Full year results presentation

Taking action to secure financing to underpin post COVID-19 recovery

30 June 2021

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Agenda

1. Introduction and headlines
2. Progress from capital raise 2020
3. Stobart Air and capital refinancing
4. FY21 Results
5. Strategy

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Key milestones since capital raise 2020

- The COVID-19 pandemic has had a greater impact and lasted longer than expected at the time of the 2020 capital raise.
- Now well positioned for recovery following the pandemic's impacts.
    - Strong focus on cost control and conserving cash flow.
    - Recovery of the Energy business from the first lockdown in 2020 - both tonnage and gate fees presently exceeding pre COVID-19 levels and providing positive business momentum.
    - Carlyle Global Infrastructure Opportunity Fund has informed Esken they are seeking final approvals for a definitive transaction agreement in the coming days to support the development of London Southend Airport (LSA), providing both £120m of funding for the Group and global airport expertise.
- The Board decided in the best interest of the Group to withdraw continued funding support from Stobart Air on 11 June 2021, with Stobart Air formally entering liquidation on 14 June 2021.
- Accelerated our decision to put in place a refinancing programme, which is required to both fund the Group's short-term requirements and build a strong foundation for growth.
- In addition to Carlyle's expected investment, Esken has also announced its intention to conclude a new £20m working capital facility to support treasury management and an equity issue of around £40m by way of a documented prospectus offering. Toscafund, Esken's largest shareholder, intends to support an equity raise pro rata with its shareholding, and the Board has also indicated its intention to participate in the equity raise.

* Reasonable worst case scenario does not incorporate certain mitigating actions the Group can seek to undertake to extend its funding horizon should this scenario materialise.

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Progress from capital raise 2020

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The journey through the pandemic

June 2020

Secured £140m via a capital raise including new banking facilities.

July 2020

Disposed of loss-making Stobart Rail & Civils to Bavaria Industries Group.

August 2020

Energy resolved waste wood supply.

easyJet closed base at LSA.

April 2021

Process to sell Stobart Air concluded with agreement reached for Ettyl to acquire Stobart Air, subject to consent of lenders and key shareholders.

June 2021

Stobart Air placed in liquidation following loss of funding to Ettyl.

Crystallises key legacy issue.

June 2021

Esken intends to reach agreement with a strategic investment partner to fund and grow LSA, agree new debt facilities and announce an equity fundraise.

Focus on cost and cash management
Energy business recovery from lockdown #1

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The actions taken during the pandemic

IMPACT

Impact on Aviation

- Passenger numbers at LSA fell by 93.1% year on year following restrictions on air travel and airlines reducing the number of flights.
- When lifted, quarantine arrangements impacted where people could travel.
- Continued changes to flying regulations impacted market confidence.

Impact on Energy

- Lockdown restrictions resulted in the closure of household waste and recycling centres, limiting the availability of waste wood.
- A number of plants came online at the same time leading to an increased demand for waste wood.
- This led to a waste wood shortage.

Impact on Esken

- The closure of LSA to passengers and the margin squeeze on Stobart Energy impacted overall cash generation.
- Esken also had a number of legacy non-core assets requiring cash support.
- Esken and its operations have a number of fixed costs that required servicing.

ACTIONS

Aviation actions

- LSA minimised its cash burn and utilised the furlough scheme.
- Deferred the majority of capex decisions.
- Leveraged the growing logistics operation, which provided continued cash generation.

Energy actions

- Stobart Energy took the strategic decision to maintain continued supply to its biomass plant customers.
- Stobart Energy reduced its gate fees to ensure it had access to available waste wood.
- It also imported waste wood from Europe.

Esken actions

- Esken employed strict financial discipline and utilised all Government schemes including furlough.
- It disposed of non-core assets including Rail & Civils and the Stobart brand.
- It raised £140m by way of a £100m placing and open offer and a £40m new revolving credit facility.

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Environment, Social and Governance

Governance

- Stakeholder-led framework.
- Five Pillar Framework.
- Governance structure.
- Metrics.

Developing Our People

- Employee Value Proposition.
- Occupational Health & Employee Assistance Programme.
- Diversity – Gender Pay Gap Reporting.
- Apprenticeships.

Supporting Sustainable Communities

- Stakeholder Collaboration.
- Charitable Giving.
- Employee Volunteering.
- Education, Employment & Skills.

Health & Wellbeing, Safety and Security

- COVID-19.
- Continuous Improvement.
- Legislation, Policy and Compliance.
- Robust Reporting.

Minimising Our Environmental Footprint

- Reducing Our Carbon Emissions.
- Efficient & Renewable Energy.
- Recycle & Reduce Waste.
- Supply & Responsible Handling of Water.
- Air Quality & Surface Access.

Taking Climate Action

- Reporting Scope 1 & 2 emissions.
- Enhance with Scope 3 emissions.
- Science Based Approach.

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Stobart Air and capital refinancing

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The impact of COVID-19 on Stobart Air & Propius

Rationale for the Stobart Air re-acquisition

- Stobart Air (SA) provided short-haul travel services under a franchise agreement with Aer Lingus that was set to expire in December 2022. Propius leases eight ATR 72-600 aircraft from GOAL, sub-leased to Stobart Air.
- The businesses were sold in Feb 2019 to form Connect Airways alongside Flybe. Esken remained a guarantor of certain pre-existing obligations.
- Esken bought back the businesses from the Connect Airways Administrator in April 2020 in order to take control and seek to mitigate the potential risk attached to its pre-existing obligations.
- The Directors exhaustively tested the market for a disposal transaction following acquisition before concluding in June 2021 this was no longer a feasible route.

