



Interim results 2020



Stobart Group Limited
November 2020

Focused strategy

Two divisions



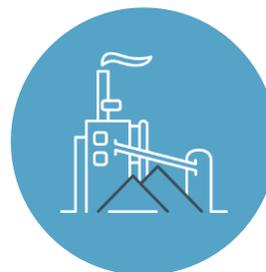
Stobart Group has two core operating divisions; Aviation and Energy.

Focused on aviation



Stobart Group is focused on developing London Southend Airport – London's next big airport.

Realise value



Stobart Energy is a cash generative biomass fuel supply business. Stobart Group intends to realise value for shareholders over the next 18 months.

Selling non-core assets



A portfolio of infrastructure assets and other investments will be sold within 36 months.

Challenges arising from COVID-19

Airport partial closure

- Commercial passenger flying stopped at London Southend in late March.
- Jet Centre also closed. Hotel and train station stayed open but at lower volumes.
- The global logistics operation continued, providing uninterrupted income.

Quarantine arrangements

- London Southend Airport reopened for commercial passengers in late June.
- However, countries were frequently put on quarantine lists at short notice.
- This significantly impacted passenger confidence.

Airline capacity cuts

- Airlines – suffering from the cost burden of the initial lockdown – cut capacity.
- Airlines closed bases across Europe in order to cut costs.
- easyJet closed three UK bases, including its long-established base at London Southend Airport.

Restricted waste wood supply

- The initial lockdown led to a pause in construction and the closure of Household Waste and Recycling Centres.
- The volume of waste wood fell considerably as a result.
- Our biomass plant partners still required their contracted volumes of fuel.

Legacy Parent Company Guarantees

- Flybe and Connect Airways entered administration.
- This led to uncertainty regarding the future of Stobart Air and Propius.
- Stobart Group is a guarantor for various legacy obligations of Stobart Air and Propius.

Liquidity requirements

- Significant business interruption restricted the opportunity to generate income.
- The Group therefore needed additional liquidity.
- Required a strong foundation from which the Group can return to normalised operations.

Group actions in response to COVID-19



Strict financial discipline put in place - reduced cash burn for Group's core divisions to £2m per month

- Immediately put on furlough c50% of Stobart Group's 1,500+ employees as of 1 April 2020.
- The Board and Senior Leadership agreed to 20% pay reductions and all other non-furloughed management accepted 10% pay reductions.
- A recruitment freeze has been in place since early March and all variable pay awards were deferred.



Successful £100m capital raise completed - in excess of initial £80m target

- In June, Stobart Group successfully raised £100m via a firm placing and open offer – in excess of the £80m initially intended.
- At the same time, the Group arranged a £40m additional revolving credit facility.
- The Group had £119m of cash and undrawn banking facilities as of 31 August 2020.



Disposal of Stobart brand for £10m and loss-making Stobart Rail & Civils

- Stobart Group announced the sale of the Stobart brand to Eddie Stobart in May 2020.
- The Group received an immediate £6m cash payment and will receive a further £2.5m in December 2020 with £1.5m in May 2023.
- The sale of the Rail & Civils business to Bavaria removed the obligation for the Group to fund the expected ongoing losses of that business.



Acquisition of Stobart Air & Propius in order to take control of pre-existing obligations

- The Board reviewed all available options and concluded that the best course of action financially was to buy back Stobart Air and Propius.
- This allowed Stobart Group to take effective control over the pre-existing obligations it has in respect of those businesses.
- The Group is now focused on exiting that business in a controlled and timely way.

Operating divisions' actions in response to COVID-19

LONDON SOUTHEND AIRPORT RESPONSE

Put capex on hold

Capex spend will be reviewed in step with future passenger growth.

Put an enhanced passenger experience in place

Next generation baggage scanning equipment will maintain the efficient movement of passengers through the airport.

Reduced staff costs

50.1% of staff immediately put on furlough. London Southend Airport made 10% of staff redundant. The Airport also froze recruitment and staff accepted pay reductions and revised contract terms where necessary.

Benefitted from marketing cost savings

With passenger numbers down, marketing support also fell markedly. easyJet's decision to close its base also meant that all payments to that airline stopped.

STOBART ENERGY RESPONSE

Utilised existing stockpiles

Stobart Energy has storage sites strategically located across the UK. These are capable of storing up to 100k tonnes of unprocessed waste wood at any one time. Stobart Energy utilised its stockpiles and has been working to restock, particularly in view of the key winter period when waste wood is traditionally in shorter supply.

Reduced gate fees to maintain supply

In order to rebuild stock levels, Stobart Energy reduced its gate fee.

Imported waste wood

Stobart Energy also imported waste wood. This took the pressure off the demand for waste wood from within the UK.

Managing gradual increase in gate fees

Reducing the demand on UK waste wood will allow Stobart Energy to gradually increase the gate fee it charges to those that supply it.

Worked in partnership with biomass plants

Stobart Energy also worked closely with its biomass plant partners to put in place planned rolling production stoppages further reducing the demand for UK waste wood.

Financial summary

Revenue



Group revenue declined 28.9% as operations became interrupted by the impacts of the COVID-19 pandemic.

EBITDA



EBITDA reduced from £2.5m in H1 FY20 reflecting the fall in gate fee income generated by Stobart Energy.

Loss before tax



The loss before tax includes £68.5m of non-cash items (including £55.0m non-cash loss on acquisition of Stobart Air and Propius).

Net debt exc. IFRS 16



Stobart Group raised £140m via a capital raise and additional banking facilities. £84.7m was used to repay debt and interest. Net debt including IFRS 16 is £223.7m.

Headroom



Overall cash flows are trading within the range of management expectations and the Group had £119.1m of cash and undrawn bank facilities available at 31 August 2020.

Divisional performance

| £m | Revenue | | | EBITDA | | |
|---|---------|-------------------|----------|--------|-------------------|----------|
| | 2020 | 2019 ¹ | Movement | 2020 | 2019 ¹ | Movement |
| Aviation | 13.5 | 26.4 | (48.9%) | (0.9) | (1.7) | 44.1% |
| Energy | 33.2 | 42.9 | (22.5%) | 2.4 | 10.6 | (77.3%) |
| Two core operating divisions | 46.7 | 69.3 | (32.6%) | 1.5 | 8.9 | (83.5%) |
| Investments ² and Non-Strategic Infrastructure | 6.0 | 3.4 | 73.7% | (2.2) | (2.2) | (0.2%) |
| Group central and eliminations | 0.5 | 2.1 | (75.5%) | (4.2) | (4.2) | (1.0%) |
| Total | 53.2 | 74.8 | (28.9%) | (4.9) | 2.5 | (294.6%) |
| Total excluding Stobart Air and Propius | 48.0 | 74.8 | (35.8%) | (3.5) | 2.5 | (240.0%) |

Revenue

- Aviation revenue impacted by passenger numbers reducing from 1.2m to 0.1m but benefited from uninterrupted global logistics income.
- Energy revenue was impacted by lower supply volumes with tonnes supplied down from 0.7m to 0.6m.
- Investments increased due to Stobart Air and Propius acquisition.
- Group central no longer receiving royalty income following sale of Brands.

