Stobart Group

Full year results presentation

Stobart Group Limited
4 June 2020

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Agenda

1. Update and vision for the future
2. Aviation
3. Energy
4. Non-strategic assets
5. Financial summary

FY20 at a glance

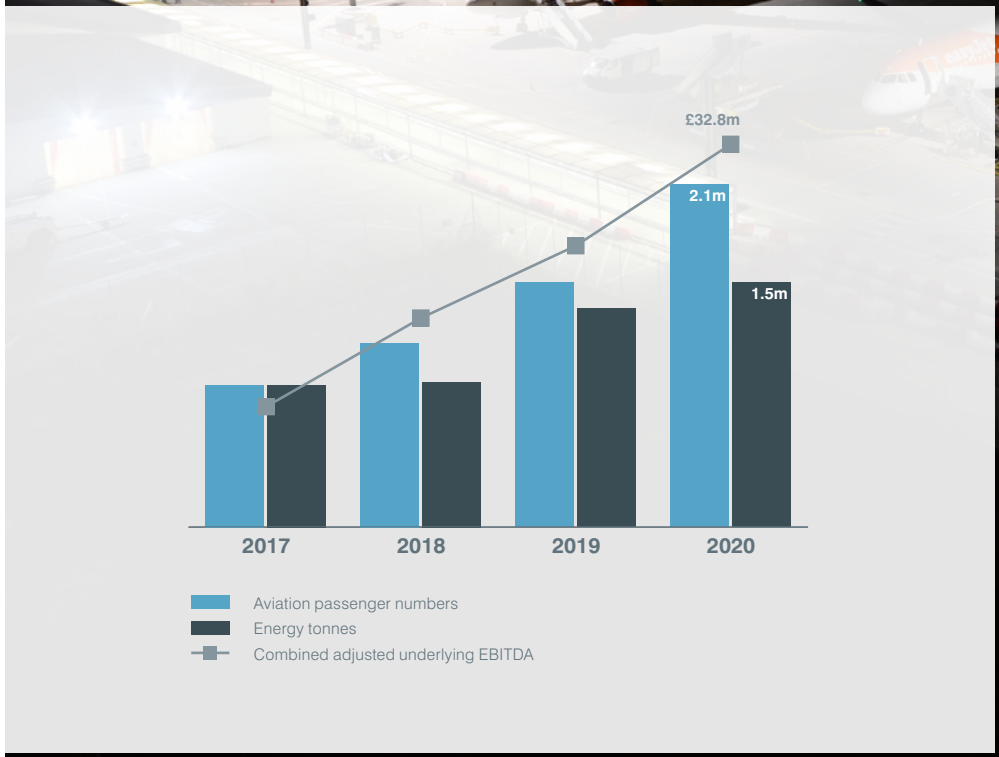
Stobart Group delivered another year of operational progress.

+43% Passenger numbers increased by 43% to **2.1m**.

+12% The volume of waste we supply increased by 12% to **1.5m** tonnes.

+36% Adjusted underlying EBITDA from our two main operating divisions increased by 36% to **£32.8m** (2019: £24.1m).

+48% The improvement in adjusted underlying EBITDA for the Group reflects both growth in our core businesses, and the £7.1m loss made by Stobart Rail & Civils.



Group response to COVID-19

COVID-19 has had a significant impact on our business and the full impact will take time to become clear.

We took immediate action to conserve cash and maintain operational capability to ensure we are best placed to manage through the recovery.

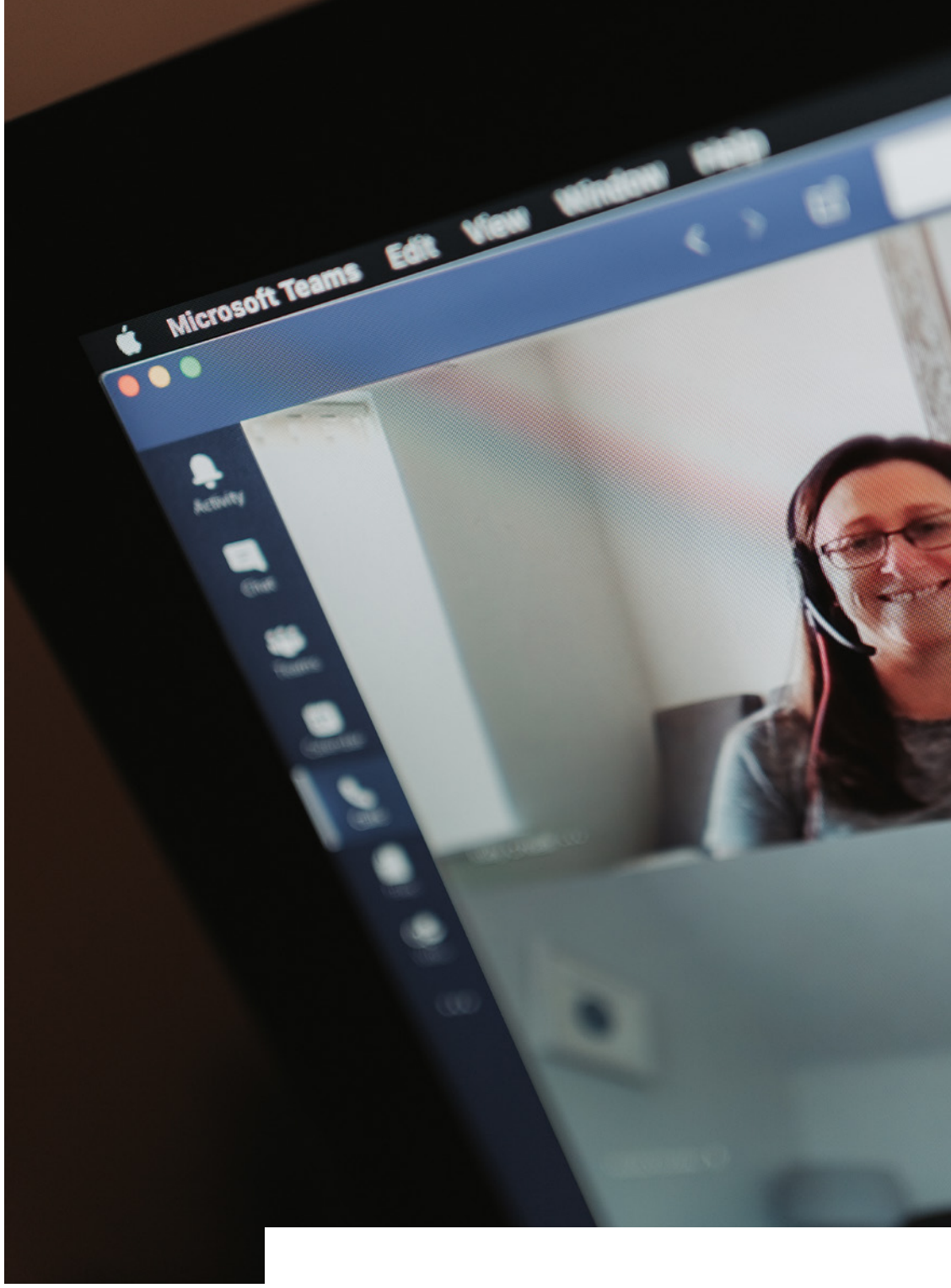
Frozen all capex other than for safety reasons. Discretionary spend deferred.