Extended pandemic

The impacts of the pandemic have lasted longer than anyone envisaged at the time of the capital raise in June 2020. This resulted in limited flying for an extended period.

Significant cash burn

Lack of flying led to a trading loss for Stobart Air and Propius of £25.2m (excludes loss on acquisition and impairments) and Esken has funded Stobart Air & Propius £42.2m from May 2020 to February 2021, greater than the reasonable worst case.

Franchise not extended

The decision taken in November 2020 by Aer Lingus not to select Stobart Air as preferred party for a franchise extension beyond January 2023 impacted the process to sell the business.

Liquidation of Stobart Air, Propius retained

Disposal

- Sale process led to agreement with Ettyl as the solution offering best value to Esken, whilst securing the future of the business and employees.
- An SPA was signed with Ettyl in April 2021 for both the sale of Stobart Air, and Carlisle Lake District Airport.
- Ettyl was subsequently unable to provide satisfactory financing following the withdrawal of the original funding package.

£m	FY22	FY23	FY24
Cash outflow on disposal scenario	16	9	24
Additional cash impact arising from liquidation	18	13	2
Total cash outflow	**34**	**22**	**26**

Liquidation

- Following the breakdown of proposed disposal transaction with Ettyl, Stobart Air was formally placed in liquidation on 14 June.
- Carlisle Lake District Airport remains part of the Group and strategic options for this asset will be explored with stakeholders.
- Propius, subject to GOAL PCGs, retained by Esken with future rental payments and break fees payable up to contract break at April 2023, after which Propius will become dormant.
- PCGs in favour of GOAL remain, crystallising future cashflows that are spread over the period to 2023.

- Exit from Stobart Air will allow management to focus on delivery of the core strategy.
- Esken will retain ownership of Carlisle Lake District Airport rather than it being sold for £15m (reflected in the cash impact above).
- Most of the remaining cash impact relates to aircraft lease and maintenance costs and immediate steps will be taken to seek to secure sublease arrangements for the aircraft with alternative operators to mitigate the above cash impact on the Group. The anticipated beneficial impact of this has not been reflected in management's expectations.

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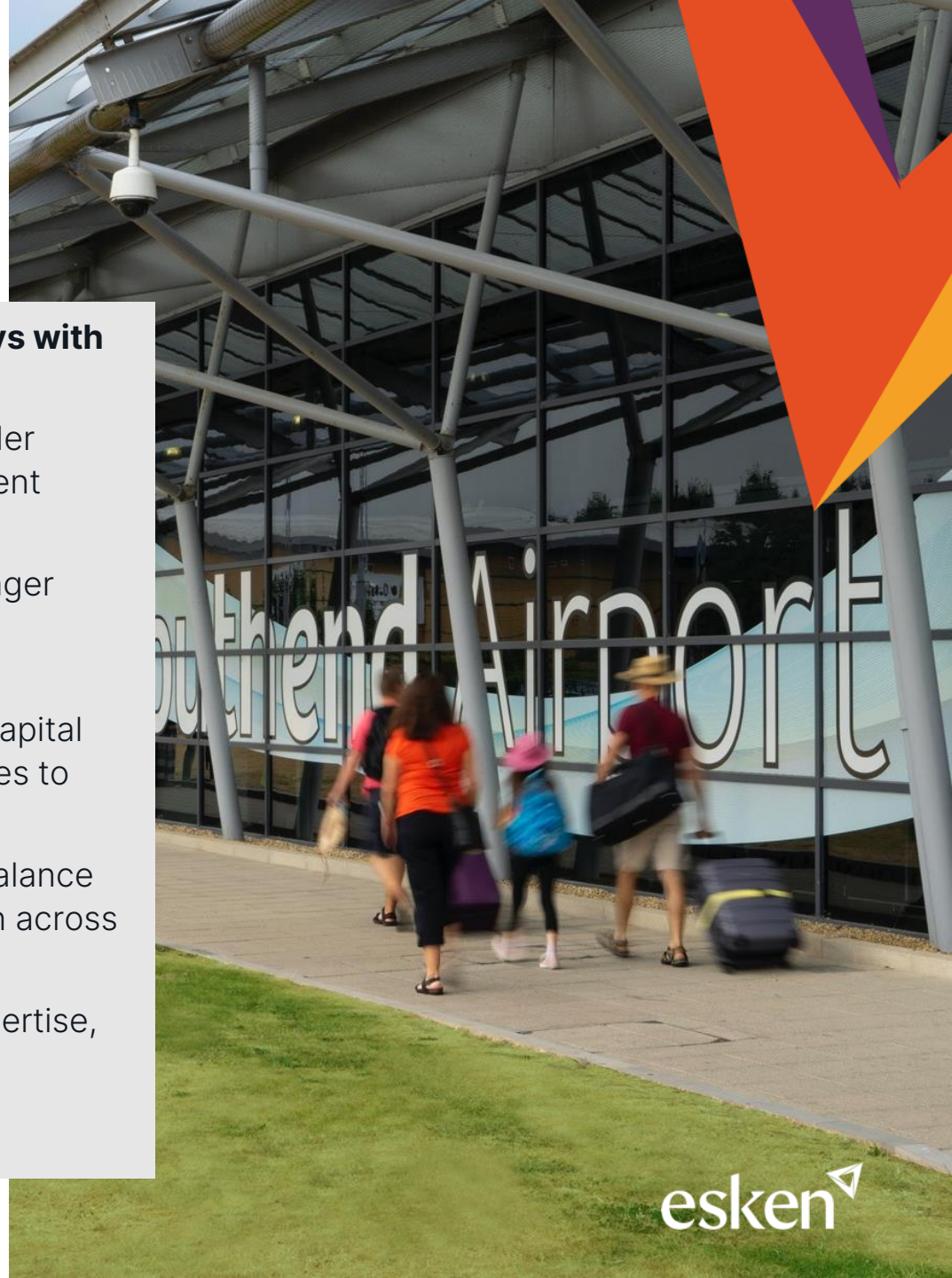
Partnership with Carlyle