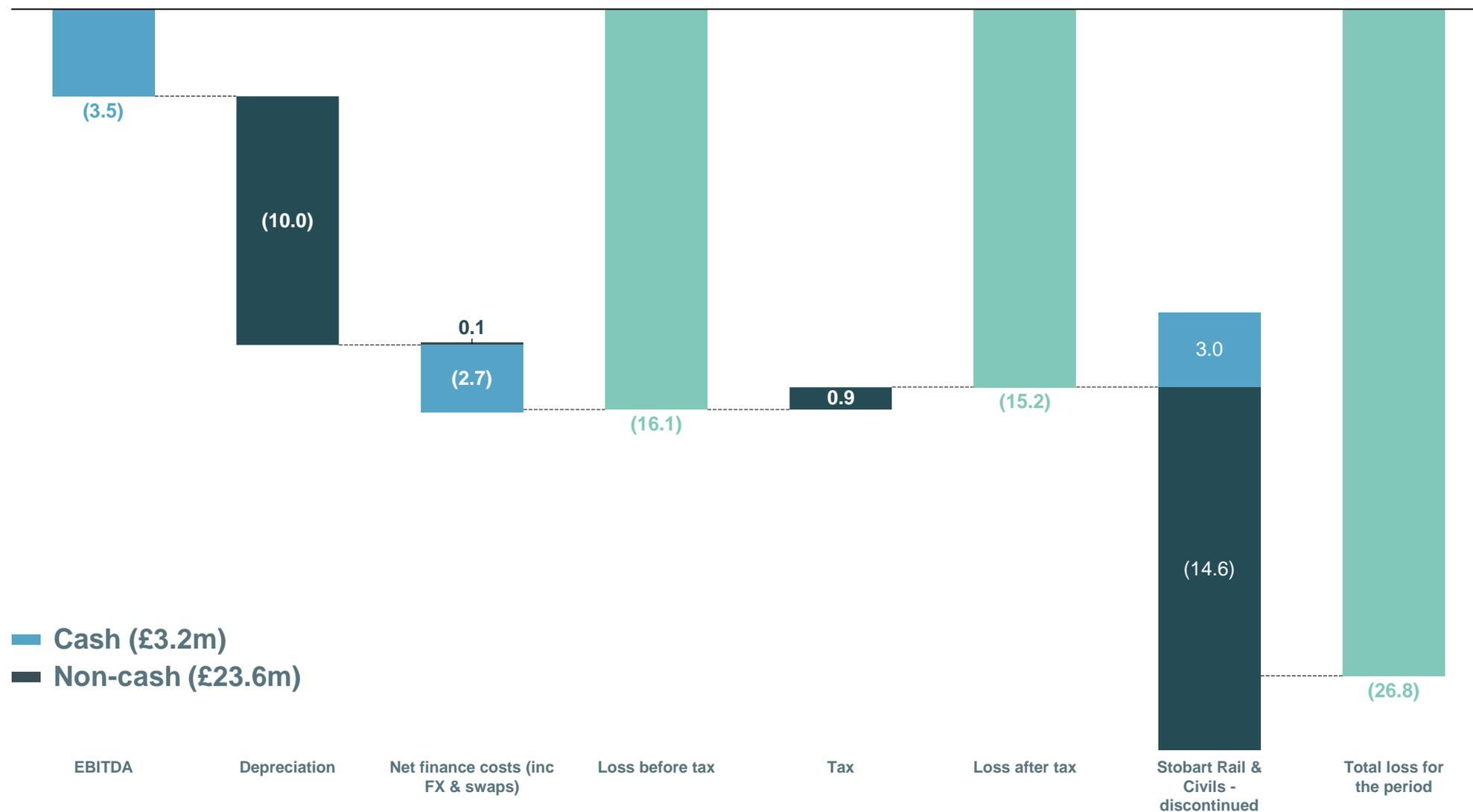
EBITDA

- Reported under new approach with non-underlying removed.
- Aviation benefited from lower airline marketing support contributions.
- Energy was impacted by COVID-19 related downward margin pressures.
- Investments impacted by Stobart Air's non-operation due to quarantine arrangements in Ireland.
- Group central consistent year-on-year due to tight cost control.

¹The 2019 results have been restated to remove Stobart Rail & Civils which, following its disposal, is presented within discontinued operations.

²Stobart Air and Propius are included within the results of the Investments division within continuing operations. To reflect the plans to sell these businesses, the results have also been presented excluding Stobart Air and Propius.

EBITDA bridge – excluding Stobart Air and Propius



Stobart Air and Propius

Acquisition accounting

- Acquisition of Stobart Air and Propius was necessary for the Group to take control of pre-existing obligations when Connect Airways entered administration.
- Consideration comprised:
 - £0.3m cash paid on acquisition.
 - £2.0m deferred until Dec 2020.
 - A further maximum £6.3m, contingent upon the value achieved on disposal of these businesses (currently assumed as £nil).
- Non-cash loss on acquisition of £55.0m.

Performance

| £m | 2020 ¹ | 2019 ² | Movement |
|-------------------------------------|-------------------|-------------------|----------|
| Revenue | 5.2 | 85.4 | (80.2) |
| EBITDA | (1.4) | 6.8 | (8.2) |
| Depreciation | (4.4) | (3.1) | (1.3) |
| Net finance costs (inc. FX & Swaps) | (0.5) | 1.6 | (2.1) |
| Loss on acquisition | (55.0) | - | (55.0) |
| (Loss)/profit before tax | (61.3) | 5.3 | (66.6) |
| Flown passengers ('000) | 11 | 832 | (821) |

- Return to normal operations has been deferred with ongoing plight of COVID-19, in addition to quarantine arrangements in Ireland.
- Total cash burn of c.£14.7m since acquisition.
- The Group is actively seeking to exit these businesses.

¹Actual results for the period from acquisition on 27 April 2020 to 31 August 2020, which were consolidated into the Group.