Utilised the Job Retention Scheme to put on furlough c.50% of our people.

Board and Senior Leadership agreed to 20% pay cuts; 10% for non-furloughed management.

Recruitment freeze since early March 2020. All variable pay awards deferred.

To help preserve the Group's liquidity and secure funding for the future, we have explored a range of options.



Our vision for the future

Our strategic focus is to ensure that our Aviation and Energy businesses emerge from the COVID-19 crisis stronger by adapting to the new world.

AVIATION

London Southend Airport is being specifically adapted and developed to be a passenger-focused airport, providing the space and experience to travel with confidence in the aftermath of COVID-19.

London Southend Airport is unique as a London airport with immediate space and existing plans to deliver this level of passenger-focused experience.

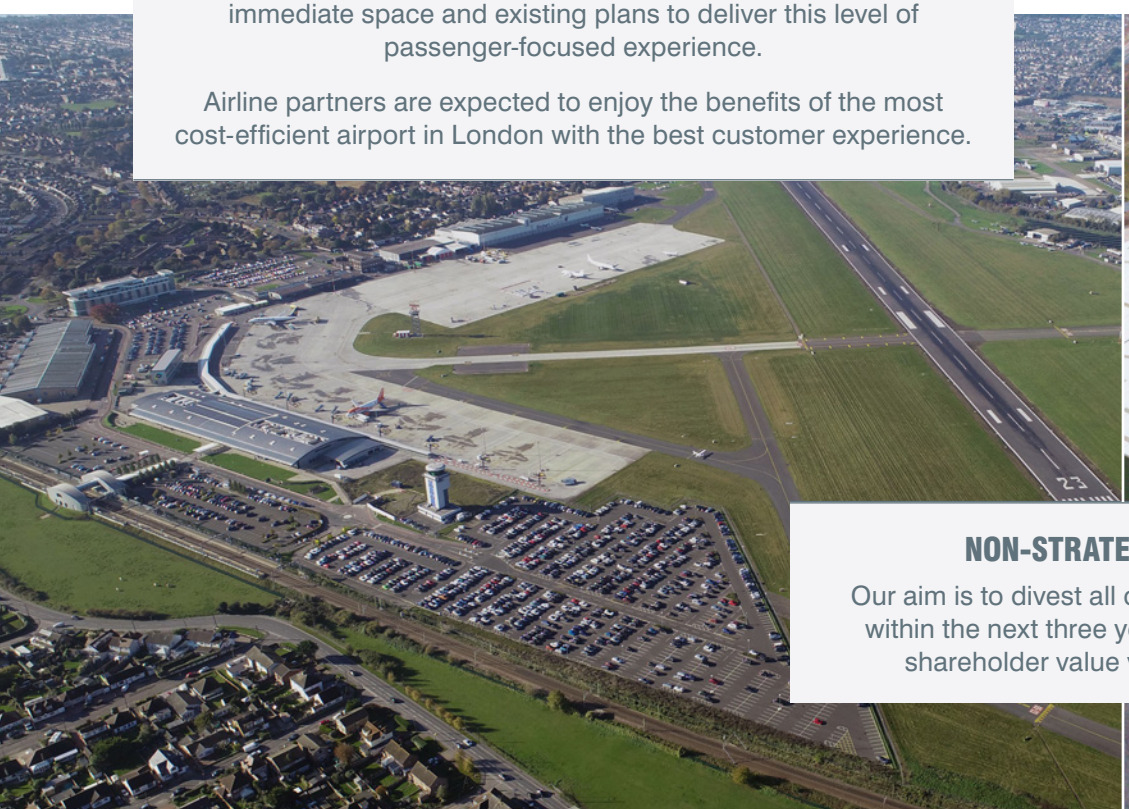
Airline partners are expected to enjoy the benefits of the most cost-efficient airport in London with the best customer experience.

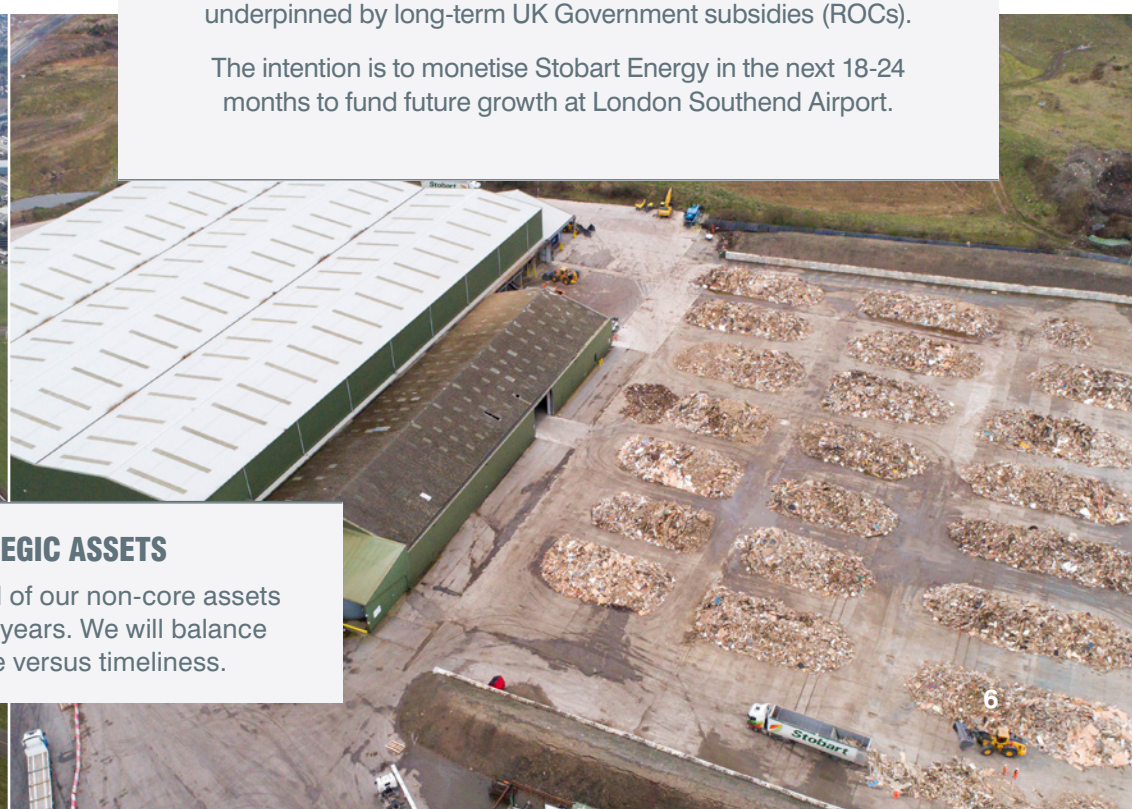
ENERGY

Stobart Energy intends to cement its position as the UK's number one supplier of waste fuel with long-term, high-margin contracts to supply 1.7m tonnes of waste wood per annum.

