

Stobart Group Ltd

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Stobart issues upbeat outlook as it focuses on airport expansion

Stobart Group Ltd (LON:STOB) said it was confident about the outlook for the new year as it ramps up investment in expanding its London Southend Airport after de-risking the balance sheet through disposals.

The company is focused on increasing capacity at the airport after selling its regional airline, Stobart Air, and aircraft leasing businesses, Propius, to Connect Airways - the joint venture it set up with Virgin Atlantic and Cyrus Capital.

READ: Stobart to release full-year results two weeks later than planned
The company sold the businesses in exchange for becoming a 30% shareholder in the venture. Cyrus is the lead partner in the venture with a 40% stake while Virgin owns a 30% interest.

Connect Airways bought Flybe Group's main trading assets for £2.8m in February.

Investments to deliver long-term value for shareholders, says Stobart
In its full-year results statement on Wednesday, Stobart said the venture will identify cost synergies between Stobart Air and Flybe, reset the cost base and develop a London connectivity strategy that will involve London Southend Airport.

Stobart has also raised £53.1m through the issue of a five-year exchangeable bond secured over its shares in Eddie Stobart Logistics PLC.

The group plans to use the money raised from the bond issue and disposals to invest in growing its airport to accommodate more than 10m passengers and in expanding the energy business to deliver 2m tonnes per year of biomass fuel. It will also invest in its IT and central services, including staff, while retaining a appropriate cost base.

"By doing this, we can deliver sustainable operating cash flows and significant long-term value for shareholders," said chief executive Warwick Brady.

Revenue boosted by growth in aviation and energy businesses

In the year to the end of February 2019, revenue gained 39% to £146.9m and underlying earnings (EBITDA) from the two main operating divisions - aviation and energy - jumped 75% to £24.1m.

The aviation arm delivered a 53% increase in revenue to £39.4m as passenger numbers rose 33% to 1.5m.

The energy division saw revenue grow 19% to £65.1m as tonnes supplied advanced 51% to 1.3m.

Price: 118.8

Market Cap: £445.09 m

1 Year Share Price Graph



Share Information

Code: STOB

Listing: LSE

52 week	High	Low
	209.5	98.1

Sector: Business & education services

Website: www.stobartgroup.co.uk

Company Synopsis:

Stobart Group is an infrastructure and support services business which owns and manages a range of key infrastructure sites and operates business divisions delivering critical support services to the energy, aviation and rail sectors.

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Overall, the total loss for the period widened to £58.2m from £23.9m, reflecting losses in the rail and civils unit.

Medium-term targets

The group said it has set a five-year strategic plan for the rails and civils unit to increase contracts with existing partners and external customers. It aims to return the business to profitability over the "medium term".

For the airport, Stobart aims to reach 5m passengers in the year to February 2023 with each customer bringing in £8 EBITDA. This target supported by Ryanair flights, which started at the airport in April, and Loganair flights in May.

The target for the energy business over the same period is to maintain EBITDA per tonne at £12.

"We have entered the new financial year with increased confidence," Brady said.

Shares jumped 10.6% to 129.8p in late morning trading.

Aiport expansion could have 'dramatic impact on profits'

AJ Bell investment director Russ Mould said: "Southend Airport owner Stobart is taking flight this morning as it begins to emerge as a more streamlined business.

"Having put some testing boardroom battles behind it and agreed to funnel regional airline Stobart Air into its 30%-owned Connect Air joint venture, the company is free to concentrate on its 2022 target of getting five million passengers through Southend a year from around one million today.

"Assuming these passengers spend the £8 each the company is hoping they will, this could have a dramatic impact on the company's profitability."

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