

# STM Group PLC

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## STM says one-off costs in life assurance business to impact profitability although full-year performance still in line

STM Group Plc (LON:STM) saw its shares fall on Friday after the cross border financial services provider said one-off costs in its existing life assurance business will impact profitability although its full-year performance will still be in line with expectations.

In a trading update for the full year ending 31 December 2018, the AIM-listed firm said that during the second half of 2018 STM Life Assurance PCC incurred a number of one-off costs in relation to uncollectable policy fees amounting to £0.2mIn, as well as a policy cancellation and closure exercise for uneconomical policies amounting to £0.1mIn.

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Additionally, the company added, there has been a reduction in the forecasted new business pipeline to the year-end of £0.2mIn, reflecting a timing delay in some policies not likely to incept until 2019.

However, the firm said, it is anticipated that in the last quarter of 2018 there will be a significant release from the London & Colonial Assurance technical long-term insurance fund which it currently will be at least £0.5mIn, which will contribute to the group's anticipated profit before tax for the year.

It added that the exact amount to be released is currently being calculated by the group's appointed actuary

STM said the anticipated release of the technical reserve provides a significant positive contribution to earnings, as it has done in previous years, and including this anticipated contribution, the group remains confident that it will report overall profit before tax for 2018 in line with its previous expectations.

It said underlying profit before tax - excluding the impact of profits from reserve releases and one off costs - is expected to increase year on year.

STM pointed out that trading across all other group divisions has been in line with management's expectations.

### Steady growth against previous year

Alan Kentish, STM's chief executive officer, commented: "We are pleased with the underlying trading of the Group for the year to date, which demonstrates steady growth against our previous year."

He added: "The year so far has seen significant change, and it is apparent that we have experienced a number of material one-off costs as well as ongoing costs as part of our enhanced governance, both of which will impact our profitability but make our businesses more robust."

**Price:** 27.55

**Market Cap:** £16.37 m

#### 1 Year Share Price Graph



#### Share Information

**Code:** STM

**Listing:** AIM

**52 week High Low**  
45 18

**Sector:** Financial Services

**Website:** [www.stmgrouplc.com](http://www.stmgrouplc.com)

#### Company Synopsis:

The STM Group PLC is a financial services group operating in the international corporate and trustee service provider (CTSP) sector. Its main operating company, STM Fidecs, operates principally from Gibraltar. In January 2008, the Company announced the acquisition of Compagnie Fiduciaire Trustees Limited (CFTL), based in Jersey, Channel Islands.

action@proactiveinvestors.com

"Despite these headwinds, the growth in our underlying business and the anticipated release of the technical reserve mean we remain confident of being in line with management's expectations of overall profit before tax for the full year."

In early morning trading, STM shares were 6% lower at 54p.

In a note to clients, 'house' broker finnCap reiterated a 100p price target for STM shares.

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Contact us +44 (0)207 989 0813 [action@proactiveinvestors.com](mailto:action@proactiveinvestors.com)

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