It is a mature, highly cash generative and stable business, underpinned by long-term UK Government subsidies (ROCs).

The intention is to monetise Stobart Energy in the next 18-24 months to fund future growth at London Southend Airport.



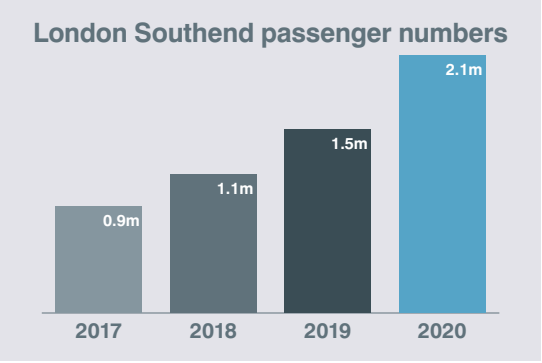


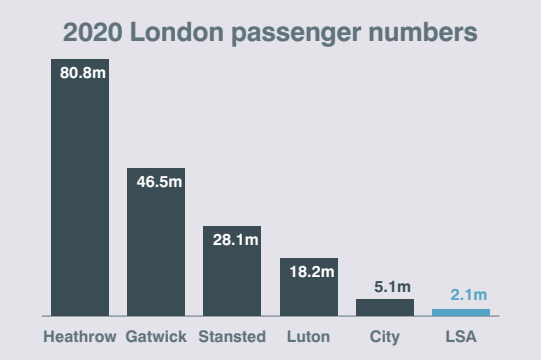
NON-STRATEGIC ASSETS

Our aim is to divest all of our non-core assets within the next three years. We will balance shareholder value versus timeliness.

Aviation

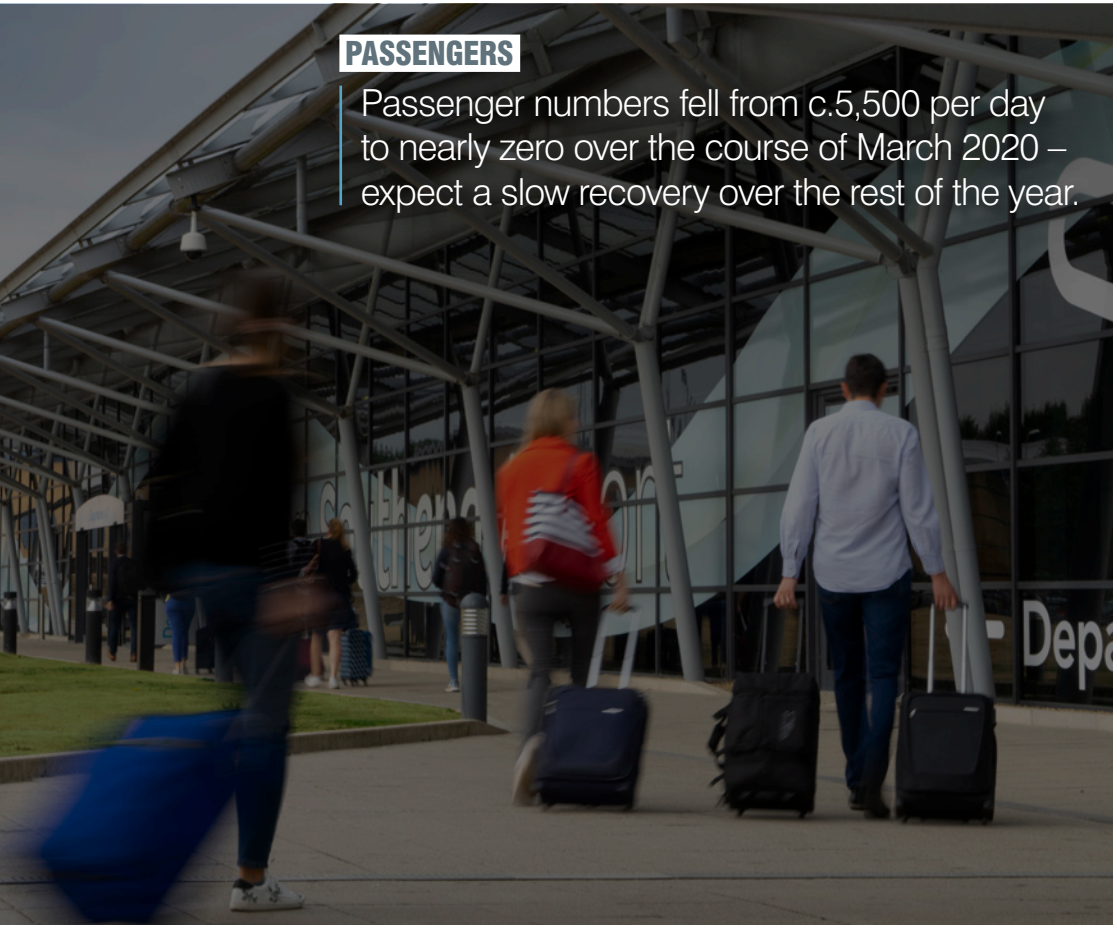
Aviation FY20 highlights





Impact of COVID-19 on London Southend Airport

London Southend Airport saw a reduction in passenger numbers to zero, impacting revenues while costs remained.



PASSENGERS

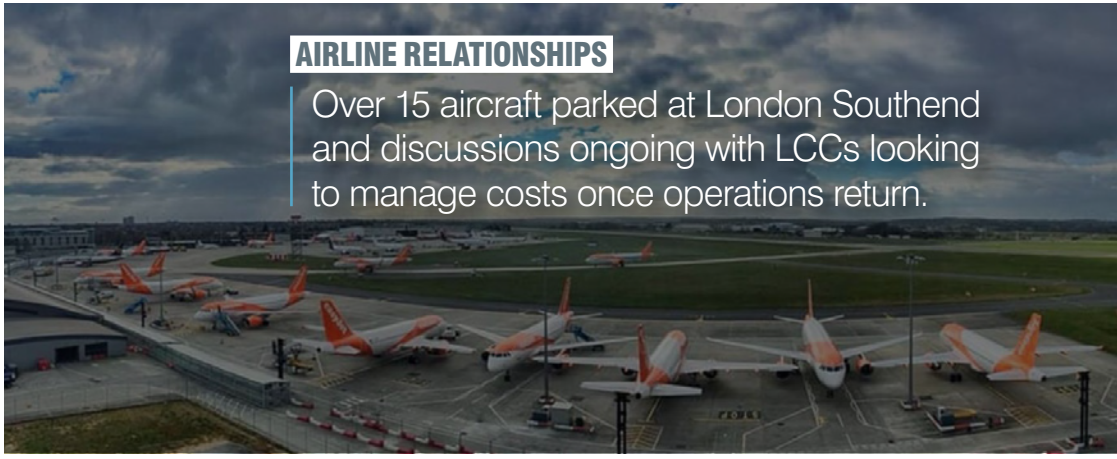
Passenger numbers fell from c.5,500 per day to nearly zero over the course of March 2020 – expect a slow recovery over the rest of the year.