Esken expects to sign a definitive transaction agreement in the coming days with Carlyle acting as a long-term strategic partner to grow LSA

- Expected investment by Carlyle Global Infrastructure of £120m (net of lender costs) in a note convertible into 29.9%* equity in LSA, which implies a current valuation of £400m.
- Coupon would be structured to minimise cash burn as LSA rebuilds passenger numbers in the short term - releasing cash for investment rather than debt service.
- Esken would retain board and operational control and the combination of capital raise and strategic partnership would provide longer-term clarity on finances to our airline and logistics partners.
- The transaction is expected to allow Esken to refinance and improve the balance sheet of the wider group and build a strong foundation for business growth across the Group.
- The Carlyle team would bring both financial muscle and global aviation expertise, having a track record of more than 70 airport projects globally.
- Alignment over clear plan to drive value creation.



* Increases to 30% once Office of Rail and Road approval received.

Bank refinancing and equity capital raise

Context

- Esken expected June 2020 capital raise would be sufficient to support the business through the pandemic and to execute the strategy.
- COVID-19 impact has been greater and lasted longer than forecast at time of capital raise, notably within Stobart Air.
- Stobart Energy has performed within reasonable worst case scenario and is recovering towards pre COVID-19 levels.
- Travel restrictions continuing to impact Aviation and recovery will be slower than predicted in June 2020.
- LSA remains a key strategic asset but will take longer to fulfil its full potential.
- Stobart Air including Propius has performed below reasonable worst case and outflows exceeded expectations at time of purchase.

Current

- Directors believe reasonable worst case has been set conservatively.
- CGI Loan provides the Group with ability to repay existing bank facility, after £20m loan back into LSA.

Funding

- Esken is seeking to repay all outstanding bank debt, meet its ongoing working capital requirements, underpin its business plan going forward and meet its legacy obligations.
- In addition to the expected Carlyle transaction, Esken expects to conclude discussions with existing lenders for a new £20m RCF and launch an equity issue for around £40m by way of a documented prospectus offering.

Post refinancing

- Esken is well positioned post transactions as Energy recovers to above pre COVID-19 levels and Aviation grows its successful logistics operation and passenger numbers improve.
- Financial position could improve further following infrastructure asset disposals and sub-lease of Propius aircraft.

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FY21 Results

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FY21 financial summary

Revenue

£110.7m

Esken revenue declined 22.1% as operations were interrupted by the impacts of COVID-19.

EBITDA loss

£17.9m

EBITDA loss (excluding the loss on acquisition of Stobart Air and Propius) increased from a £6.2m loss in the prior year, due to Stobart Air and Propius (£10.5m) and wider COVID-19 driven losses in the Aviation division.

Loss before tax

£150.3m

The loss before tax increased by 7.8% from the prior year. This includes non-cash losses associated with the acquisition of Stobart Air and Propius (£58.2m), impairments (£30.1m) and depreciation (£31.8m).

Net debt excluding IFRS 16

£127.4m

Esken raised £140m via a capital raise and additional banking facilities, which was used to pay down debt and interest. Utilised some of the available headroom to fund Stobart Air and Propius. Net debt including IFRS 16 is £250.8m (IFRS 16 £123.4m).

Headroom

£77.4m

Esken had £12.4m of cash and £65m of undrawn bank facilities available as at 28 February 2021.

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Divisional performance

Revenue (£m)	2021	2020	Movement
Aviation	24.7	56.8	(56.4%)
Energy	75.0	76.3	(1.7%)
Two core operating divisions	**99.7**	**133.1**	**(25.1%)**
Investments and Non-Strategic Infrastructure	10.1	4.9	105.8%
Group central and eliminations	0.9	4.1	(78.6%)
Total	**110.7**	**142.1**	**(22.1%)**

EBITDA (£m)	2021	2020	Movement
Aviation	(6.1)	(0.7)	(772.8%)
Energy	10.0	15.0	(33.2%)
Two core operating divisions	**3.9**	**14.3**	**(72.5%)**
Investments and Non-Strategic Infrastructure	(12.1)	(11.8)	(1.4%)
Group central and eliminations	(9.7)	(8.7)	(13.4%)
Total	**(17.9)**	**(6.2)**	**(187.9%)**

Revenue

- Aviation revenue impacted by passenger numbers reducing from 2.1m to 0.1m but benefited from uninterrupted global logistics income.
- Energy took steps to ensure certainty of supply for customers so tonnes supplied reduced only slightly from 1.5m to 1.4m.
- Investments increased due to the re-acquisition of regional airline Stobart Air and aircraft leasing business Propius.
- Esken central no longer receiving royalty income following sale of the Brands.