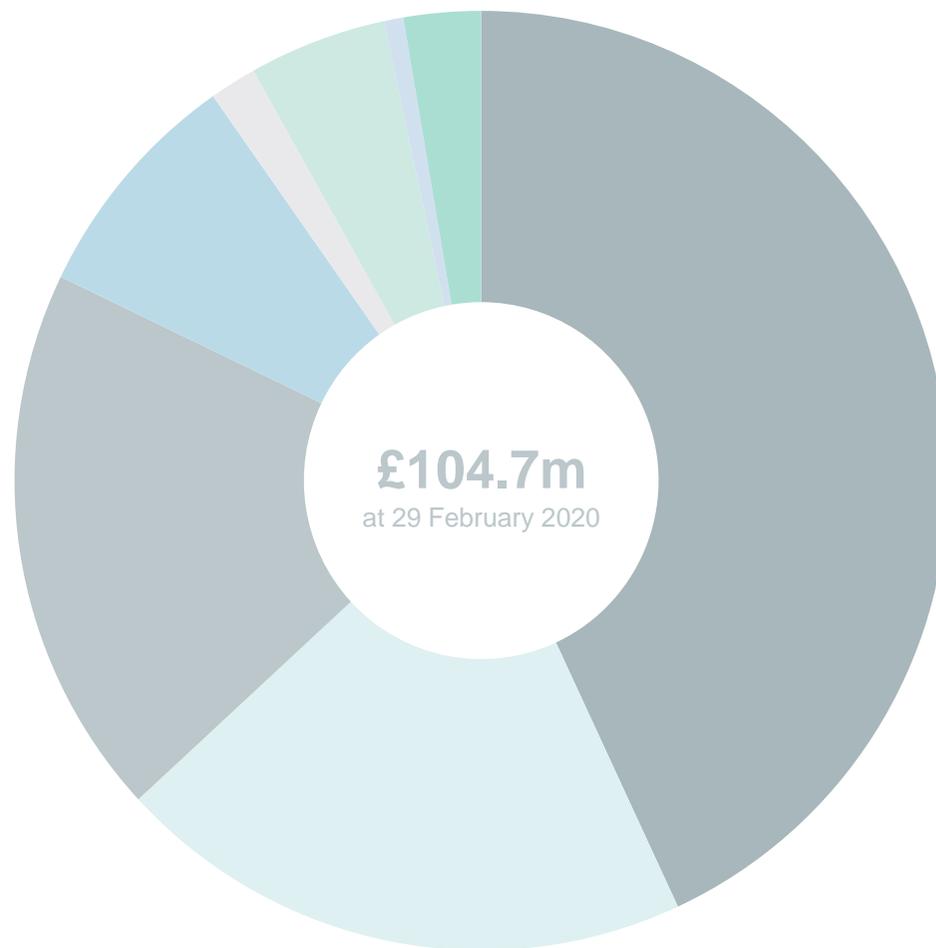
²Results for comparison purposes only for the period 1 March 2019 to 31 August 2019, which were not consolidated into the Group.

Non-cash impact

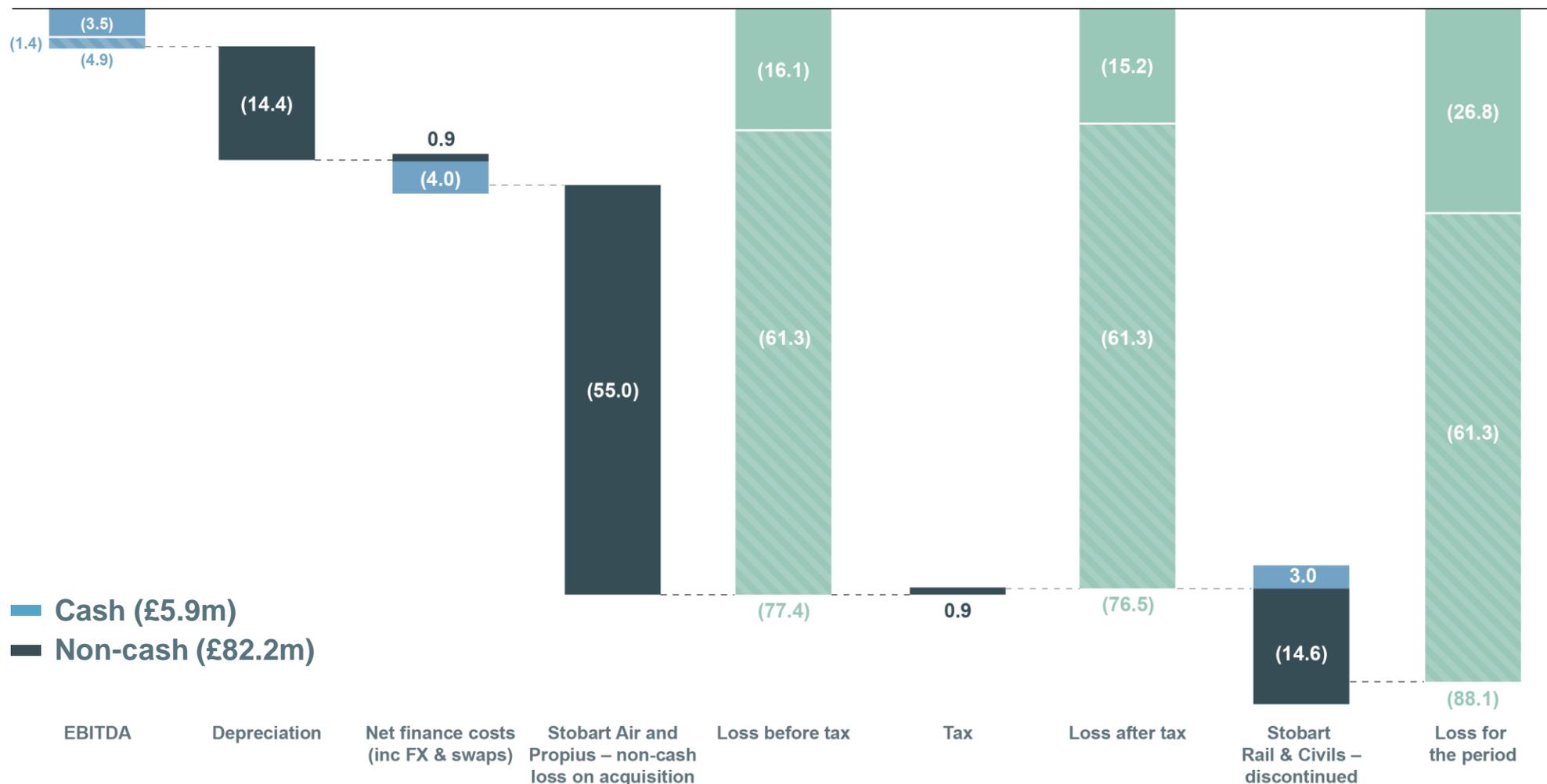
31 August 2020 – loss on acquisition of Stobart Air and Propius