REVENUES

Global logistics operation and hotel continue to provide some revenues – all other revenues driven to near zero.

COSTS

Maintained fixed costs including security, air traffic control and fire safety.



AIRLINE RELATIONSHIPS

Over 15 aircraft parked at London Southend and discussions ongoing with LCCs looking to manage costs once operations return.

Our vision for London Southend Airport post COVID-19

PASSENGER FOCUSED

London Southend intends to balance commercial revenues with a spacious, convenient, safe and secure environment.

RIGHT ENVIRONMENT

Separate arrivals and departures terminals planned, to provide the right environment for passengers.

SUMMER 2021

We can design and deliver a redeveloped airport by Summer 2021.

AIRLINE PARTNERS

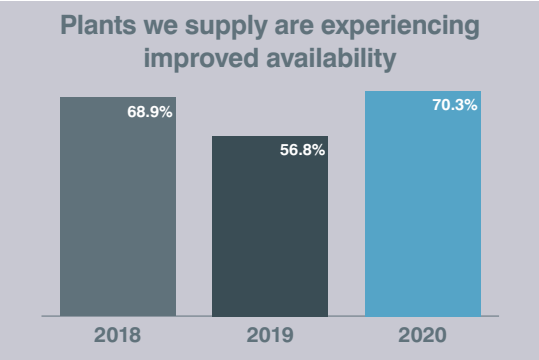
We are confident that travel will return over time. However, lower costs will be imperative for our airline partners during the restart post COVID-19.

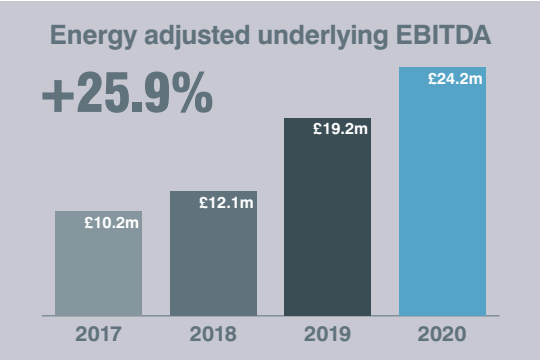
CAPITAL EFFICIENCY

We aim to offer airlines the most capital efficient operation.

Energy

Energy FY20 highlights





Impact of COVID-19 on Energy

Stobart Energy saw a significant reduction in available waste wood, impacting on supply and gate fees.

WASTE WOOD

A significant slowdown in construction and the closure of household waste and recycling centres impacted supply and gate fees.

SUPPLY CHAIN

Stobart Energy maintained close contact with suppliers and identified some alternative sources. Supply chain improved with the reopening of construction sites and HWRCs.

RELATIONSHIPS

We maintained regular communication with major customers including daily supply chain risk assessments and we maintained joint mitigation plans with customers.

GATE FEES

Stobart Energy navigated through the peak impacts of the lockdown and is now in recovery mode. It also supported lobbying for an extension to the ROC eligibility period.

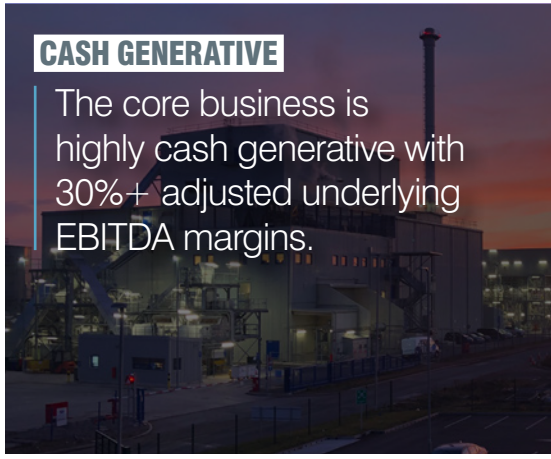
Our vision for Stobart Energy post COVID-19

LONG TERM CONTRACTS

Stobart Energy has long term contracts in place to supply 1.7m tonnes per annum to increasingly reliable renewable energy plants, providing mature de-risked, RPI linked cash flow.

RELIABLE SUPPLY CHAIN

Stobart Energy has a reliable supply of waste wood from ~300 suppliers, delivering revenue on gate fees.



CASH GENERATIVE

The core business is highly cash generative with 30%+ adjusted underlying EBITDA margins.

INTENTION TO MONETISE STOBART ENERGY

The Group's intention is to monetise Stobart Energy in the next 18-24 months to fund future growth at London Southend Airport.

Non-strategic assets

Non-strategic assets

STOBART AIR AND PROPIUS

Stobart Group reacquired Stobart Air and Propius on 27 April 2020 following the failure of Connect Airways.

The Group had previously disposed of Stobart Air and Propius in exchange for a 30% stake in Connect Airways.

Stobart Air has continued to service the operations for its Aer Lingus franchise, despite the administration of Flybe and Connect Airways.

Stobart Group took the decision to buy back these businesses following the failure of Flybe due to pre-existing guarantees from Stobart Group, which would have crystallised had these businesses also entered into administration / examinership.

Stobart Group intends to dispose of these businesses as soon as practical but in a controlled process.

STOBART RAIL & CIVILS

The performance of Stobart Rail & Civils has been poor in recent years, reflecting the impact of legacy contracts. We are actively engaging to exit the business before the end of FY21.

EDDIE STOBART LOGISTICS PLC

We have completed an agreement to sell the brand, realising £10m in cash, of which £6m has been received with a further £2.5m to be received by December 2020 and £1.5m within 36 months of completion. We continue to retain an 11.8% holding in the listed entity which will be exited over time.

INFRASTRUCTURE ASSETS

Non-core infrastructure assets have a carrying value of £38.4m as at 29 February 2020[1].

The Group is committed to sell these remaining assets over the next three years, with the aim of realising value over time from a position of strength when market conditions are right.

Name	Purpose	Book value 29 Feb 20 (£m)
Widnes	Industrial and commercial development	13.0
Pollington	Industrial and commercial development	8.8
Mersey Bioenergy Plant	40% stake in energy plant	8.0
Runcorn	Port/Industrial and commercial development	7.8
Chelford	Residential development land	0.8
Total		**38.4[1]**

Note 1:
Carlisle Lake District Airport is included within the Group's Infrastructure division, however this asset is excluded from the above summary as there is no commitment to monetise this asset at present. Carlisle Lake District Airport has a book value of £8.9m at 29 February 2020.