EBITDA

- Aviation severely impacted by COVID-19 but benefited from strict financial discipline, a reduction in airline marketing contributions and continued logistics income.
- Energy impacted by measures to ensure certainty of supply including reduced gate fees and importing of waste wood.
- Investments includes Stobart Air and Propius in the current year and losses related to Connect Airways in prior year.
- Esken central no longer receiving royalty income partly offset by benefit of cost management.

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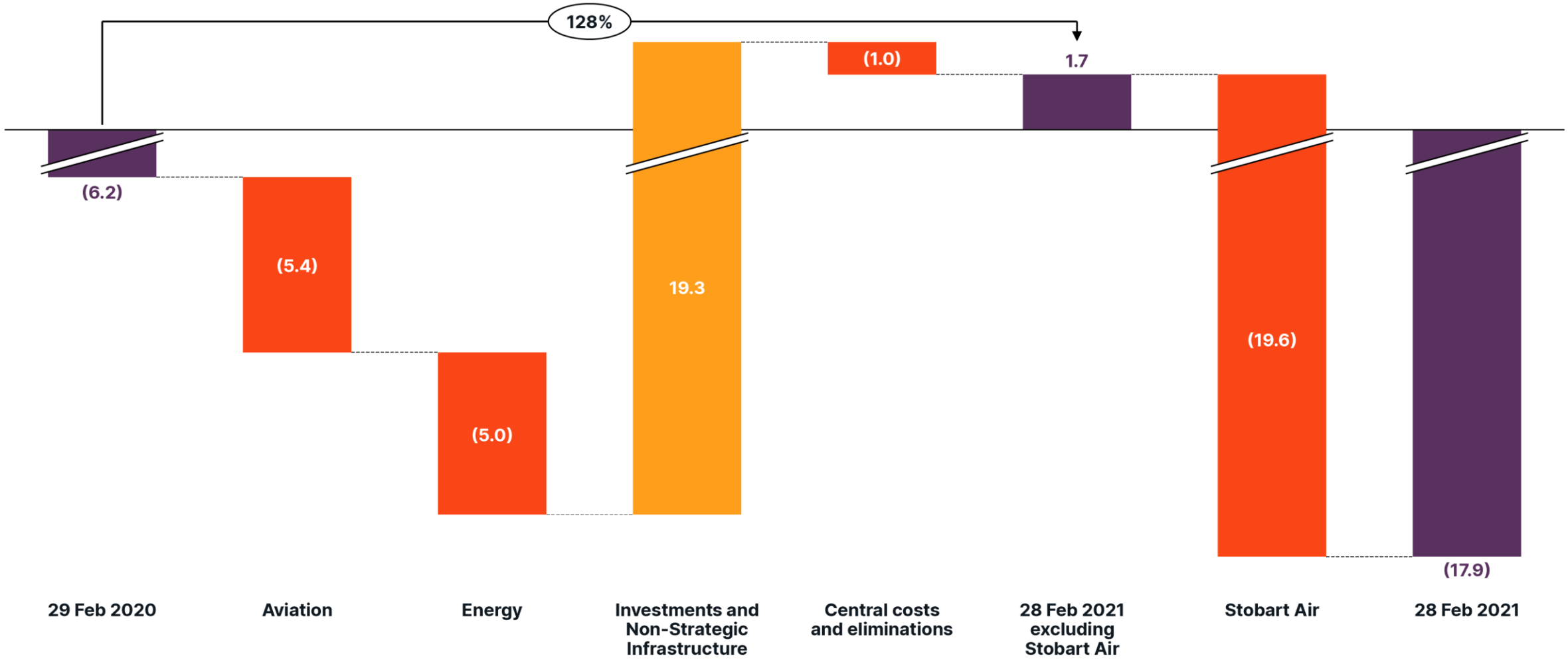
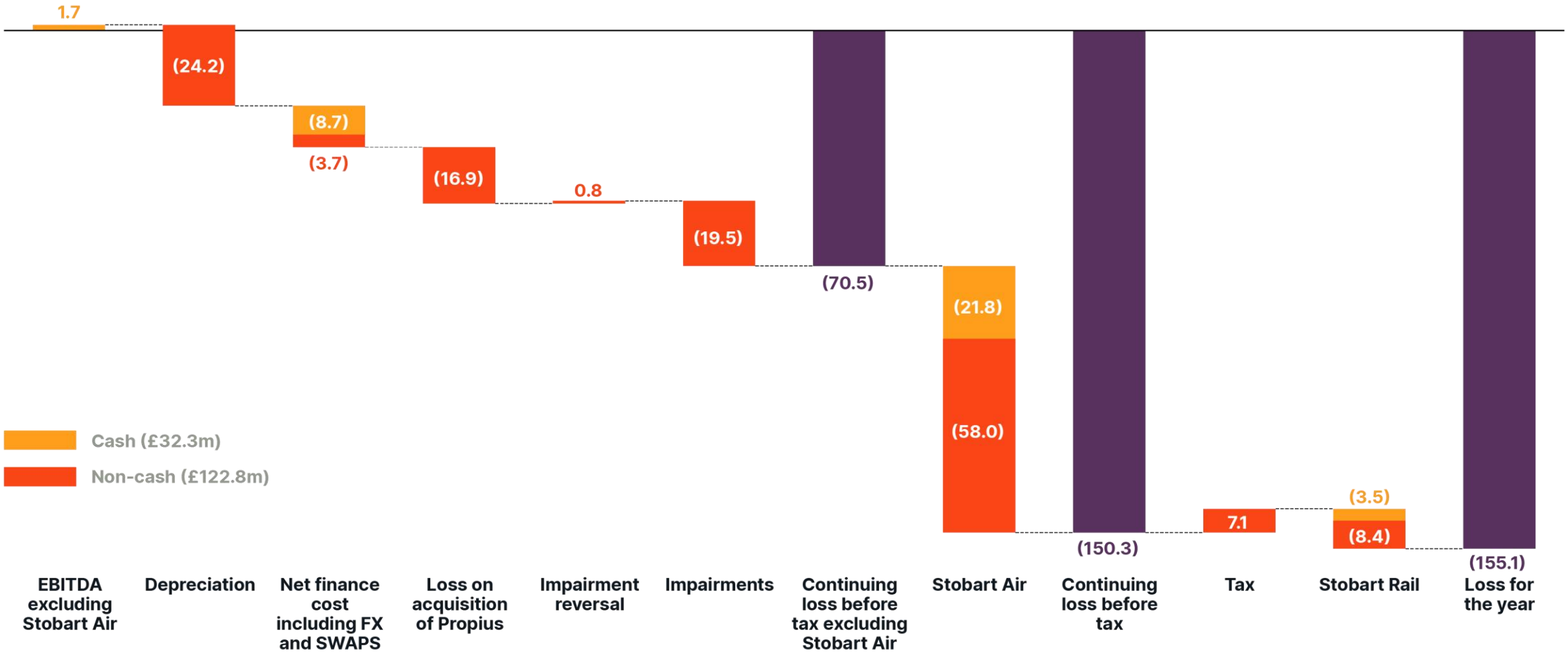
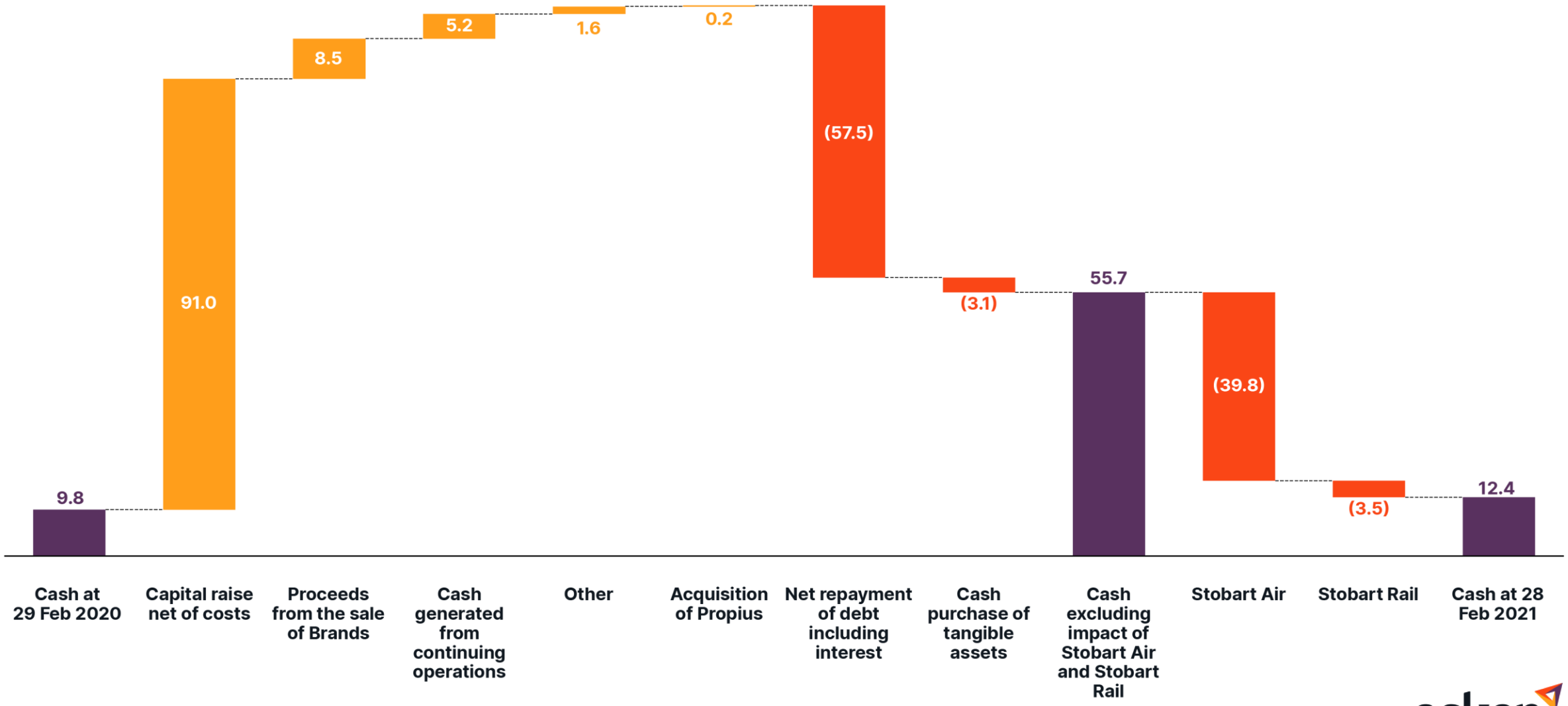
EBITDA from 2020 to 2021



