3	2.5	12.7	3.1
03/19e	267.8	24.4	6.9	2.8	11.6	3.5

Note: *PBT and EPS are normalised, excluding pension net finance costs, intangible amortisation and exceptional items.

Good progress on several fronts

A c 50%+ uplift in full year earnings and dividends and further growth in group cash balances were the headline financial highlights. Underlying EBIT and a maiden full year profit contribution from the Indian JV were both ahead of our expectations, partly offset by higher interest and share-based payments, leaving group PBT slightly better than anticipated overall. There was solid operational performance in the UK – with the highest H2 activity levels for seven years – and in India, which saw both revenue and margin gains y-o-y. At the same time, there is clear evidence of investment in equipment, processes, systems and people across the business, which indicates that this progress and future prospects are well-founded.

UK stable, India to contribute

UK market conditions are understood to be stable; a lower UK order book reflects progress with some major project work and is not expected to impact negatively on revenues given a good pipeline of prospects visible to management. The Indian order book has stepped up markedly with a significant proportion scheduled for this year. Coupled with a paydown of term debt (via cash equity injection from both JV partners), this alone should generate an uplift in the (share of) profit after tax going forward and we have slightly increased estimates to reflect this. Management states that the trajectory of group PBT (after pension net finance costs) is on track for £26m in FY20, compared to £19.8m reported for FY17, and dividend growth prospects should mirror this.

Valuation: Good growth, well positioned

Severfield's share price is up c 11% ytd; it has outperformed the FTSE All-Share Index by c 7% over this time frame, more marginally so in the last three months. Our revised estimates indicate three-year (FY17-FY20e) CAGRs in excess of 9% for both earnings and dividends. Some of this is reflected into the current year P/E of 12.7x and EV/EBITDA of 7.5x, but factoring in a 3% prospective yield, strong balance sheet and positioning for future infrastructure projects suggests that Severfield can continue to outperform. FY17 results

Construction & materials

	19 June 2017
Price	80.00p
Market cap	£240m
Net cash (£m) at end March 201	7 32.4
Shares in issue	298.9m
Free float	100%
Code	SFR
Primary exchange	LSE

Share price performance



Business description

Severfield is a leading UK structural steelwork fabricator operating across a broad range of market sectors. An Indian facility currently undertakes structural steelwork projects for the local market and is fully operational.

Next events

FY17 final DPS 1.7p ex dividend	18 August 2017
AGM	6 September 2017
Analysts	
Toby Thorrington	+44 (0)20 3077 5721
Roger Johnston	+44 (0)20 3077 5722