Financial summary

Revenue and adjusted underlying EBITDA performance

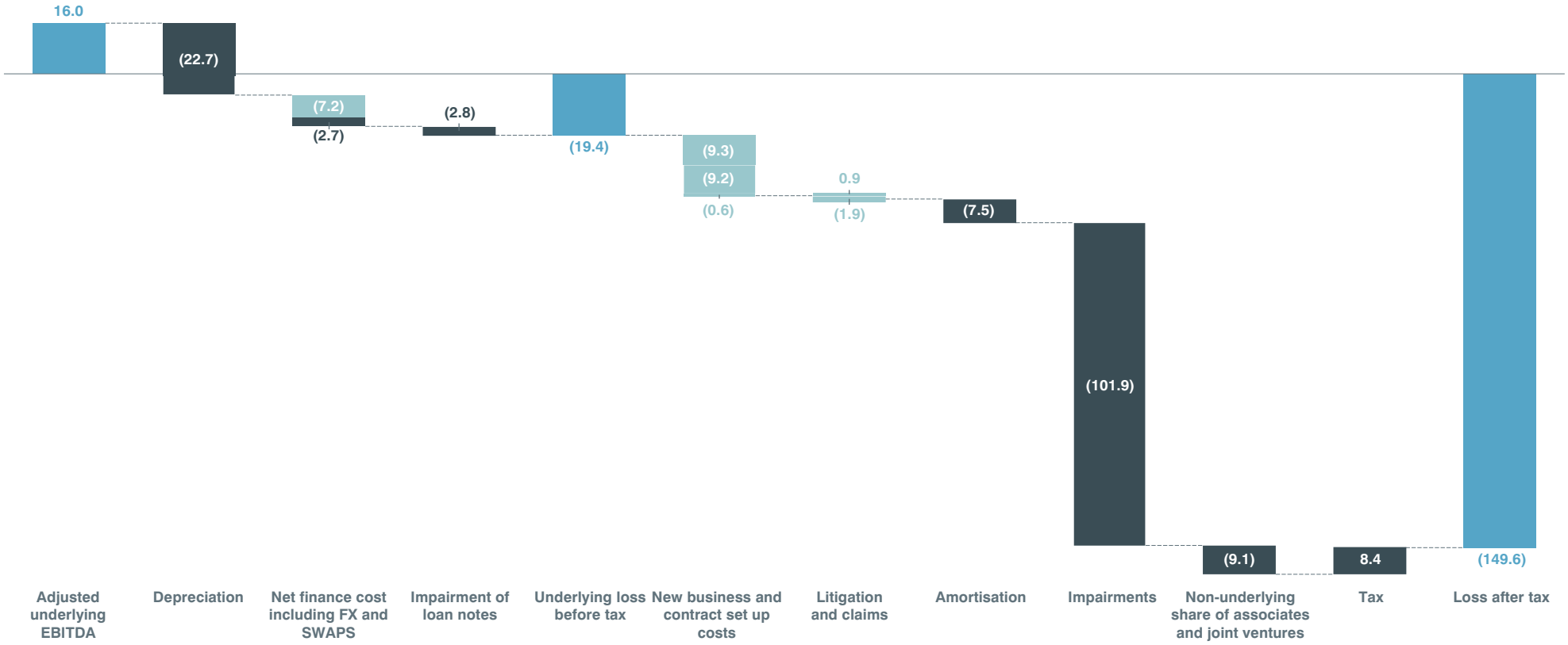
DIVISIONAL REVENUE SUMMARY

£m	2020	2019	Movement
Aviation	56.8	39.4	44.1%
Energy	76.3	65.1	17.2%
Two main operating divisions	**133.1**	**104.5**	**27.4%**
Rail & Civils	41.5	52.3	(20.8%)
Investments and Non-Strategic Infrastructure	4.9	4.9	1.3%
Central revenue and eliminations	(9.3)	(14.8)	37.2%
Revenue	**170.2**	**146.9**	**15.9%**

ADJUSTED UNDERLYING EBITDA BY DIVISION

£m	2020	2019	Movement
Aviation	8.6	4.9	73.8%
Energy	24.2	19.2	25.9%
Two main operating divisions	**32.8**	**24.1**	**35.7%**
Rail & Civils	(7.1)	(4.8)	(47.6%)
Investments and Non-Strategic Infrastructure	(2.1)	(0.6)	(216.5%)
Central costs and eliminations	(7.6)	(7.9)	4.2%
Adjusted underlying EBITDA	**16.0**	**10.8**	**48.2%**

Bridge from adjusted underlying EBITDA to loss after tax for 2020

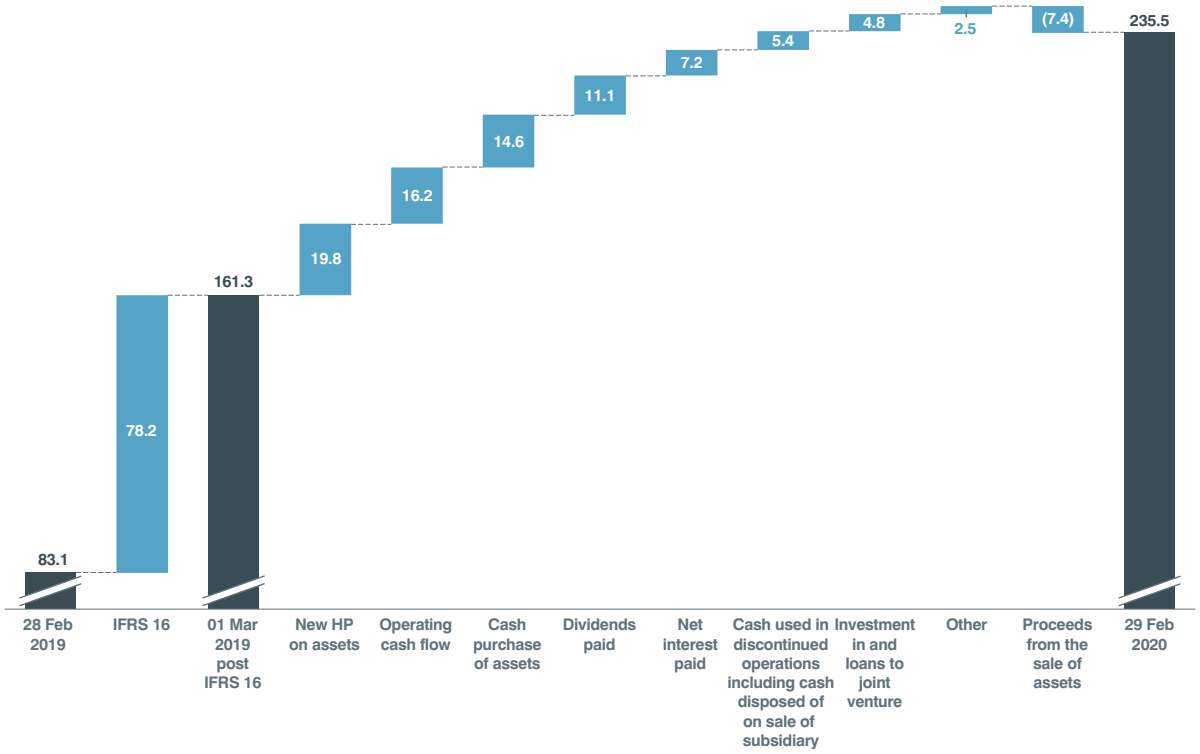


Cash (£27.3m)
Non-cash (£138.3m)

1. LSA (£9.3m)
2. Energy (£9.2m)
3. CLDA (£0.6m)

Net debt

NET DEBT MOVEMENT



NET DEBT

£m	2020	2019
RCF	74.8	57.6
Asset financing	42.4	40.0
Exchangeable bond	51.7	–
Cash	(9.8)	(14.4)
Net debt (excluding IFRS 16)	**159.0**	**83.1**
IFRS 16 obligations	76.4	–
Net debt	**235.5**	**83.1**

Note: IFRS 16 leases transitioned on 1 March 2019 with an opening liability of £78m.