EBITDA to Loss for the year



Movement in cash



Balance sheet

£m	Feb 2021	Feb 2020
Intangible assets	54.7	54.7
Tangible assets	234.7	248.4
IFRS 16 ROU assets and net investment in lease	66.7	71.4
Investment and non-current receivables	13.3	14.4
Current assets (excluding cash)	43.0	54.0
Cash	12.4	9.8
Assets held for sale	–	11.4
Gross assets	**424.8**	**464.1**
Loans and borrowings	(139.8)	(168.9)
IFRS 16 lease liabilities	(123.4)	(76.4)
Other liabilities	(113.3)	(115.7)
Net assets	**48.3**	**103.1**
Gearing	519.2%	228.4%
Gearing – excluding IFRS 16	121.4%	147.1%

- **Tangible assets, current assets** and **other liabilities** decreased following sale of Stobart Rail & Civils.
- **Tangible assets** and **Right-of-use assets** decreased primarily due to depreciation.
- **Investments** increased as the Eddie Stobart share price increased and additional shares were acquired under the rights issue. **Non-current receivables** decreased following an £8.0m impairment of loan notes.
- **Assets held for sale** at Feb 2020 related to brand and property assets which were sold in the year.
- **Loans and borrowings** reduced as debt was repaid on the RCF and asset financing.
- **IFRS 16 lease liabilities** increased following the acquisition of Propius.
- **Gearing including IFRS 16** has increased as the reduction in net assets outweighs the reduction in net debt. **Gearing excluding IFRS 16** reduced as non-IFRS 16 debt was repaid in the year.

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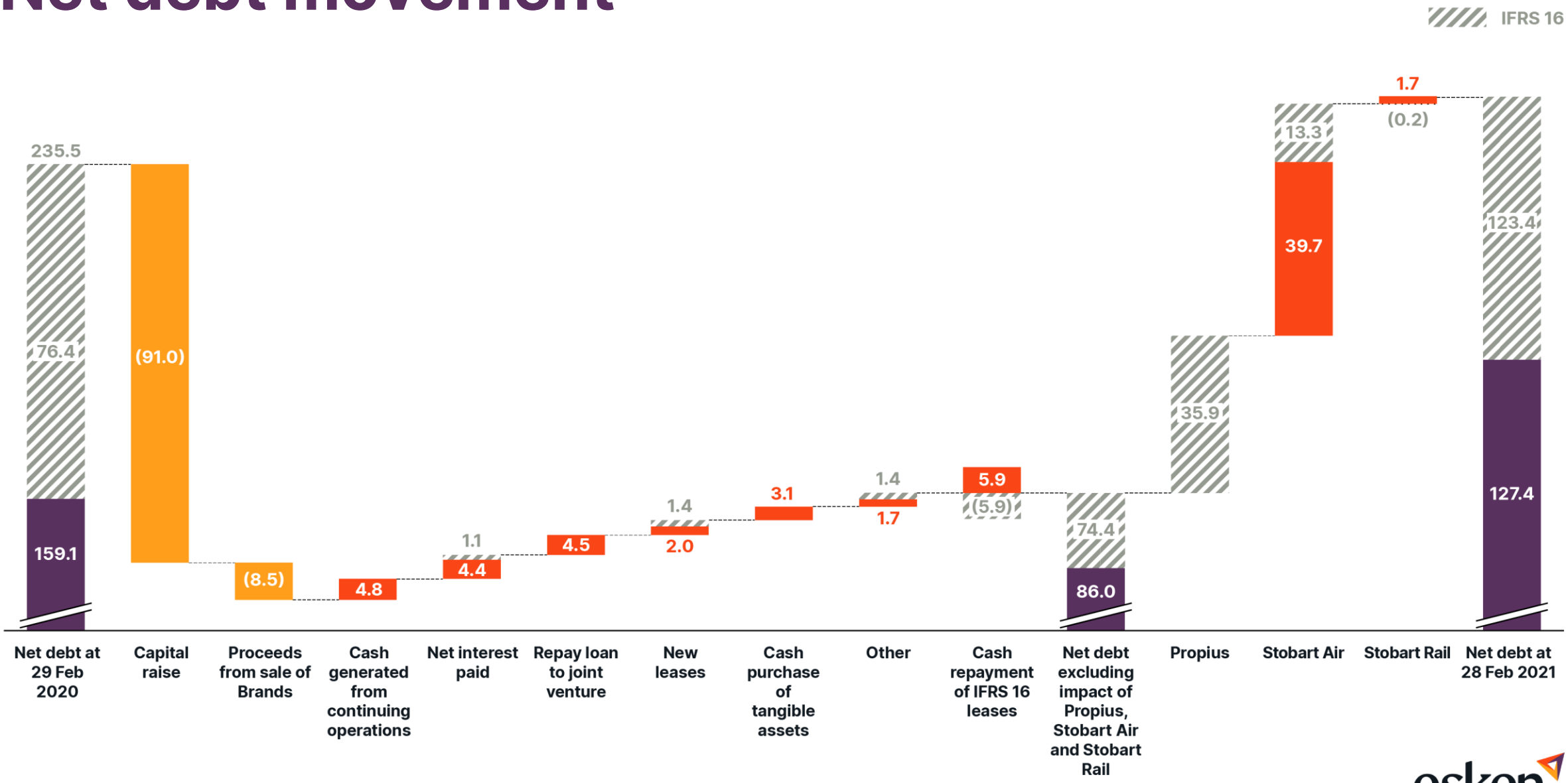
Net debt movement



When the facts change,
I change my mind.

