

Stobart Group Ltd

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Stobart airport and energy assets "consensually attractive" says Jefferies as it initiates at 'buy'

Stobart Group Ltd (LON:STOB) has been initiated with a 'buy' rating and 174p target price by Jefferies as the broker said progress on several issues was likely to drive up the value of the company's "consensually attractive" key assets in Aviation and Energy.

In its initiation note, Jefferies said the company's Southend airport was only one of the six London airports with spare peak daily capacity and was on target to increase the number of passengers to 5m by 2023, leaving scope for increased performance.

READ: Stobart issues upbeat outlook as it focuses on airport expansion
The US broker's analysts said that contracts between the firm's waste wood supply business and UK renewable energy plants were "valuable" as the plants began to ramp up following commercial handovers.

While Jefferies said simply rating the stock as a 'buy' based on the two assets alone would be "disingenuous", as more issues were resolved at the company and progress was confirmed they saw value being revealed as obstacles were cleared.

"Below-the-line" negatives for the Aviation and Energy divisions such as launch costs and supplier payments would "begin to decline this year" Jefferies said, adding that remaining real estate could be monetised and provide confidence over funding and dividend sustainability.

"We see upside as potentially coming via three routes - higher valuation of the key assets, higher performance of these businesses and removal of the issues/doubts over their value and that of the business as a whole", the broker said.

The upbeat assessment follows Stobart's full-year results last week, where the firm said it was ramping up investment to expand Southend airport after de-risking its balance sheet through disposals.

The group also said that planned to use £53.1m secured through the issue of a five-year exchangeable bond as well as the money from disposals to invest in growing its airport to accommodate more than 10m passengers and in expanding its 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.

The positive outlook sent Stobart's shares up 4.9% to 107.2p in late-morning on Thursday, boosted as well by a reported upgrade in rating from analysts at HSBC Securities to 'hold'.

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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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