industrials@edisongroup.com

Edison profile page

Severfield is a research client of Edison Investment Research Limited



Exhibit 1: Financial summary

Creditors (81.2) (70.3) (66.1) (70.9) (52.7) (59.5) (58.1) (78.5) (75.4) (76.4) (77.6) Short term borrowings (18.6) (33.3) (30.9) (41.7) (5.2) (0.2)	£m	2010	2011	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e
Dec Dec Mar Mar <td>Year end 31 march</td> <td></td>	Year end 31 march											
PROFINI LOSS Vertice												
Cast of Seles (24.6) (24.6) (24.6) (24.6) (24.6) (24.7) (18.7) (21.9) (25.7) (23.5)	PROFIT & LOSS	200	200	200	mai	mai	inter	mai	mai	iviai	inai	mai
Gross Profit 24.1 29.9 (12.2) (12.7) 13.5 14.9 18.8 25.7 27.3 29.6 33.0 Operating Profit - Edison 17.1 15.0 (17.7) (18.6) 18.4 10.0 15.2 22.1 23.5 25.5 27.6 27.6 27.6 27.6 27.6 27.6 27.6 27.6 27.6 27.6 0.0 0.	Revenue	266.7	267.8	256.6	318.3	231.3	201.5	239.4	262.2	263.2	267.8	
EBITDA 216 19.5 (13.6) 12.0 13.6 18.9 27.73 28.96 31.9 Net Intervat (0.9) (1.6) (1.2) (0.6) (0.5) (0.2) (0.1) (0.2) (0.5) (0.2) (0.5) (0.2) (0.5) (Cost of Sales	(242.6)	(246.9)		(330.9)	(217.8)	(186.7)	(219.6)	(236.3)	(235.7)	(238.0)	(242.2)
Operating Profit Edison 17.1 15.0 (17.7) (18.6) 6.4 10.0 15.2 22.1 23.5 22.5 22.6 Associates (0.4) (2.5) 0.2 (0.6) (0.5) (0.6) (0.5) (0.6) (0.5)					()							
Net Interest (0.9) (1.6) (2.0) (0.6) (0.2) (0.2) (0.1) (0.2) (0.3) (0.0) (0.3) (0.0) (0.3) (0.0) (0.3) (0.0) (0.3) (0.0) (0.3) (0.0) (0.3) (0.0) (0.5) (1.1) (2.7) (2.7) (2.7) (2.7) (2.7) (2.7) (2.7) (2.7) (2.7) (2.7) (2.7) (2.7) (2.7) (2.7) (2.7) (2.7) (2.7) (2.8) (2.9) (0.0) (0.0) (0.0) (0.5) (0.6) (0.6) (0.6)					. ,							
Associates (0.4) (2.5) (0.2) (0.3) (0.0) (0.1) (0.2) (0.5) (1.1) (2.0)												
SBP (0.0) (0.3) (0.0) (0.1) (0.2) (0.5) (1.1) (2.0) (. ,							
Intengè Amorisation (2.7) (2.7) (2.7) (2.6) (2.6) (2.6) (1.6) (0.5) <td></td>												
Pension Net Finance (0.5) <td></td>												
Costs Exceptional (14) (06) (10) (38) (5.9) (0.9) 0.8 0.0 0.0 0.0 Profit Before Tax (norm) 15.8 10.6 (11,1) (20,9) 4.5 8.8 13.7 20.3 22.2 24.4 26.6 Profit Before Tax (rRS 3) 11.1 6.8 (23,3) (28,1) (11,0) (0.2,1) (36,6) (39,1) (31,1) (32,1) (31,1) (32,1) (31,1) (32,1) (31,1) (32,1) (31,1) <t< td=""><td></td><td>. ,</td><td></td><td>. ,</td><td>. ,</td><td></td><td>. ,</td><td></td><td></td><td>. ,</td><td></td><td></td></t<>		. ,		. ,	. ,		. ,			. ,		
