

Stobart Group Ltd

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Stobart Group says talks to sell minority stake in Southend airport are on hold

Stobart Group Limited (LON:STOB) has responded to press speculation and confirmed it has had talks about selling a minority stake in London Southend Airport.

The group confirmed that it has been in detailed discussions for several months regarding an initial minority investment from a potential strategic airport development partner that has indicated a headline value for London Southend Airport of between £700-800mln.

No acceptable terms have thus far been agreed and discussions have been put on hold while both parties navigate the current coronavirus outbreak.

In a separate announcement, the group said the performance of its core aviation and energy divisions was broadly in line with management's expectations in the financial year just ended.

In the year to 29 February 2020, passenger numbers at London Southend Airport rose 43% to 2.1mln from 1.5mln the previous year.

In the energy division, 29 out of the 30 renewable energy plants in the UK and Ireland that Stobart Energy is contracted to supply have completed the commissioning phase.

With the renewable energy plants now operating more consistently as a result of completing commissioning, Stobart Energy was able to deliver 1.6mln tonnes of waste fuel during the financial year, representing an increase of more than 19% on the previous year's 1.3mln tonnes.

The non-core rail & civils division traded below expectations, largely as a result of delays in the award of new contracts through Network Rail's Control Period 6 and some issues relating to a legacy contract.

Not possible to provide meaningful forecasts of passenger numbers at London Southend airport

As for the future prospects, there is no denying that the short-term uncertainty caused by the spread of the coronavirus has hit traffic levels at London Southend Airport.

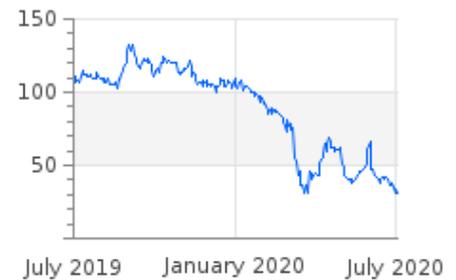
The airport's airline partners have advised that they are undertaking significant route cancellations. These actions are likely to continue on a rolling basis for the foreseeable future and could result in the grounding of the majority of airline fleets.

Echoing statements issued by the quoted airline companies, Stobart said it is not possible to provide meaningful guidance on forecast passenger numbers for the current fiscal year.

Price: 31.4

Market Cap: £196.23 m

1 Year Share Price Graph



Share Information

Code: STOB

Listing: LSE

52 week High Low
137.802 27.4178

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.

action@proactiveinvestors.com

Given the loss of cash flow as a result of the reduced passenger levels, it is likely that the group will require additional funds to tide it over for however long it takes for things to return to normal after the coronavirus outbreak.

Stobart is currently reviewing the most appropriate sources of funds.

A number of guarantees and potential lease obligations exist between the group and the separate subsidiaries of Connect Airways (i.e. Stobart Air and Propius), which have been affected by the collapse of Flybe. Stobart Group is actively evaluating how best to address and manage these liabilities and is in discussion with stakeholders regarding the most appropriate solutions.

"Despite the current challenges presented by the COVID-19 virus, we continue to own and operate aviation and energy assets with significant underlying value," said Warwick Brady, the chief executive officer.

"It is impossible to say what structural changes will occur to the aviation industry in the coming months; however, ultimately the current crisis will pass, and people will continue to want to fly in and out of one of the world's largest travel markets. Similarly, Stobart Energy is well placed to generate higher margins going forward," he added.

"The capital expenditure programme has been completed, we have a robust supply chain in place, long term valuable contracts, and our renewable energy plant customers are operating more consistently. We therefore continue to believe there are significant medium and long-term opportunities to further increase the value of our assets," Brady concluded.

--- adds trading update ---

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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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