29 February 2020 – eight impairments

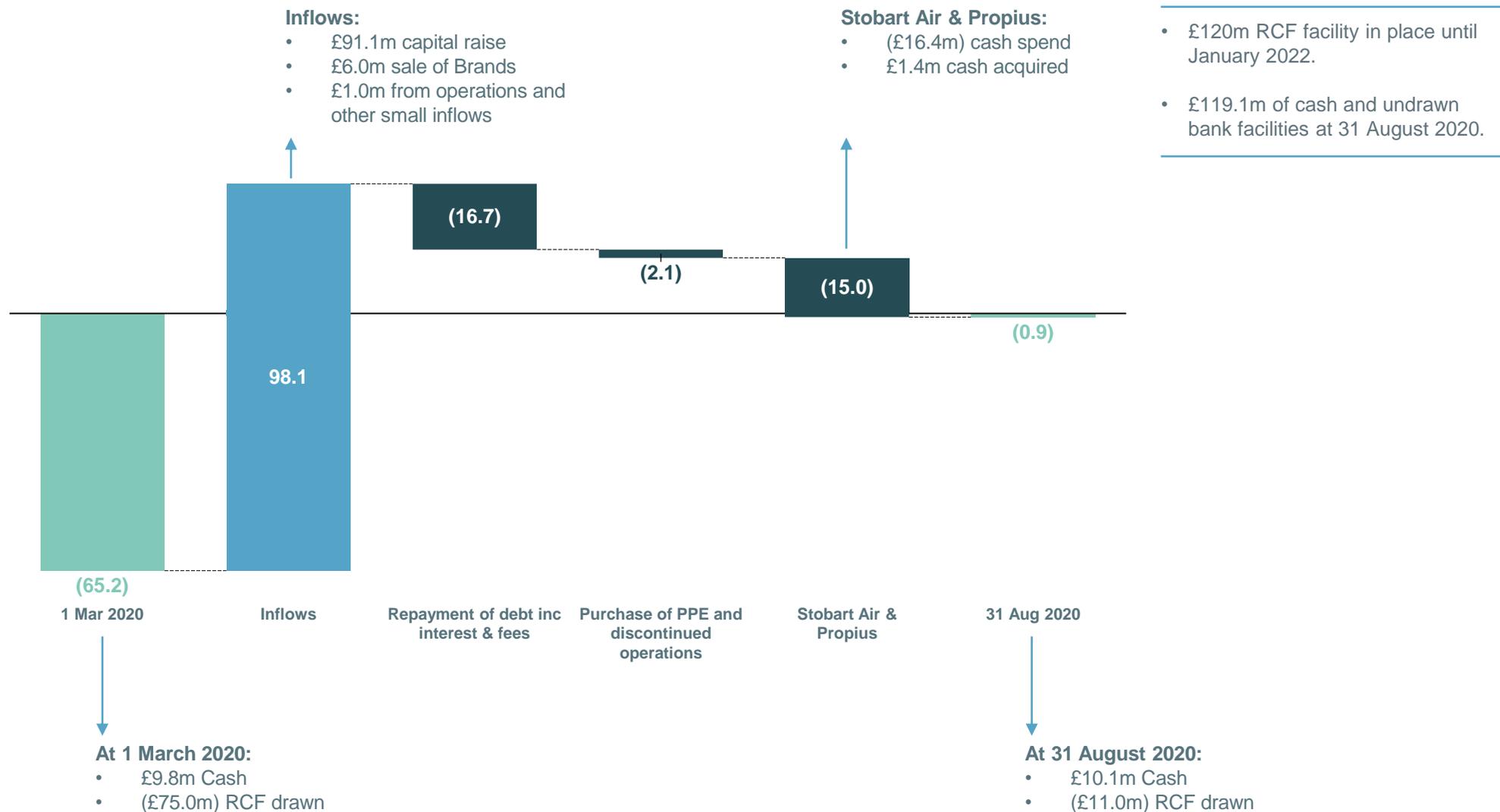


EBITDA bridge



| | EBITDA | Loss before tax | Loss after tax | Loss for the period |
|--|---------|-----------------|----------------|---------------------|
| Stobart Air and Propius | | | | |
| Depreciation | | | | (£4.4m) |
| Net finance costs (inc. FX and swaps) | | | | (£0.5m) |
| Non-cash loss on acquisition | | | | (£55.0m) |
| Excluding Stobart Air and Propius | (£3.5m) | (£16.1m) | (£15.2m) | (£26.8m) |
| Stobart Air and Propius | (£1.4m) | (£61.3m) | (£61.3m) | (£61.3m) |
| Including Stobart Air and Propius | (£4.9m) | (£77.4m) | (£76.5m) | (£88.1m) |

Movement in cash net of drawn RCF



PPE = Property, plant & equipment.

Balance sheet¹

| £m | 31 Aug 2020 | 29 Feb 2020 |
|---|-----------------|-------------|
| Intangible assets | 54.7 | 54.7 |
| Tangible assets | 239.4 | 248.4 |
| IFRS 16 assets and net investment in lease | 66.2 | 71.4 |
| Investment and non-current receivables | 12.9 | 14.4 |
| Current assets (excluding cash) | 46.2 | 54.0 |
| Cash | 9.6 | 9.8 |
| Assets held for sale | A 1.4 | 11.4 |
| Gross assets | 430.4 | 464.1 |
| Loans and borrowings | B (99.3) | (168.9) |
| IFRS 16 leases | (74.8) | (76.4) |
| Other liabilities | C (84.8) | (115.7) |
| Net assets excluding Stobart Air and Propius ¹ | 171.5 | 103.1 |
| Net liabilities Stobart Air and Propius | D (68.3) | - |
| Net assets | 103.2 | 103.1 |
| Gearing - with IFRS 16 | E 216.8% | 228.4% |
| Gearing - without IFRS 16 | 63.0% | 147.1% |
| Excluding Stobart Air and Propius: | | |
| Gearing - with IFRS 16 | 95.9% | 228.4% |
| Gearing - without IFRS 16 | 49.8% | 147.1% |

A Assets held for sale reduced due to completion of sale of Brands.

B Loans and borrowings decreased following repayment of debt using proceeds from capital raise.