Profit Before Tax (norm) = Edison 1 5.8 10.6 (19.1) (20.9) 4.5 18.8 137 20.3 22.2 24.4 26.6 Profit Before Tax (norm) 15.3 10.1 (19.6) (21.5 4.0 8.3 13.2 19.6 21.7 2.3 22.8 24.4 26.6 Profit Before Tax (FRS 3) 11.1 6.8 (23.3) (28.9) 4.1 (0.2) 9.6 18.1 20.2 23.9 26.1 Tax (3.5) (0.9) 3.9 5.7 1.4 0.3 (1.0) (2.7) (3.6) (3.9) (4.3) Profit After Tax (FRS 3) 11.7 7.7 (16.2) (17.9) 3.1 7.4 11.4 17.0 18.7 20.5 22.4 Profit After Tax (FRS 3) 7.6 5.8 (19.4) (23.1) (2.6) 0.1 8.6 15.3 16.6 20.0 21.9 Average Number of Shares Outstanding (m) 80.0 89.3 89.3 205.8 297.5 297.5 298.9 298.5 2		(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Profit Before Tax (norm) 15.3 10.1 (16.0 (21.5) 4.0 (0.2) 96 11. 20.2 11. 20.9 20 96 11. 20.2 11. 20.9 20 96 11. 20.2 20.9 20 96 11. 20.2 20.9 20 96 11. 20.2 20.9 20 96 11. 20.2 20.9 20 96 11. 20.2 20 9 20 11 20 20 20 20 20 20 20 20 20 20 20 20 20		(1.4)	(0.6)	(1.0)	(3.8)	(5.3)	(5.9)	(0.9)	0.8		0.0	0.0
Profit Berler Tax (FRS 3) 11.1 6.8 (2.3) (28.9) (4.1) (0.2) 9.6 (18.1 20.2 (2.3) 26.1 (2.7) (3.6) (3.9) (4.3) Profit After Tax (rorm) 17 7 (16.2) (17.9) 3.1 7.4 1.4 17.0 18.7 (2.5) (2.4) Profit After Tax (rRS 3) 7.6 5.8 (19.4) (2.3.1) (2.6) 0.1 8.6 15.3 16.6 (20.0 21.9 Average Number of Shares Outstanding (m) 6.80 89.3 89.3 89.3 29.58 (2.97.5 (2.97.5 (2.98.9 2.98.5 (2.98.5 2.97.5 (2.98.9 2.98.5 (2.98.5 2.97.5 (2.98.9 2.98.5 (2.9.5 (2.9.5 2.9.5 (2.9.5 2.9.5 (2.9.5 2.9.5 (2.9.5 (2.9.5 2.9.5 (2.9.5 (2.9.5 2.9.5 (2.9.	Profit Before Tax (norm) - Edison											
Tax (3.5) (0.9) 3.9 5.7 1.4 0.0 (1.0) (2.7) (3.6) (3.9) (4.3) Porit Aher Tax (FRS 3) 7.6 5.8 (19.4) (23.1) (2.6) 0.1 8.6 15.3 16.6 20.0 21.9 Average Number of Shares Outstanding (m) 68.0 88.3 88.3 29.5 29.7 29.6 29.85 20.85 20.95 2.88 3.09 0.04 11.1 11.16 20.95 2.88 3.09 0.04 11.1.1 11.16 11.60 20.95 3.83 9.9 0.4 11.1.1 11.16 11.60 59.8 6.8	· · ·											
Profit After Tax (prom) 11.7 7.7 (16.2) (17.9) 3.1 7.4 11.4 11.0 18.7 20.5 22.8 Profit After Tax (FRS 3) 7.6 5.8 (19.4) (23.1) (2.6) 0.1 8.6 15.3 16.6 20.0 21.9 Verrage Number of Shares Outstanding (m) 6.82 4.51 (9.42) (10.42) 10.5 24.7 3.84 5.70 6.26 6.87 7.49 ERPs - nomalised (p) 6.51 4.21 (9.72) (9.43) 0.88 2.31 3.67 5.53 6.05 6.70 7.32 Dividend per share (p) 7.5 5.0 1.5 0.8 0.0 0.5 1.5 2.3 2.5 2.8 3.0 Gross Margin (%) 8.1 7.3 5.3 4.4 4.0 5.8 7.4 8.3 9.9 1.0.4 11.1 11.7 Editon (%) 8.1 7.3 5.3 4.43 5.2 6.7 7.9 9.8 10.0.4 11.1 11.1 11.6 11.0 11.1 11.7 1.1.1 </td <td></td> <td></td> <td></td> <td></td> <td>. ,</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>					. ,							