- Subsequent to year-end the RCF facility is now fully drawn at £80m.

Background to the capital raise

BACKGROUND TO THE CAPITAL RAISE

- Detailed review in 2019 set a clear path for long-term value through growth investment plan.
- We have since suspended the dividend, launched a process to raise long-term debt and explored a minority stake sale in London Southend Airport.
- Impact of COVID-19 on Flybe and the Group removed these possible options to secure new funding in the short-term.
- Proposed capital raise consists of an additional £40m bank lending and in excess of £80m in equity.
- Debt facility terms: Additional £40m RCF secured at initial 5.25% and existing RCF £80m increased to 5.25%, 31 Jan 2022 maturity.

Sources of funding	£m
Equity raise	80+
Debt financing	40
Total	**120+**

USE OF PROCEEDS

The Group intends to use the net proceeds from the Capital Raise for general corporate purposes, including:

- Repayment of certain amounts drawn under the RCF
- Short-term stabilisation and maintenance: support the Aviation and Energy business as the Stobart Group rebuild top-line revenues and work through COVID-19 recovery, and Stobart Air funding requirements.
- Selective investment: airport infrastructure for post COVID-19 world to establish platform for “best customer experience”.

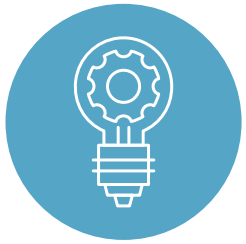
In summary

Stabilised finances to protect value

and allow accretive investment in medium term

Energy already at start of recovery

intention to monetise in 18-24 months



Implementing strategy

to significantly differentiate London Southend Airport in post-Covid world

Appendix

Enhancing passenger experience

1. **Thermal cameras** will monitor passenger temperatures as they approach the entrance to the departure terminal, allowing airport staff to identify potential infected people and take appropriate action. Social distancing markers will be located on the floor. Only passengers and staff will be allowed in the terminal during the short term.

2. **Face masks** will be mandatory on entering the airport and masks will be provided to all passengers that do not have their own. Over 30 hand sanitiser stations and large wipe dispensers will be strategically located throughout the airport journey. The airport's cleaning team will be highly visible.

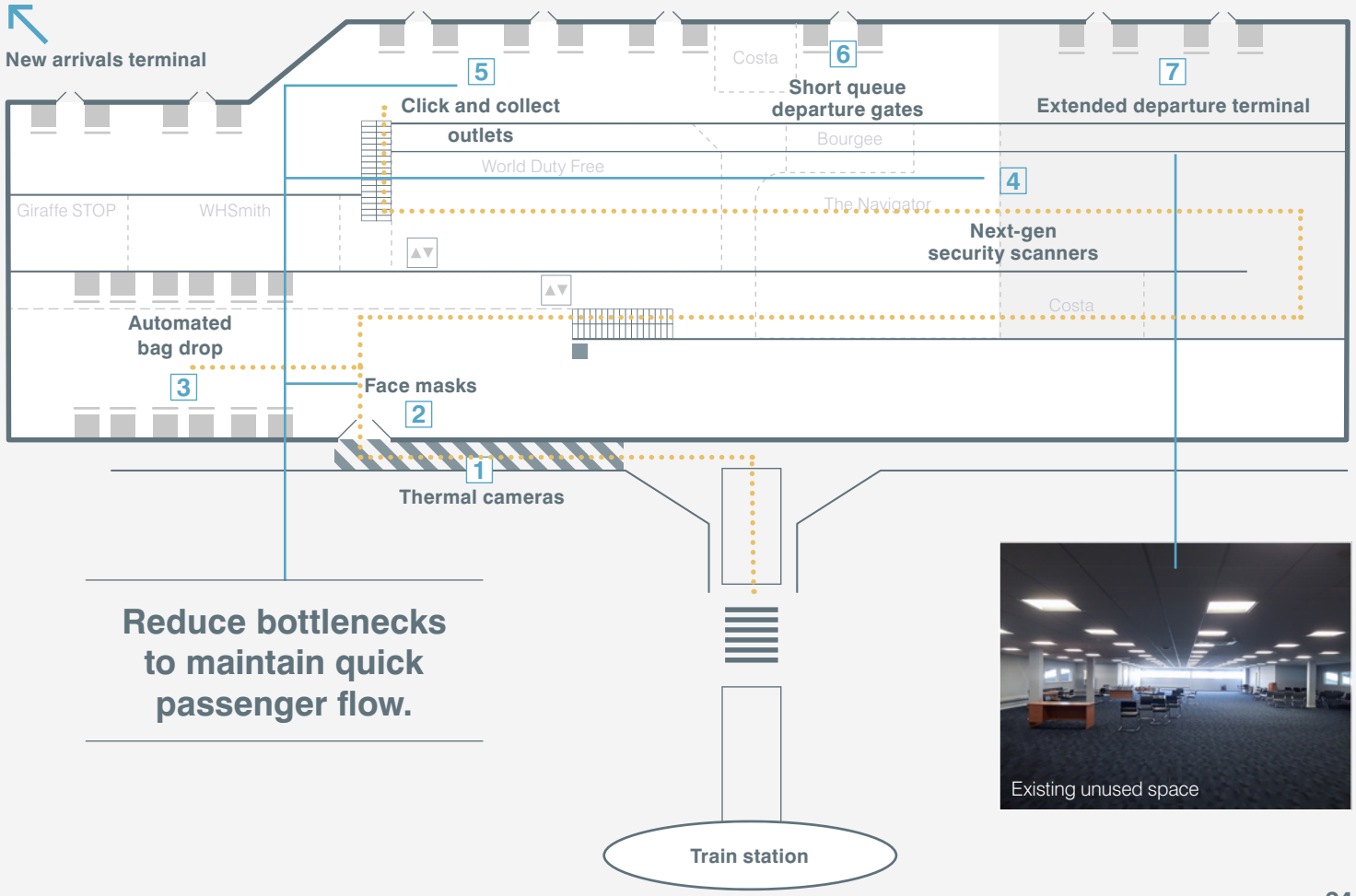
3. **Bio shields** will protect passengers and staff alike when presenting at check-in. Automated self-service check-in and bag drop will be introduced in 2021.