C Other liabilities:

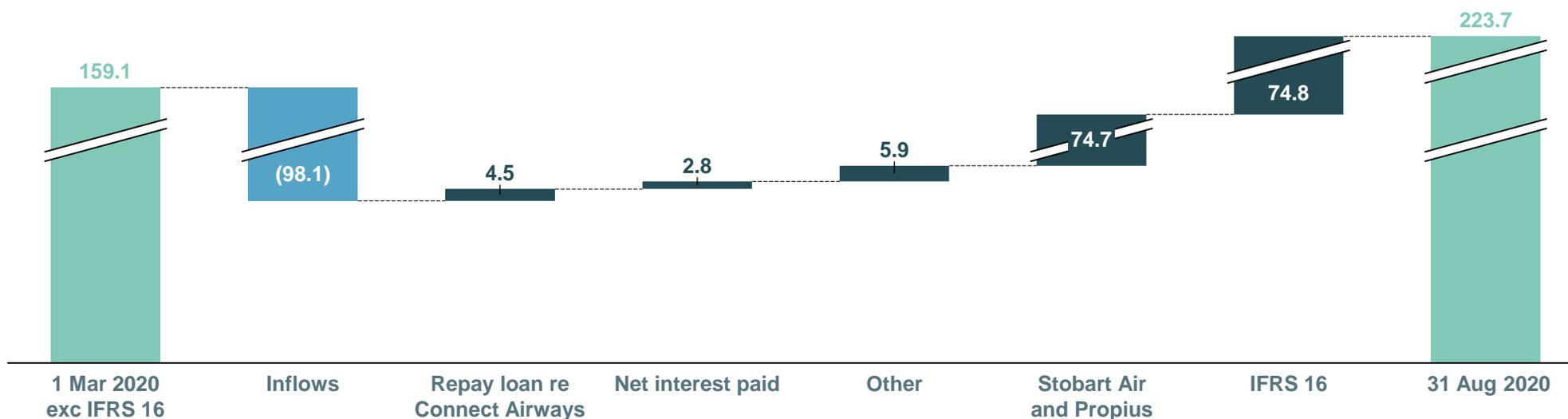
- Includes provisions, grants and amounts owed to suppliers.
- Decreased due to release of provisions and loan balance reclassified as intercompany following the acquisition of Propius.
- Impact of sale of Stobart Rail & Civils business mainly within other liabilities.

D Stobart Air and Propius net liabilities acquired in the period.

E Gearing has decreased due to a combination of increased net assets and repayment of debt.

¹Net assets have been presented excluding Stobart Air and Propius as these businesses were acquired in the period and were not consolidated at 29 Feb 2020.

Net debt and headroom



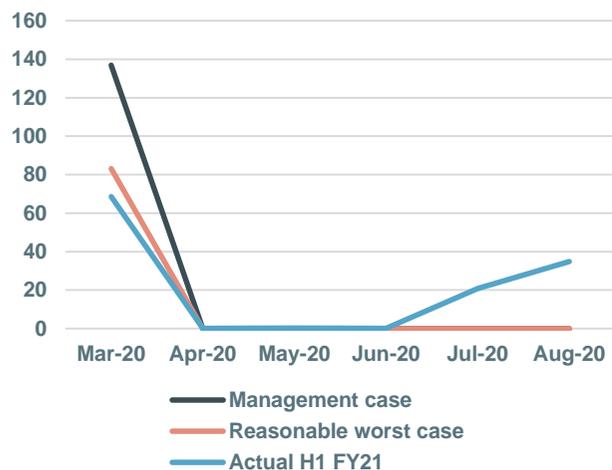
Net debt

| £m | 31 Aug 2020 | 29 Feb 2020 |
|---|--------------|--------------|
| RCF (net of arrangement fees) | 7.1 | 74.8 |
| Asset financing | 40.4 | 42.4 |
| Exchangeable bond | 51.8 | 51.7 |
| Cash | (10.1) | (9.8) |
| Net debt (excluding IFRS 16) | 89.2 | 159.1 |
| IFRS 16 obligations - Group exc Stobart Air and Propius | 74.8 | 76.4 |
| IFRS 16 obligations - Stobart Air and Propius | 59.7 | - |
| Net debt | 223.7 | 235.5 |

- Stobart Air and Propius movement:
 - £59.7m IFRS 16 leases.
 - £15.0m cash.
- RCF reduced due to repayment following capital raise.
- Headroom was £119.1m at 31 August 2020.
 - £109m undrawn on RCF.
 - £10.1m of cash held.

Performance against plan announced at capital raise

London Southend Airport
monthly passenger numbers



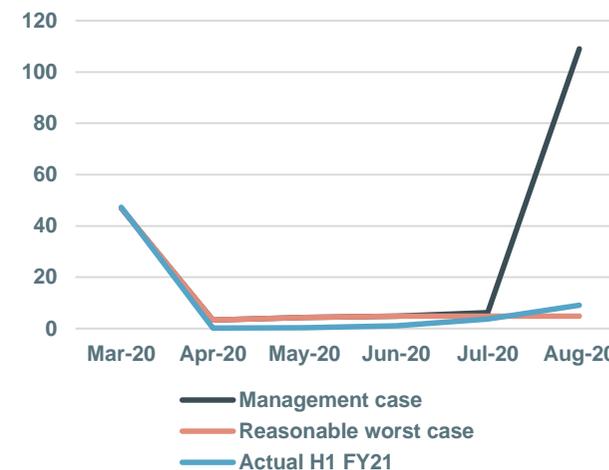
- LSA has reduced its cash burn in the summer months.
- Increase in passenger movements against plan and use of the Job Retention Scheme led to an improvement compared to an originally estimated £1.3m cash burn per month.
- Tight cost control, investment deferrals, reduced marketing support and an increase in logistics income all support increasing resilience.
- The airport can scale up quickly once airlines return to normalised schedules.

Stobart Energy
monthly tonnes delivered



- Stobart Energy strategically held stock and sourced from alternative markets during summer to replenish stock for winter.
- Whilst volumes have returned, increased market demand in the short term has impacted gate fees and EBITDA performance.
- Strongly positioned to support plants as they return to full operation following COVID-19 and expect gate fees to continue to recover as we enter into the new financial year.

Stobart Air
monthly passenger numbers



- Stobart Air / Propius has been impacted by the delays in operational flying as a result of continued COVID-19 restrictions - originally anticipated return to flying in August 2020.
- The airline continues to manage all areas tightly, focus on the Aer Lingus franchise discussion and prepare for exit.
- The Group remains focused on the cash burn of Stobart Air and Propius and now expects the return of flying to be January 2021 at the earliest.

Three strategic priorities

Developing logistics opportunities and rebuilding airport passenger numbers

- Restructure costs and maintain strict financial discipline.
- Develop logistics opportunities both at London Southend and at other airport locations.
- Support the airlines through immediate challenges.
- Offer low cost base of operation in key catchment area.



Strategy to manage waste supply and recovery of gate fees

- Strategic decision to reduce gate fees in order to ensure certainty of supply.
- Import waste wood over the short term to manage available supply in UK.
- Process of gradually increasing gate fee as UK supply improves.



Managing exposure to Stobart Air

- Ensure tight cost control and cash discipline.
- Enter new commercial arrangement with Aer Lingus.
- Divest of our stake in Stobart Air.