Profit Aler Tax (FRS 3) 7.6 5.8 (19.4) (22.1) (2.6) 0.1 8.6 15.3 16.6 20.0 219 Average Number of Shares Outstanding (m) 89.0 89.3 89.3 89.3 295.5 297.5 298.9 298.5 208.5 298.5 25.5 6.6 6.9 7.5 5.0 1.5 0.0 0.5 1.5 2.3 2.5 2.8 3.0 0.0 0.5 1.5 2.5 2.6 3.0 0.0 0.5 1.5 0.3 0.0 0.5 1.1 1.1 11.1 11.1 11.1 11.1 11.1 11.1 11.1 11.5 1.4 3.4 3.5 2.6 7.4 7.6			. ,					. ,	. ,			
Average Number of Shares Outslanding (m) 89.0 89.3 89.3 89.3 293.8 297.5 297.5 298.5 28.5 28.6 208.5 298.5 298.5 28.5 28.6 208.5 238.5 28.6 298.5 298.5 298.5 298.5 298.5 298.5 298.5 298.5 298.5 298.5 298.5 208.5 238.5												
EPS - normalised (p) 6.82 4.51 (9.42) (10.42) 1.05 2.47 3.84 5.70 6.26 6.87 7.49 EPS - normalised (p) 6.51 4.21 (9.72) (9.45) 0.88 2.31 3.67 5.53 6.09 6.70 7.32 EPS - FRS 3 (p) 4.47 3.41 (11.33) (13.49) (0.89) 0.0 0.5 1.5 2.3 2.5 2.8 3.0 Gross Margin (%) 9.0 7.8 4.8 4.0 5.8 7.4 8.3 9.9 10.4 11.1 11.7 ENTAMARY (%) 8.1 7.3 -6.3 4.5 6.7 7.9 9.8 10.4 11.1 11.7 Edison (%) BALANCE SHEET Filt 7.43 7.45 8.4 8.9 5.0 7.4 7.89 8.10 8.15 82.2 7.9 8.6 8.15 82.2 7.8 7.9 8.0.6 7.22 7.6.3 7.5.1 10.7.1 10.6				. ,	. ,							
Edison Critical (P) 6.51 4.21 (P, 27) (P, 43) (P, 11) (P, 11) (P, 12) (P, 13) (P, 14)	8											
$ \begin{array}{c c c c c c c c c c c c c c c c c c c $		6.82	4.51	(9.42)	(10.42)	1.05	2.47	3.84	5.70	6.26	6.87	7.49
EPS - FRS 3 (p) 447 341 (11.3) (13.49) (0.80) 0.05 2.89 5.13 5.56 6.70 7.32 Dividend per share (p) 7.5 5.0 1.5 0.8 0.00 0.5 1.5 2.3 2.5 2.8 3.0 Cross Margin (%) 8.1 7.3 5.3 4.3 5.2 6.7 7.9 9.8 10.4 11.1 11.7 EBITD Margin (%) 8.1 7.3 5.3 4.3 5.2 6.7 7.9 9.8 10.4 11.1 11.1 11.6 Calson (%) 8.1 7.3 5.3 4.3 5.2 6.7 7.9 9.8 10.4 11.1 11.1 11.6 11.6 Decision (%) 8.4 8.9 9.5 10.1 Exison (%) 8.4 8.9 9.5 10.1 Exison (%) 8.4 8.9 9.6 6.4 8.4 8.9 9.0 6.7 7.4 7.8 9.0 6.7 7.4 7.8 9.0 6.7 7.5 1.0 1.1 1.092 6.2 1.11		6 51	1 21	(0.72)	(0.45)	0.88	2 31	3.67	5 53	6.00	6 70	7 30
Dividend per share (p) 7.5 5.0 1.5 0.8 0.0 0.5 1.5 2.3 2.5 2.8 3.0 Gross Margin (%) 9.0 7.8 4.4 4.0 5.8 7.4 8.3 9.9 10.4 11.1 11.7 Dividend per share (p) 6.4 5.6 -5.8 3.6 4.9 6.4 8.4 8.9 9.5 10.1 Edison (%) 8 165.0 156.9 155.6 154.9 147.7 145.1 149.3 148.3 154.5 156.8 159.0 Intangible Assets 152.0 72.7 70.4 69.8 64.6 61.8 59.2 56.3 54.7 54.7 54.7 54.7 54.7 54.7 54.7 54.7 54.7 54.7 54.7 54.7 54.7 54.7 74.1 76.6 61.8 50.2 56.3 54.2 21.6 137.1 109.6 126.6 57.7 56.7 59.2 77.7 78.7 79.												
$ \begin{array}{c c c c c c c c c c c c c c c c c c c $												