John Maynard Keynes, Economist

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Strategic priorities

Rebuild passenger numbers and develop a valuable London airport

- Differentiated core offering based on an efficient and spacious passenger experience will build recovery over the medium term.
- Offer attractive cost of operation in key catchment area and seek multiyear agreements with airline partners.
- Develop yields from ancillary commercial operations.

Develop logistics opportunities at London Southend Airport

- Explore opportunities for extended logistics operations.
- Develop a market-leading logistics service to the north side of the airport.
- Put in place the appropriate infrastructure and secure new long-term contracts.

Return Stobart Energy to pre COVID-19 levels of business performance and deliver further growth

- Gate fee improvement is already being experienced and will underpin near-term EBITDA growth.
- Identifying near-term growth opportunities including new contracts and additional plants within core waste wood space.
- Seeking further adjacent growth opportunities from broadening the base of the market offering within the energy from waste sector.

Deliver value from remaining non-core assets

- Including Carlisle Lake District Airport total net book value of remaining non-strategic infrastructure assets is c£39m.
- Plan to realise value for shareholders by May 2023.

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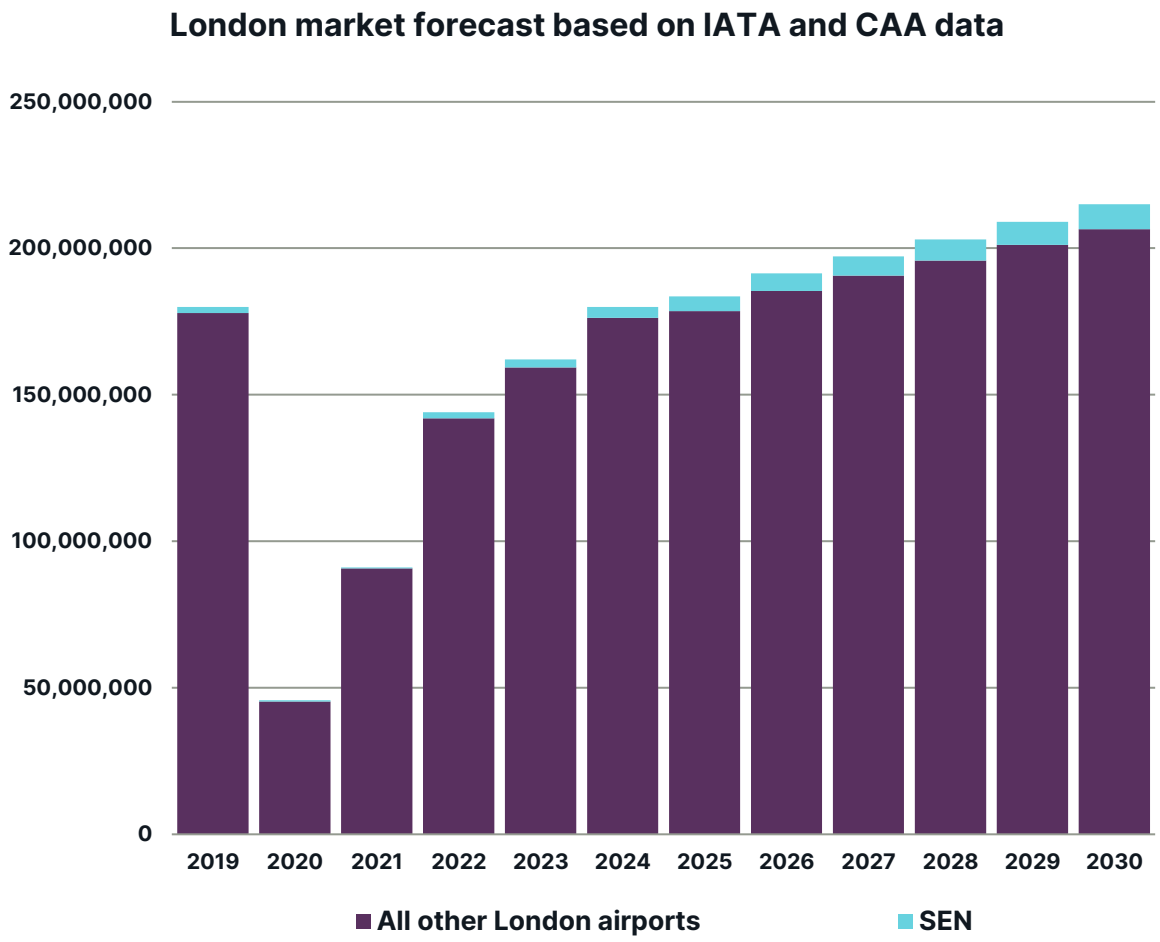
Building shareholder value at LSA

- LSA is developing a differentiated core offering based on an efficient and spacious passenger experience.
- We remain confident that passenger numbers will recover at pace once COVID-19 restrictions are lifted in the UK.
- LCCs best placed to recover quickly post COVID-19, short-haul flights on a cost-efficient basis.
- Key to this is securing additional capacity from existing and new airline LCCs, full-service and regional niche carriers, supporting these partners in a post COVID-19 world.
- LSA has the lowest long-term airport pricing in London due to low capex requirements relative to other airports, and a route network with proven yields to attract airline partners.
- Passenger infrastructure Investment will be made in line with a recovery in demand to support and match growth.
- We will also focus on improving yields from ancillary commercial operations, particularly the concessions, rail station and car park.