Global logistics operation at London Southend Airport

Performance metrics in first year of operation

25.4m

Packages handled in first year of operation.

24,000

Tonnes of cargo managed.

99%

Processing to time target.

99%

On time departure.



London aviation market expected to recover quickest

London is the most populated city in Europe

| City | Population (2018) |
|-----------|-------------------|
| London | 14.3 |
| Paris | 12.2 |
| Madrid | 6.6 |
| Barcelona | 5.5 |
| Berlin | 5.3 |

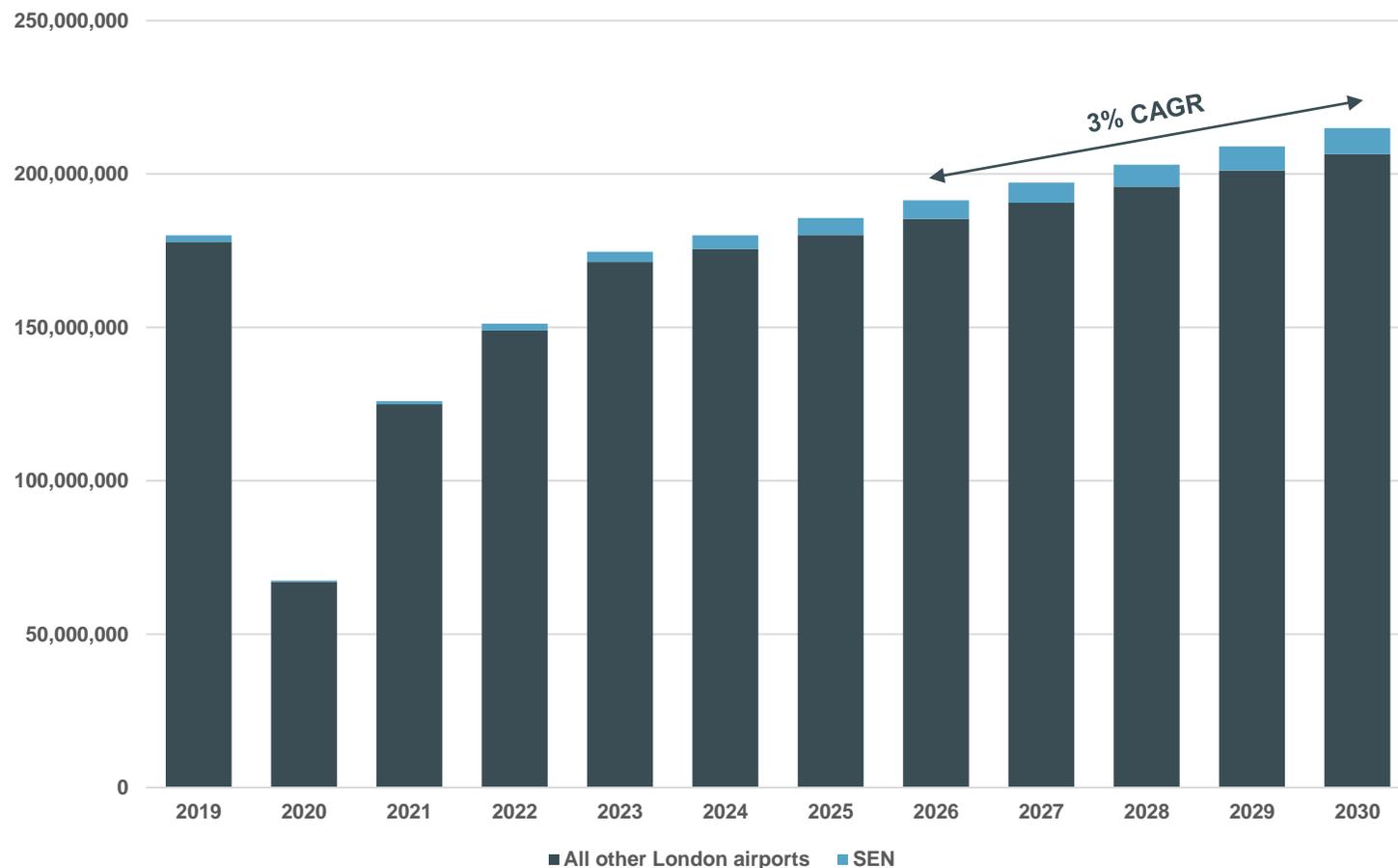
Source: Eurostat Metropolitan Region 2018

London is one of the most visited places in the world

| City | Total visitors (2019) |
|---------------|-----------------------|
| Bangkok | 22.8m |
| Paris | 19.1m |
| London | 19.1m |
| Dubai | 15.9m |
| Singapore | 14.7m |

Source: GDCI Global Report 2019

London market forecast based on IATA and CAA data



Source: IATA and CAA data

Low Cost Carriers expected to recover quickest

Low cost carriers (LCCs) best placed to recover

- LCCs will use their low-cost base to stimulate demand.
- LCCs will also be in a stronger financial position to respond to a restart in demand.
- It is also likely that the domestic and intra-European market will recover first due to the common approach of a single governing body.

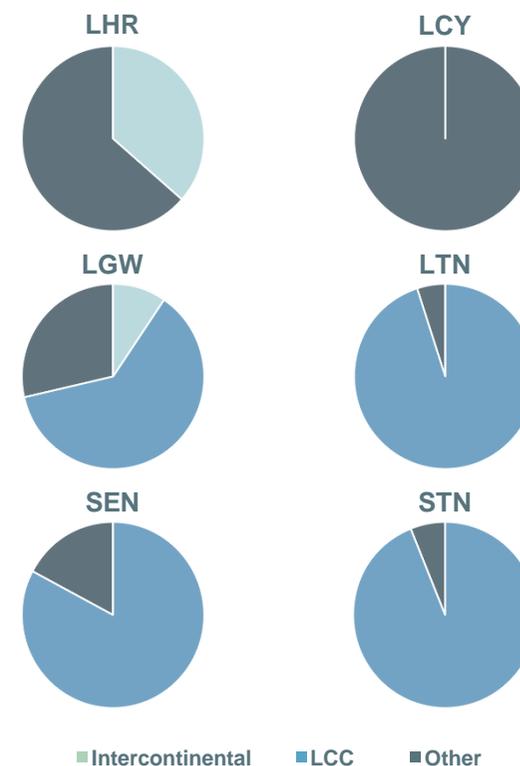
Leisure travel likely to recover faster than business travel

- The adoption of new communication technologies replacing meetings during lockdowns.
- Travel bans continuing for health reasons.
- The likely economic recession that will follow and resulting cost-cutting programmes which will affect corporate travel.