EBITDA Margin (%) 8.1 7.3 -5.3 -4.3 5.2 6.7 7.9 9.8 10.4 11.1 11.6 Operating Margin - Eison (%) 6.4 5.6 -6.9 -5.8 3.6 4.9 6.4 8.4 8.9 9.5 10.1 BALANCE SHEET Fixed Assets 165.0 156.9 155.6 154.9 147.7 145.1 149.3 148.3 154.5 156.8 159.0 Inlangible Assets 75.2 77.0 7.6 7.4 7.8.9 80.6 81.5 82.2 Investments 6.9 4.4 8.9 9.0 6.7 12.7 13.1 19.2 20.6 22.1 Investments 6.9 4.4 8.9 8.0 6.7 7.4 7.8 7.7 7.8 7.7 Stocks 12.6 9.1 7.1 8.2 5.8 4.8 5.3 7.8 7.7 7.8 7.9 Debtors 71.9 8.92 61.2 <td></td>												
Operating Margin - Edison (%) 6.4 5.6 -6.9 -5.8 3.6 4.9 6.4 8.4 8.9 9.5 10.1 BALANCE SHEET Exed Assets 165.0 156.9 155.6 154.9 147.7 145.1 149.3 148.3 154.5 156.8 159.0 Intangible Assets 75.2 72.9 70.4 69.8 64.6 61.8 59.2 56.3 54.7 54.7 54.7 Tangible Assets 82.9 79.6 76.2 76.1 74.1 76.6 77.4 78.9 80.6 81.5 82.2 Investments 6.9 4.4 8.9 8.9 9.0 6.7 12.7 13.1 19.2 20.6 22.1 Current Assets 88.1 100.5 68.8 80.5 72.2 78.3 7.8 7.7 7.8 7.9 Debtors 7.1 82.2 61.2 71.6 60.8 64.6 50.7 65.6 67.5 69.2 71.3 75												
Edison (%) ************************************												
Fixed Assets 165.0 156.9 155.6 154.9 147.7 145.1 149.3 148.3 154.5 156.8 159.0 Intargible Assets 75.2 72.9 70.4 69.8 64.6 61.8 59.2 56.3 54.7 56.8 50.7 66.5 67.5 69.2 71.3 52.6 69.1 60.8 64.6 50.7 66.5 67.5 69.2 71.3 53.6 69.8 69.8 69.9 19.0 32.8 34.4 45.6 57.8 57.6 76.5 165.7 67.6 76.5		0.4	0.0	0.0	0.0	0.0	4.0	0.4	0.4	0.0	0.0	10.1
Intangible Assets 75.2 72.9 70.4 69.8 64.6 61.8 59.2 56.3 54.7 54.7 54.7 Tangible Assets 6.9 4.4 8.9 8.9 9.0 6.7 71.4 78.9 80.6 81.5 62.2 Current Assets 88.1 100.5 69.8 80.5 72.2 76.3 75.1 107.1 109.6 122.6 137.1 Stocks 12.6 9.1 7.1 8.2 5.8 4.8 5.3 7.8 7.7 7.8 7.9 Debtors 71.9 89.2 61.2 71.6 60.8 64.6 50.7 66.5 67.5 69.2 71.3 Cash 3.6 2.3 1.4 0.7 5.5 6.9 19.0 32.8 34.4 45.5 57.8 Cardits (61.6 (33.3) (30.9) (41.7) (52.9) (58.1) (78.5) (76.4) (77.6) Short erm borrowings 0.0 <td>BALANCE SHEET</td> <td></td>	BALANCE SHEET											
Tangible Assets 82.9 79.6 76.2 76.1 74.1 76.6 77.4 78.9 80.6 81.5 82.2 Investments 6.9 4.4 8.9 8.9 9.0 6.7 12.7 13.1 19.2 20.6 22.1 Current Assets 88.1 100.5 69.8 80.5 72.2 76.3 75.1 107.1 109.6 122.6 137.1 Stocks 12.6 9.1 7.1 8.2 5.8 4.8 5.3 7.8 7.7 7.8 7.9 Debtors 71.9 89.2 61.2 71.6 60.8 64.6 50.7 65.5 67.5 69.2 77.1 7.6.6 76.5 67.8 77.6 76.5 77.6 76.5 77.6 76.5 77.6 76.5 77.6 76.5 77.6 76.5 77.6 77.6 77.6 76.5 77.6 77.6 77.6 77.6 77.6 77.6 76.5 77.6 77.6 77.6 76.5 77.6 77.6 72.7 77.6 77.6 77.6	Fixed Assets	165.0	156.9	155.6	154.9	147.7	145.1	149.3	148.3	154.5	156.8	159.0