4. Passengers will use **self-service boarding card machines** and move through the UK's joint fastest security process. Passengers will be checked using non-contact CTiX search machines and next generation baggage scanning devices have now been installed.

5. **Passengers** will move through to an open plan and spacious departure lounge. Click and collect retail items can be purchased via the airport's "Grab-App".

6. **Short queue departure gates** with passengers called to their gate in small groups according to their row number.

7. **Arriving passengers will be kept separate to departing passengers**. Their luggage will be scanned by UV. **Security and departures terminal areas will be extended** in 2023 following the construction of a new purpose built arrivals terminal.



Reduce bottlenecks to maintain quick passenger flow.

Existing unused space

Aviation and Energy EBITDA breakdown

AVIATION

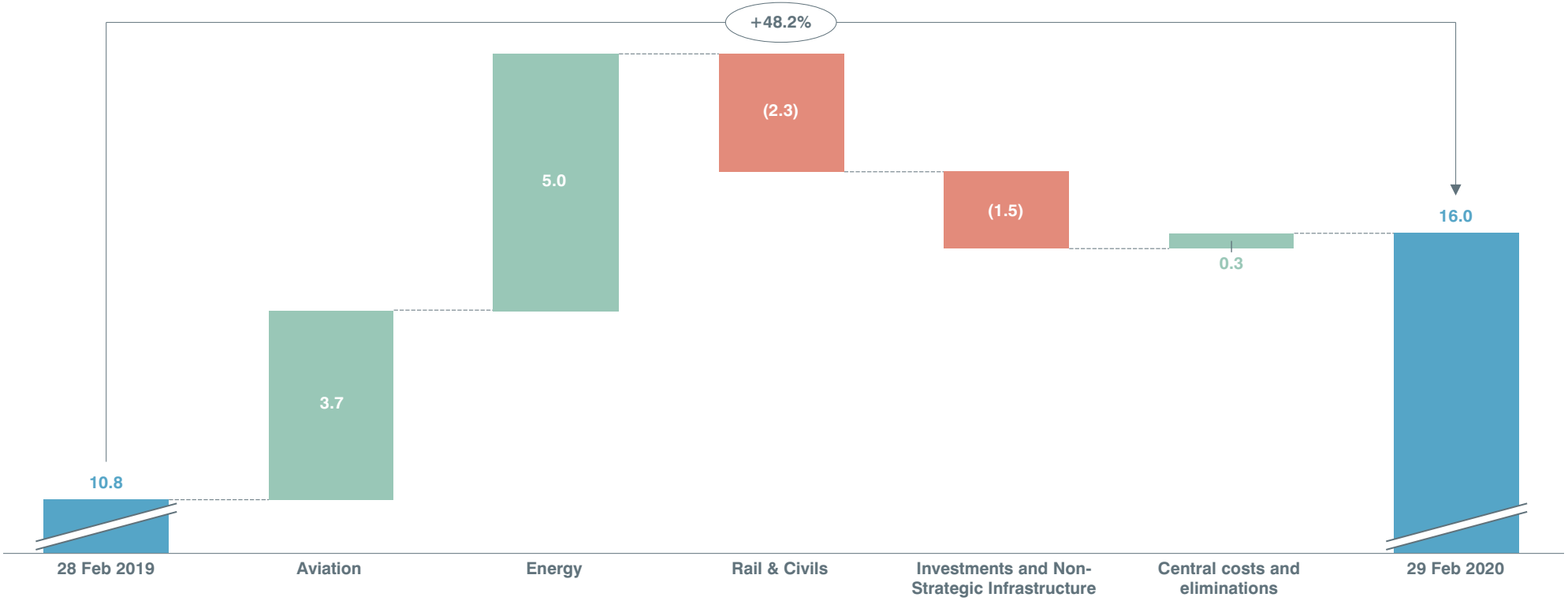
£m	2020	2019	Movement
Revenue	56.8	39.4	44.1%
Adjusted underlying EBITDA	**8.6**	**4.9**	**73.8%**
Margin %	15.1%	12.6%	
New business and contract set up costs (excluding Flybe)	(8.3)	(4.4)[1]	(85.7%)
New business and contract set up costs (Flybe)	(1.0)	–	
EBITDA	**(0.7)**	**0.5**	**(245.3%)**
Margin %	(1.2%)	1.2%	

Note 1: Includes (£0.2m) of restructuring costs.

ENERGY

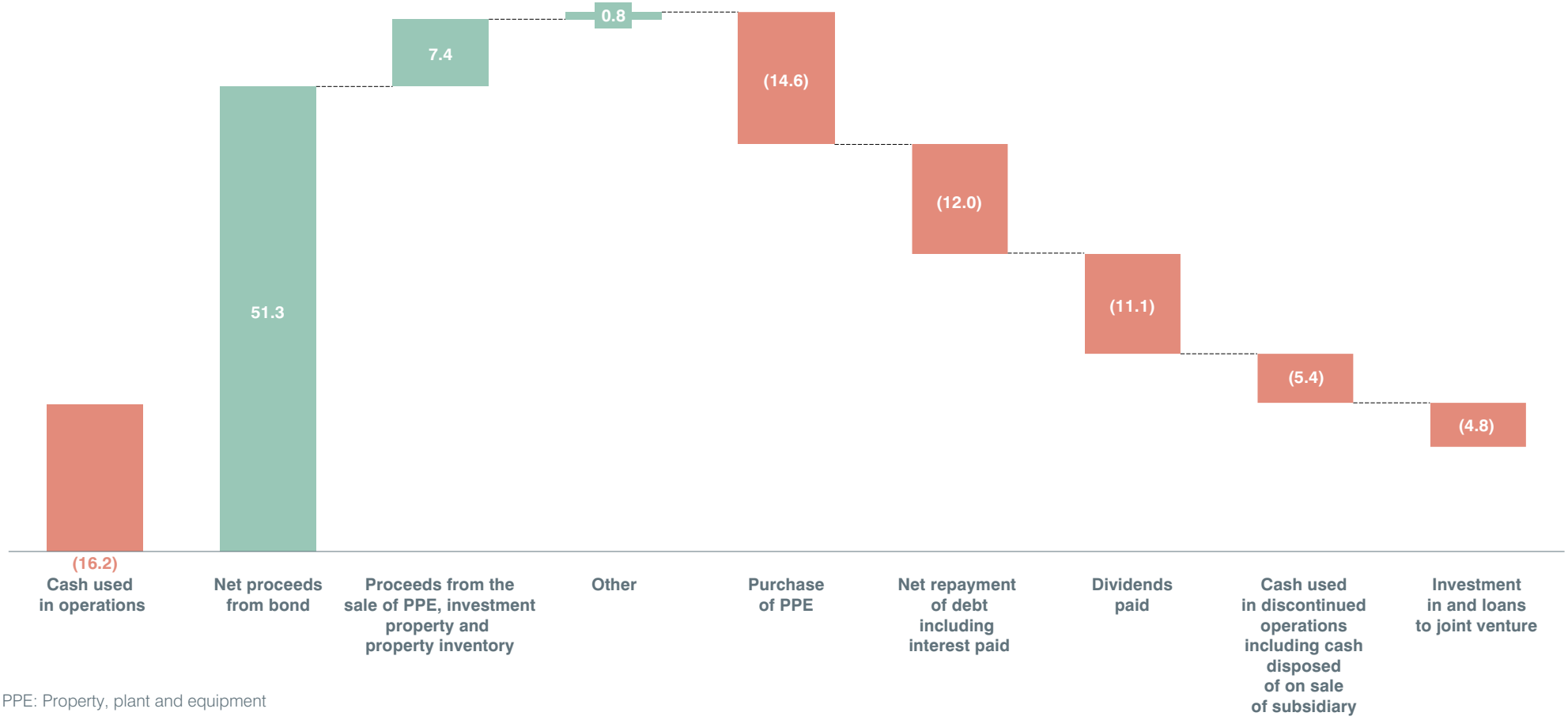
£m	2020	2019	Movement
Revenue	76.3	65.1	17.2%
Adjusted underlying EBITDA	**24.2**	**19.2**	**25.9%**
Margin %	31.7%	29.5%	
New business and contract set up costs	(2.2)	(5.9)	55.5%
Disruption costs due to plant outage	(7.0)	–	
EBITDA	**15.0**	**13.3**	**12.7%**
Margin %	19.6%	20.4%	