Short-haul travel should perform better than long-haul

- Economies globally are suffering, and this will impact on holiday spend.
- Foreign holidays however are part of British culture.
- Holidaymakers are therefore likely to seek cheaper shorter European flights.

2019 Air traffic movements



Source: SRS, 2020
Note: Flybe flights excluded

London Southend Airport is positioned to serve LCCs

OUR ADVANTAGES

Strategies aligned

London Southend Airport aligns with airlines growth strategies.

Lower cost of operation

Airlines can generate similar yields to other London airports but at a lower cost of operation.

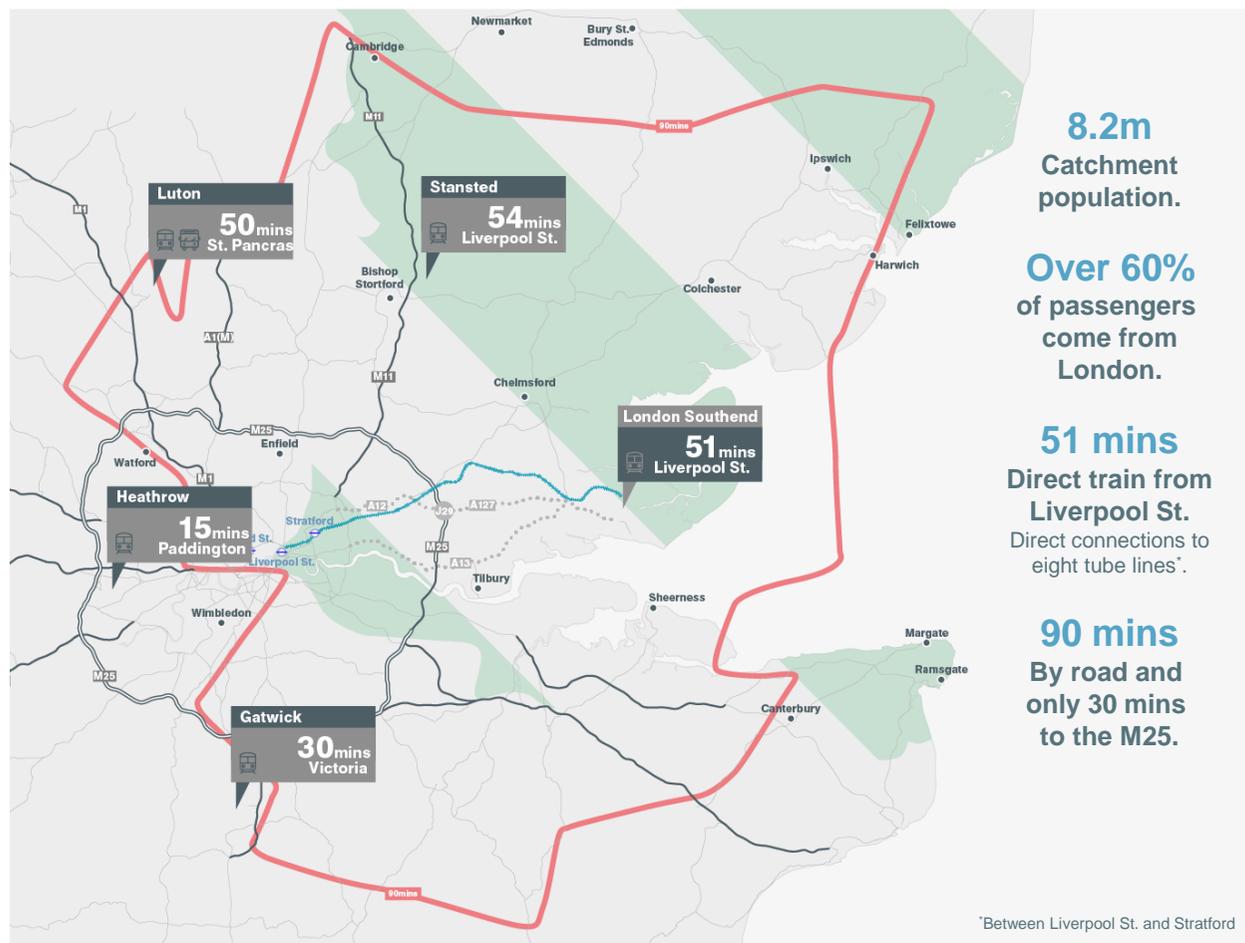
Valuable London market

The airport's location expands the airlines' catchment to almost complete coverage of valuable London market – particularly as London developments are increasingly moving eastward.

Secure London slots

The airport provides the best opportunity to secure London slots as the UK recovers from the pandemic over the coming years.

London Southend Airport – 8.2m catchment area



Clear strategy to rebuild airport passenger numbers

GROWTH STRATEGY

Deliver an enhanced passenger experience for the post-COVID-19 world

- Minimised contact points and enough terminal space for social distancing even pre-COVID-19.
- UK's fastest security queues enhanced with next generation baggage screening – avoiding bottlenecks.

Build relationships and extend partnerships

- Support airlines through the existing challenges.
- Develop local stakeholder relationships.
- Explore opportunities for extended logistics operations.

Target existing airlines, new LCCs, full service and regional carriers

- Predominant target remains the big three LCCs and LCCs in general.
- Full-service carriers with a mix of hub feeding and point to point demand.
- Regional niche carriers remain important for markets such as the Channel Isles.