Investments 6.9 4.4 8.9 8.9 9.0 6.7 12.7 13.1 19.2 20.6 22.1 Current Assets 88.1 100.5 69.8 80.5 72.2 76.3 75.1 107.1 109.6 122.6 137.1 Stocks 12.6 9.1 7.1 8.2 5.8 4.8 5.3 7.8 7.7 7.8 7.9 Debtors 71.9 89.2 61.2 71.6 60.8 64.6 50.7 66.5 67.5 69.2 71.3 Cash 3.6 2.3 1.4 0.7 5.5 6.9 19.0 32.8 34.4 45.6 57.8 Creditors (81.2) (70.3) (66.1) (70.9) (52.7) (55.5) (58.1) (78.5) (75.4) (76.4) (77.6) Creditors (12.3) (21.4) (20.2) (0.2) (0.2) (0.2) (0.2) (0.2) (0.2) (0.2) (0.2) (0.2)	Intangible Assets				69.8	64.6	61.8	59.2			54.7	
Current Assets 88.1 100.5 69.8 80.5 72.2 76.3 75.1 107.1 109.6 122.6 137.1 Stocks 12.6 9.1 7.1 82 5.8 4.8 5.3 7.8 7.7 7.8 7.9 Debtors 71.9 89.2 61.2 71.6 60.8 64.6 50.7 66.5 67.5 69.2 71.3 Cash 3.6 2.3 1.4 0.7 5.5 6.9 19.0 32.8 34.4 45.6 57.8 Current Liabilities (99.8) (103.6) (97.0) (112.5) (57.9) (59.7) (58.2) (78.7) (75.6) (76.4) (77.4) (76.4) (77.4) (77.5) So.7 (59.7) (58.2) (78.7) (75.6) (76.2) (0.2) (0.2) (0.2) (0.2) (0.2) (0.2) (0.2) (0.2) (0.2) (0.2) (0.2) (0.2) (0.2) (0.2) (0.2) (0.2) (0.	Tangible Assets				76.1	74.1		77.4	78.9		81.5	
Stocks 12.6 9.1 7.1 8.2 5.8 4.8 5.3 7.8 7.7 7.8 7.9 Debtors 71.9 89.2 61.2 71.6 60.8 64.6 50.7 66.5 67.5 69.2 71.3 Cash 3.6 2.3 1.4 0.7 5.5 6.9 19.0 32.8 34.4 45.6 57.8 Current Liabilities (99.8) (103.6) (97.0) (112.5) (57.9) (59.5) (58.1) (78.5) (75.4) (76.4) (77.6) Short term borrowings (18.6) (33.3) (30.9) (41.7) (5.2) (0.2) </td <td></td>												
Debtors 71.9 89.2 61.2 71.6 60.8 64.6 50.7 66.5 67.5 69.2 71.3 Cash 3.6 2.3 1.4 0.7 5.5 6.9 19.0 32.8 34.4 45.6 57.8 Current Liabilities (99.8) (103.6) (97.0) (112.5) (57.9) (58.2) (78.7) (75.6) (76.5) (77.8) Creditors (81.2) (70.3) (66.1) (70.9) (52.7) (59.5) (58.1) (78.5) (75.4) (76.4) (77.6) (72.5) (22.5)<												
Cash 3.6 2.3 1.4 0.7 5.5 6.9 19.0 32.8 34.4 45.6 57.8 Current Liabilities (99.8) (103.6) (97.0) (112.5) (57.9) (59.7) (58.2) (78.7) (75.6) (76.5) (77.8) Creditors (81.2) (70.3) (66.1) (70.9) (52.7) (59.5) (58.1) (78.5) (76.4) (76.4) (77.6) Short term borrowings (18.6) (33.3) (30.9) (41.7) (5.2) (0.												
Current Liabilities (99.8) (103.6) (97.0) (112.5) (57.9) (59.7) (58.2) (78.7) (75.6) (76.5) (77.8) Creditors (81.2) (70.3) (66.1) (70.9) (52.7) (59.5) (58.1) (78.5) (75.4) (76.4) (77.6) Short term borrowings (18.6) (33.3) (30.9) (41.7) (5.2) (0.2)												
Creditors (81.2) (70.3) (66.1) (70.9) (52.7) (59.5) (58.1) (78.5) (75.4) (76.4) (77.6) Short term borrowings (18.6) (33.3) (30.9) (41.7) (5.2) (0.2)												