Adjusted underlying EBITDA bridge from 2019 to 2020



See IFRS 16 slide in Appendix for impact on adjusted underlying EBITDA.

Movement in cash analysis



PPE: Property, plant and equipment

Impairments

Connect Airways

Flybe and Connect Airways entered administration in March 2020 so the investment and loans are no longer recoverable.

Carlisle Lake District Airport

Regional connectivity has been affected by the Flybe failure so we have had to recognise the likely importance of the land ownership rather than the commercial aviation opportunities which has affected the value.

Brands

An agreement was reached in May 2020 for the cash sale of the designs and trademarks to Eddie Stobart so the brand has been brought down to its fair value at year end.

Rail & Civils intangibles

The decision made at interims to write down the goodwill and brand value of Rail & Civils is unchanged.

AirportR

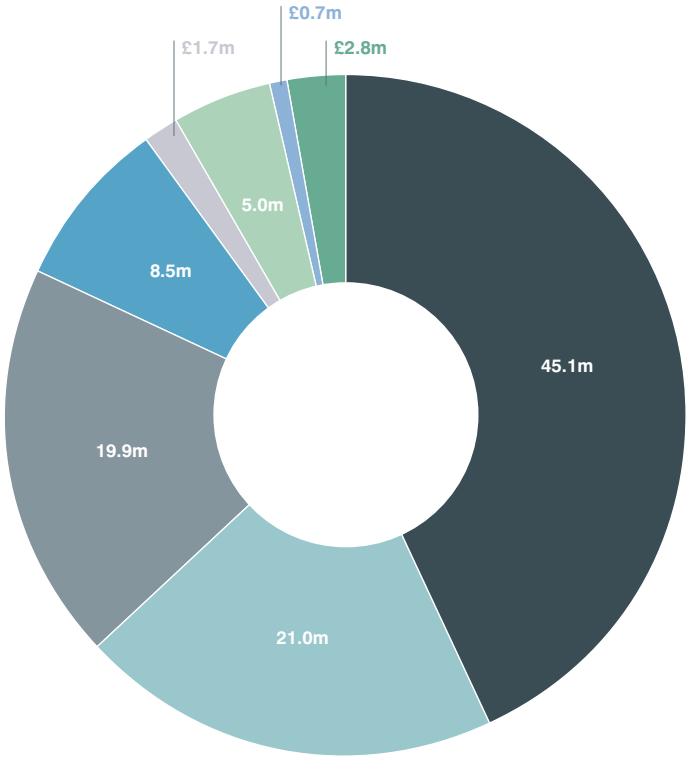
The investment in AirportR has been written down to the value achieved on their latest fund raising.

Widnes and Runcorn

The values of Widnes and Runcorn have been reduced to reflect the commercial reality of development land in the North West.

Mersey Bioenergy

Loan notes receivable from the Widnes biomass plant owner have been written down to reflect their future cash flows until a refinancing is negotiated which means this may reverse.



Connect Airways
Carlisle Lake District Airport
Brand
Rail & Civils intangibles
AirportR investment in associate
Widnes
Runcorn
Mersey Bioenergy

Balance sheet

£m	2020	2019
Intangible assets	54.7	100.5
Tangible assets	248.4	266.9
IFRS 16 assets	71.4	–
Investment and non-current receivables	14.4	100.0
Current assets (excluding cash)	54.0	63.9
Cash	9.8	14.4
Assets held for sale	11.4	1.5
Gross assets	464.1	547.2
Loans and borrowings	(168.9)	(97.6)
IFRS 16 leases	(76.4)	–
Other liabilities	(115.7)	(125.1)
Liabilities held for sale	–	(27.5)
Net assets	103.1	297.0
Gearing - with IFRS 16	228.4%	54.8%
Gearing - without IFRS 16	147.1%	28.0%

IFRS 16 - Leases

PROFIT AND LOSS

To year ended 29 Feb 2020	
▲ Adjusted underlying EBITDA	£5.6m
▲ Interest	(£2.6m)
▲ Depreciation	(£3.7m)
▼ Profit before tax	(£0.8m)

- Operating lease charges have reduced as the majority of leases have transitioned from an operating lease to a finance lease.
- Interest is now charged on the newly recognised finance leases.
- Depreciation is charged on the newly recognised right-of-use assets and net investment.
- Profit before tax has decreased initially as the interest and depreciation charges initially
- Outweigh the operating lease cost saving, but over the life of lease this will neutralise.

BALANCE SHEET

As at year ended 29 Feb 2020	
▲ Assets	£58.2m
▲ Liabilities	(£76.4m)
▼ Equity	(£18.2m)

- Right-of-use assets have been recognised and will be depreciated over the life of the asset. On transition, the right-of-use assets recognised were equal to the remaining lease liability. A net investment has been recognised where we are a lessee and lessor in relation to the same asset.
- New finance lease liabilities have been recognised, calculated as discounted future cashflows remaining under the lease term. These liabilities will reduce as payments are made against the lease.
- The difference between the right-of-use assets, net investments and lease liabilities recognised on transition was taken directly to equity on transition. The loss before tax in the period has also reduced equity.

CASH FLOW

To year ended 29 Feb 2020	
▲ Cash from operating divisions	£3.2m
▼ Cash from financing activities	(£3.2m)
– Cash movement	–

- Operating lease payments have previously been presented within cash from operations.
- The lease payments and interest post IFRS 16 are presented within financing activities.

Stobart Group