Pricing – the lowest long-term airport pricing in London

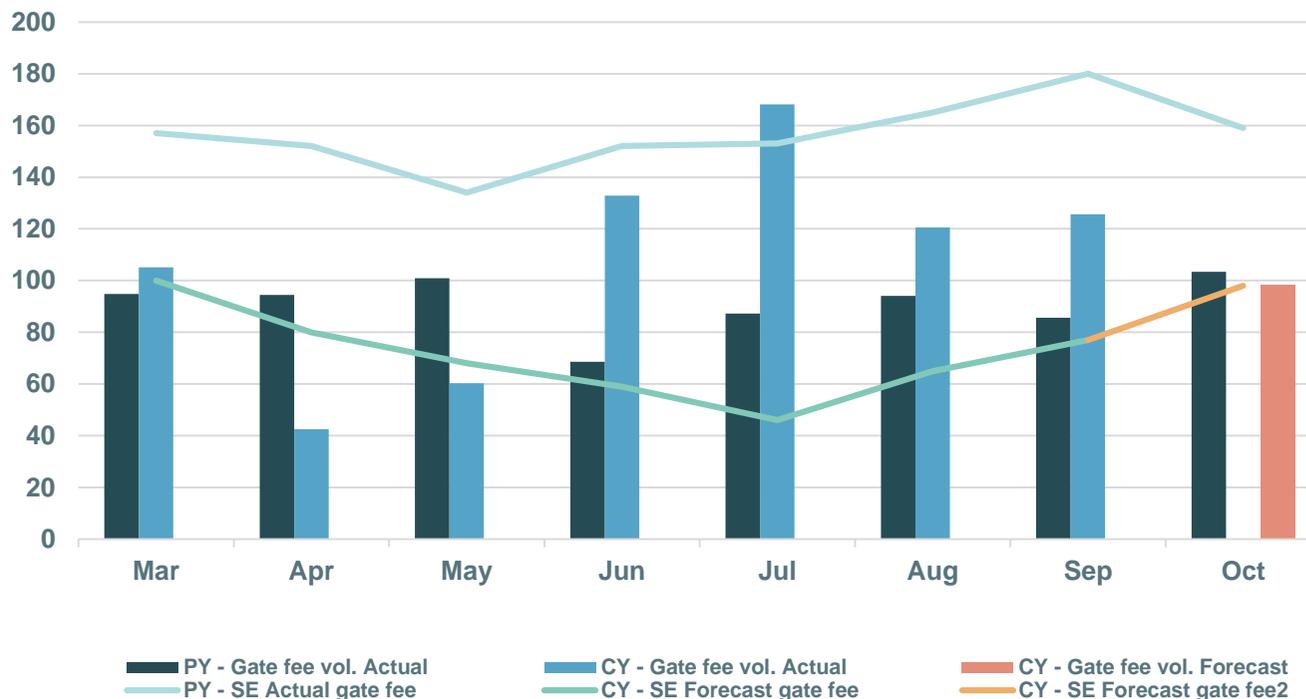
- Individually tailored agreements, based on size of operation and expected passenger volume.
- In a position to offer lowest cost of operation to LCCs as a result of our low capex requirements relative to other airports.
- Proven track record of consistent passenger growth pre-COVID-19 with passenger numbers having grown from 872k in 2017 to 2.1m in 2019.



Energy gate fees improving

- Gate fee pricing is seasonal and is linked to Construction sector activities and the availability of waste wood.
- Majority of wood arises in the “Summer” periods (May - October) and gate fee pricing is typically strongest in these periods.
- COVID-19 impacted prior to “Summer” 2020 and instead of seeing the typical “Summer” gate fee price increases, COVID-19 caused wood shortages and depressed gate fee pricing.
- We are encouraged that the actions Stobart Energy’s management team have taken have alleviated pressure on gate fees whilst ensuring continuity of supply and delivery of a reliable service to our customers.
- October gate fees and volumes show an improving sequential trend.
- Stobart Energy can typically outperform the market due its broader market scale and strategically located infrastructure assets.

Gate Fee Performance (March 2020 = 100)



(Sources: Management Information)

Attractive characteristics create opportunity to realise value from Stobart Energy

Stobart Group intends to realise value from Stobart Energy over the next 18 months.

Landfill is last resort

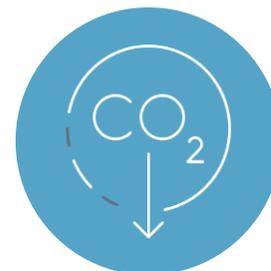


Landfill tax has made landfill the waste wood disposal method of last resort. Landfill is expected to close over the medium term.

Strategic significance... ...To UK low carbon economy

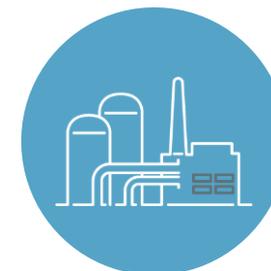


Stobart Energy processes around 20% of the UK's annual waste wood (1.2MT out of 5.6MT).



Stobart Energy reduced the UK's CO2 emissions by about 480,000 tonnes in 2019.

A unique offering with high barriers to entry



A high margin business with reliable cash generation, high barriers of entry and limited CAPEX requirements.

Managing exposure to Stobart Air and Propius

Cost control

- Rate reductions negotiated with key suppliers.
- Redundancies, lay-offs and temporary pay cuts have been put in place.
- Employee subsidy schemes (furlough equivalent) has been utilised.

New commercial agreement

- In discussions to enter a new ten-year franchise agreement with Aer Lingus from January 2023.
- Decision on new agreement expected by end of calendar year.

Active discussion to exit Stobart Air and Propius

- In active discussions with a number of parties interested in acquiring our stake in Stobart Air and Propius.
- This will address current Stobart Group legacy obligations.



Update on strategic progress

| Strategic initiatives | Progress | |
|---|--------------------|--|
| A focused aviation business operating under a new brand. | In progress | Stobart Group intends to change to a new name (subject to shareholder approval) by the end of the financial year. |
| Design and implement an improved airport passenger experience for post-COVID-19 travel. | Done | Revised airport passenger experience in place, including next generation baggage screening equipment designed to minimise queuing times and avoid bottlenecks. |
| Cash generative energy business primed for realisation of shareholder value. | In progress | Stobart Group is reviewing all strategic options to realise value from Stobart Energy. |
| Stobart Air is designated non-core. | In progress | Stobart Group is in the process of exiting Stobart Air. |
| Withdraw from the Rail & Civils business during the course of FY21. | Done | Stobart Group divested of Stobart Rail & Civils to Bavaria Industries Group AG in July 2020. |
| All other non-core businesses or assets will be realised for value over the next three years. | In progress | Stobart Group continues to retain c.£40m of non-core assets and will realise value over the next three years. |

Key takeaways – well positioned into a recovery

Logistics income underpinning aviation



Global logistics income underpinning aviation. Well positioned to benefit from any recovery in the short-haul leisure travel market when restrictions ease.

Gate fees expected to recover in H1 2021



Gate fees expected to recover in H1 2021 and volumes show an improving sequential trend.

Intention to exit Stobart Air in the near term



Intend to exit Stobart Air in the near term which will reduce the drag on cash.

Financial discipline and liquidity in place



Strict financial discipline in place with liquidity to weather the winter season.

Our strategy to move to a pure play airport and aviation services business over the medium term can deliver superior shareholder returns.

Summary of key progress by ESG pillar



Developing our people

- COVID-19 support program.
- Diversity strategy and targets.
- Supporting women leaders.



Supporting sustainable communities

- Group lead for community strategy.
- Group charitable giving strategy.
- Supporting communities with COVID-19 response and recovery.



Taking climate action

- Developing energy data management structure.
- Implementing energy strategy for each business area.
- Airport Carbon Accreditation process ongoing.



Excelling in health & wellbeing, safety and security

- Team COVID-19 protection policy and support plan.
- LSA Safety Management System.
- Internal H&S campaign in development.



Minimising our environmental footprint

- NO2 Air Quality Programme approved and in place.
- Begun collection of water and waste data.
- Sustainable biomass sourcing policy in development.