Short term borrowings (18.6) (33.3) (30.9) (41.7) (5.2) (0.4) (0.5) (0.2) (0.4) (1.5) (1.3) (1.4) (1.4) (1.4) (1.4) (1.4) (1.5) (1.3)								. ,				. ,
Long Term Liabilities(22.3)(21.6)(21.7)(20.4)(18.5)(21.1)(17.9)(22.5												
Long term borrowings 0.0 (0.3) (0.2) (0.0) (0.4) (0.2) (2.3) (2.3) (2.3) (2.2) (2.3) (2.2) (2.3) (2.4) 143.4 140.6 148.2 154.2 166.0 180.4 195.8 CASH FLOW Operating Cash Flow (5.8) (5.4) 12.9 3.1 2.1 11.4 24.8 27.4			· · ·		. ,			. ,				
Other long term liabilities (22.3) (21.4) (20.2) (18.5) (20.5) (17.5) (22.3) (23.3) (1.1) (1.4) (1.5) (1.3) (1.7) (0.8) (0.2) (1.1) (0.1) (0.1) (0.0) (0.1) (1.1) (1.1) (1.1) (1.1) (1.1) (1.1) (1.1) (1.1) (1.1) (1.1) (1.1) (1.1) (1.1) (1.1)												
CASH FLOW Operating Cash Flow (5.8) (5.4) 12.9 3.1 2.1 11.4 24.8 27.4 22.0 27.9 30.0 Net Interest (0.8) (2.0) (1.3) (1.7) (0.8) (0.2) (0.1) (0.1) 0.0 0.1 Tax (5.4) (3.7) (2.7) (2.3) 0.4 (1.0) (0.9) (2.4) (2.9) (3.6) (3.9) Capex (2.8) (1.5) (0.2) (1.4) (1.5) (1.3) (4.3) (5.3) (5.5) (5.0) (5.0) Acquisitions/disposals (2.9) (0) (2) (3.0) (3.5) (1.7) (4.1) (0.4) (5.3) (0.5) (0.5) Financing 0 0 0 0.0 44.8 0	· · ·	(22.3)				. ,		. ,				
Operating Cash Flow (5.8) (5.4) 12.9 3.1 2.1 11.4 24.8 27.4 22.0 27.9 30.0 Net Interest (0.8) (2.0) (1.3) (1.7) (0.8) (0.2) (0.1) (0.1) (0.1) 0.0 0.1 Tax (5.4) (3.7) (2.7) (2.3) 0.4 (1.0) (0.9) (2.4) (2.9) (3.6) (3.9) Capex (2.8) (1.5) (0.2) (1.4) (1.5) (1.3) (4.3) (5.3) (5.5) (5.0) (5.0) Acquisitions/disposals (2.9) (0) (2) (3.0) (3.5) (1.7) (4.1) (0.4) (5.3) (0.5) (6.5) Financing 0	Net Assets	130.9	132.3	106.6	102.4	143.4	140.6	148.2	154.2	166.0	180.4	195.8
Operating Cash Flow (5.8) (5.4) 12.9 3.1 2.1 11.4 24.8 27.4 22.0 27.9 30.0 Net Interest (0.8) (2.0) (1.3) (1.7) (0.8) (0.2) (0.1) (0.1) (0.1) 0.0 0.1 Tax (5.4) (3.7) (2.7) (2.3) 0.4 (1.0) (0.9) (2.4) (2.9) (3.6) (3.9) Capex (2.8) (1.5) (0.2) (1.4) (1.5) (1.3) (4.3) (5.3) (5.5) (5.0) (5.0) Acquisitions/disposals (2.9) (0) (2) (3.0) (3.5) (1.7) (4.1) (0.4) (5.3) (0.5) (6.5) Financing 0	CASH FLOW											
Net Interest (0.8) (2.0) (1.3) (1.7) (0.8) (0.2) (0.1) (0.1) 0.0 0.1 Tax (5.4) (3.7) (2.7) (2.3) 0.4 (1.0) (0.9) (2.4) (2.9) (3.6) (3.9) Capex (2.8) (1.5) (0.2) (1.4) (1.5) (1.3) (4.3) (5.3) (5.5) (5.0) (5.0) Acquisitions/disposals (2.9) (0) (2) (3.0) (3.5) (1.7) (4.1) (0.4) (5.3) (0.5) (5.0) (5.0) Financing 0 0 0 0.0 44.8 0		(5.8)	(5.4)	12.9	3.1	2.1	11.4	24.8	27.4	22.0	27.9	30.0