Global logistics opportunities at LSA

- We will immediately seek to develop the logistics hub on the North side of the airport.
- There is an opportunity to build on an increasing importance of logistics operators (e.g. IAG Group), and develop plans to create a market-leading logistics service.
- This will include developing ancillary support infrastructure to attract further long-term partners, providing additional revenue benefits.

2021 performance measures

28.4m

Packages handled in 12 months to February 2021.

23,993

Tonnes of cargo handled.

99.7%

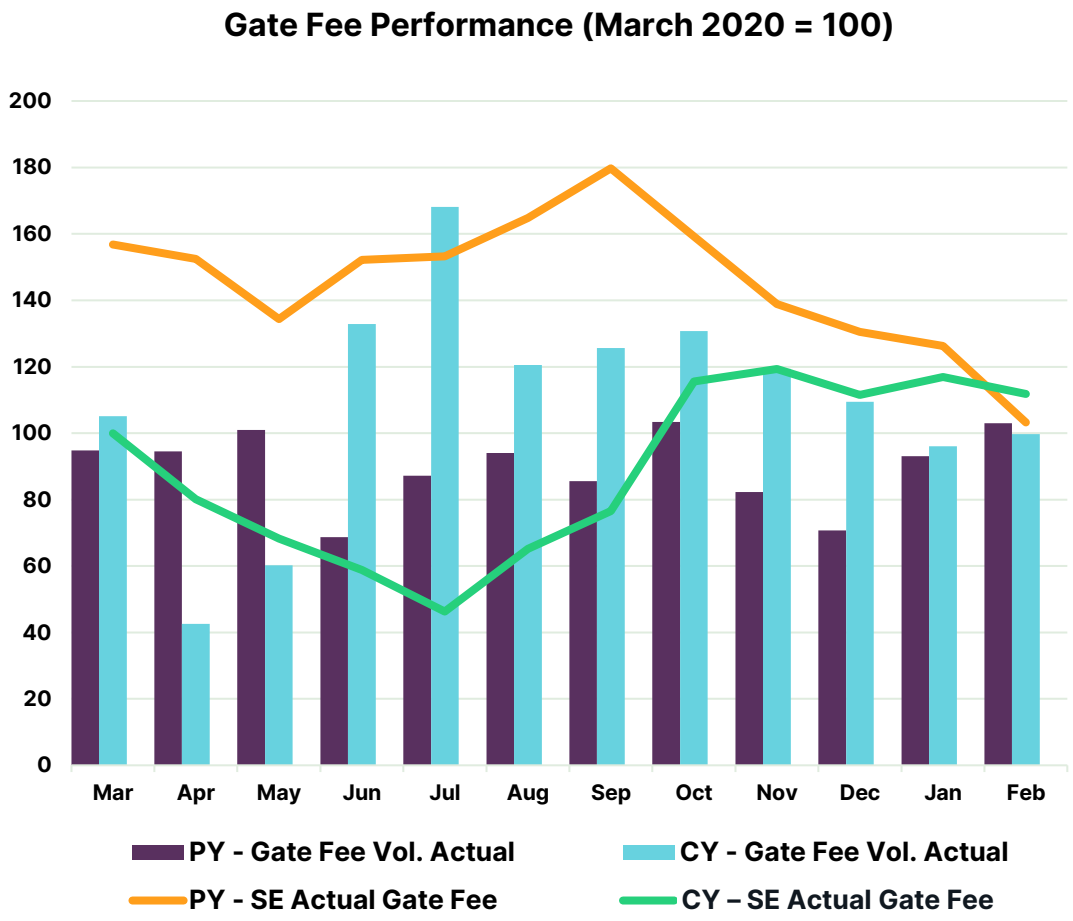
Processing to time target.

99%

On time departure.

Stobart Energy returning to a normalised supply chain

- COVID-19 lockdown caused wood shortages of waste wood and depressed gate fee pricing prior to Summer 2020.
- Lockdown restrictions through November and from late December onward did not inhibit the construction industry in the same way.
- As a result, the availability of waste wood has been uninterrupted since the end of that first lockdown.
- The increase in available waste wood through the year has allowed gate fee prices to continually improve toward pre COVID-19 levels.
- The initial lockdown's impact on profitability means that the current focus is on returning to pre COVID-19 levels of profitability - anticipated this FY.
- The improvement in gate fee pricing will have a positive causal impact on future EBITDA performance.
- We are actively seeking new contracts with additional plants in the core waste wood sector.



(Sources: Management Information, PY = FY20, CY = FY21)

Positioning for recovery

Focused on two core growth assets

Esken will continue to develop commercial passenger and logistics operations at LSA.

At Stobart Energy the plan is to broaden the offering and drive EBITDA to pre COVID-19 levels (£15m of EBITDA FY20) and beyond.

Exiting non-core loss making assets

Esken has exited Stobart Rail & Civils and Stobart Air, crystallising material legacy issues and stabilising future cash flows.

Esken will seek to monetise a further £39m of non-core assets, providing additional liquidity.

Securing financing to develop the business

Esken intends to finalise a long-term strategic funding partnership, conclude a new £20m facility and raise £40m of new equity - with support indicated from its largest shareholder.

Management can create value without distraction

Having solved legacy challenges over the last two years, management can focus on creating value within core aviation and energy businesses.

A solid financial foundation supported by shareholders, a strategic development partner and lower bank debt underpins growth in shareholder value over the next 18 months and beyond.

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