Tax (5.4) (3.7) (2.7) (2.3) 0.4 (1.0) (0.9) (2.4) (2.9) (3.6) (3.9) Capex (2.8) (1.5) (0.2) (1.4) (1.5) (1.3) (4.3) (5.3) (5.5) (5.0) (5.0) Acquisitions/disposals (2.9) (0) (2) (3.0) (3.5) (1.7) (4.1) (0.4) (5.3) (5.5) (5.0) (5.0) Financing 0 0 0 0.0 44.8 0				(1.3)		(0.8)	(0.8)		(0.1)	(0.1)		0.1
Acquisitions/disposals (2.9) (0) (2) (3.0) (3.5) (1.7) (4.1) (0.4) (5.3) (0.5) (0.5) Financing 0 0 0 0.0 44.8 0		. ,			. ,			. ,				
Financing 0												
Dividends (8.9) (3.6) (4.5) (4.5) 0.0 0.0 (3.0) (5.1) (6.7) (7.7) (8.4) Net Cash Flow (26.6) (16.3) 1.7 (9.7) 41.5 6.7 12.4 14.0 1.6 11.2 12.2 Opening net debt/(cash) (11.5) 15.0 31.3 31.3 41.2 (0.3) (6.1) (18.4) (32.4) (34.0) (45.2) HP finance leases 0 0.0 0.1 0.0 (0.2) (0.3) (0.2) (0.2) 0.0 0.0 0.0 Initiated 0 (0) (0) 0.2 0.6 0.2 0 0 0 (0)	• •	. ,					. ,	. ,	. ,	. ,	. ,	
Net Cash Flow (26.6) (16.3) 1.7 (9.7) 41.5 6.7 12.4 14.0 1.6 11.2 12.2 Opening net debt/(cash) (11.5) 15.0 31.3 31.3 41.2 (0.3) (6.1) (18.4) (32.4) (34.0) (45.2) HP finance leases 0 0.0 0.1 0.0 (0.2) (0.3) (0.2) (0.2) 0.0 0.0 0.0 initiated 0 (0) (0) 0.2 (0.6) 0.2 0 0 0 (0)	0											
Opening net debt/(cash) (11.5) 15.0 31.3 31.3 41.2 (0.3) (6.1) (18.4) (32.4) (34.0) (45.2) HP finance leases 0 0.0 0.1 0.0 (0.2) (0.3) (0.2) (0.2) 0.0 0.0 0.0 initiated 0 (0) (0) 0.2 (0.6) 0.2 0 0 0 (0)												
HP finance leases 0 0.0 0.1 0.0 (0.2) (0.2) 0.0 0.0 0.0 initiated 0 (0) (0) (0) 0.2 (0.2) 0.0 0.0 0.0 0.0												
initiated Other 0 (0) (0) 0.2 (0.6) 0.2 0 0 0 (0)		· · /					· · /		· /			
Other 0 (0) (0) 0.2 (0.6) 0.2 0 0 0 (0)		U	0.0	0.1	0.0	(0.2)	(0.0)	(0.2)	(0.2)	0.0	0.0	0.0
		0	(0)	(0)	(0)	0.2	(0.6)	0.2	0	0	0	(0)

Source: Company accounts, Edison Investment Research



attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2017. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licenses. All rights in the FTSE indices and/or FTSE ratings yest in FTSE and/or its licensors. Neither FTSE por its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent Frankfurt +49 (0)69 78 8076 960 London +44 (0)20 3077 5700 York +1 646 653 7026 Sydney +61 (0)2 8249 8342 Schumannstrasse 34b

DISCI AIMER Copyright 2017 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Severfield and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the <u>Financial Conduct Authority</u>. Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

60325 Frankfurt

Germany

Level 12, Office 1205 95 Pitt Street, Sydney NSW 2000 Australia

280 High Holborn London, WC1V 7EE United Kinadom

295 Madison Avenue, 18th Floor 10017, New York US