

Marshall of Cambridge Holdings Ltd



24 September 2025

Reshaping for the future

Previous shareholder meetings highlighted the pressing need for action to place Marshall on a sounder footing, evidenced by the scale of the FY24 financial performance reporting losses much higher than anticipated. However, actions taken by the Board have resulted in placing the Group on a surer foundation, albeit there is still work to do. Divisions have been closed, assets sold and since the turn of the year smaller, non-core divisions disposed of. The next step is enabling the Group to unlock the value inherent in its primary asset, the Cambridge Airport site. Progress has been made on this front too.

Moving out of ICU and close to discharge

As the FY24 results confirmed, the Group had been in financial distress, with banking covenants breached and cash draining out of the business due to mounting losses. The losses have continued into FY25, reflecting varying difficulties within Marshall's engineering operations. One business, Fleet Solutions, was sold in early April, with plans to sell Land Systems now nearing completion. Redundancies have also been made, further reducing ongoing costs.

The actions implemented by the Board have meant closure of the loss-making businesses Futureworx and Skills Academy in FY24. This leaves the Aerospace business and the Property division. The Aerospace business has most likely remained loss-making in FY25 to date, notwithstanding additional throughput gained from its contract with the US Marine Corps. There is a suggestion that the disposal of 80% of the UK's remaining Hercules C-130 fleet is set to receive approval from the US Congress, which would allow commencement of the long delayed and sizeable MRO contract with the fleet's acquiror. We think this represents a material benefit for Marshall, ensuring that the division will operate at, or close to, full capacity over the medium term.

Just as the sale of the Marleigh development assets resulted in much needed funds being generated in late 2024, so the disposal of the C-130s will result in a strong cash inflow during Q4 '25. With the Group now on a sound footing, the next question is how to fund future growth. Growth is likely to come from two areas, both demanding from a financial standpoint:

The Airport's operations must move to provide the Property division with vacant possession to unlock the value of the site. However, the cost of moving the Aerospace division elsewhere is likely to be upwards of £100m, whether it is subsequently based in the UK, the Middle East or in Europe. This must be financed either internally or by an external source.

Similarly, the Group's Property division currently has a major asset in 680 acres of land, of which 200 are classed as greenbelt. Outline planning permission can add c.£100m+ to the current valuation of c.£140m, which excludes the greenbelt and existing properties rented to other Group divisions and external customers. Unlocking this will require funding, most likely found in conjunction with a partner. Additional value could also be released over time as portions of the greenbelt land are unlocked.

The Airport site's NPV far exceeds group market value

The Group's implied market capitalisation currently stands at £100.4m based on the last traded share price in April 2025. This is materially less than the net present value of the 480 acres of the Cambridge East development seen at £204m and suggests that the Aerospace division is effectively 'in for free'.

Company data

EPIC	MCH
Price (last matched trade)	170p
52 weeks Hi/Lo	200p/170p
Market cap	£100.4m
Net cash / (debt) Dec '24	£31.9m

Share price, p



Source: Asset Match

Description

Founded in 1909, Marshall Group Ltd ("Marshall") is a private, family-owned company. The world-class applied engineering services and technology business to the aerospace and defence sectors forms part of the core of the Group, alongside the Property division, MGP. MGP is in the process of unlocking the value from its Cambridge Airport estate.

The non-voting priority ordinary shares can be traded freely via a special off-exchange matching facility that is administered by Asset Match. See: marshall@assetmatch.com

Next events

- Share auction closes 30 Sept 2025
- Full year 2025 results June 2026

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2024 Results

Rising losses prompt extensive restructuring

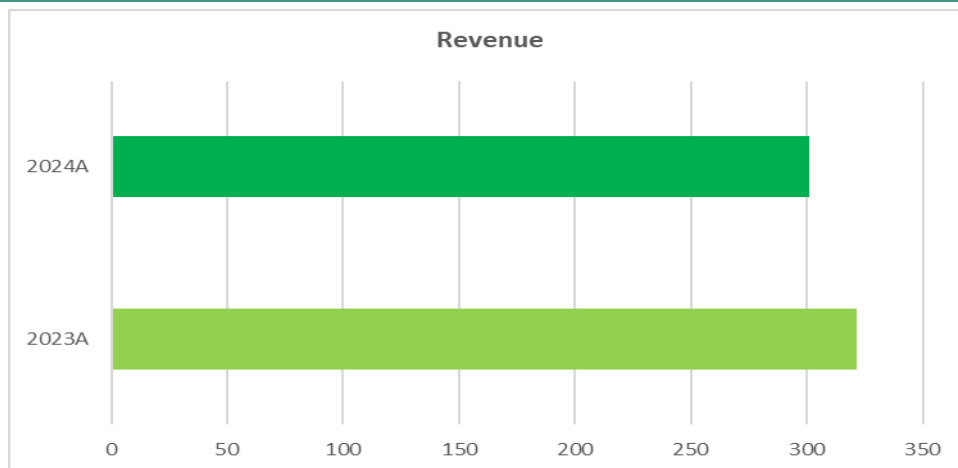
Preliminary results for 2024			
Year to December, £m	2023	2024	Change
Aerospace – HIOS	57.3	0.0	-100.0%
Aerospace – Non-HIOS	131.8	151.7	15.1%
Land Systems	55.7	79.2	42.1%
Group Properties	10.1	7.0	-31.1%
Fleet Solutions	66.6	72.6	8.9%
Adv. Composites	14.2	15.3	8.2%
Skills Academy	3.4	2.4	-29.5%
Futureworx & other	0.9	1.0	9.7%
Internal sales	-18.7	-28.2	50.8%
Total revenue	321.3	300.9	-6.3%
Cost of goods sold	-233.3	-254.1	8.9%
Gross profit	88.0	46.9	-46.7%
GP%	27.4%	15.6%	
OpEx	-99.6	-112.6	13.0%
Other op. income	4.8	5.6	16.5%
Adj. EBIT	-6.8	-60.1	780.7%
EBIT %	-2.1%	-20.0%	
Share of JVs	6.6	4.4	-33.0%
Net interest	4.3	0.1	-97.0%
Aerospace HIOS	20.7	0.0	-100.0%
Aerospace Non-HIOS	-4.1	-6.1	48.4%
Land Systems	-20.1	-36.1	79.9%
Group Properties	18.7	7.6	-59.4%
Fleet Solutions	-5.7	-13.2	132.1%
Adv. Composites	2.0	3.3	66.8%
Skills Academy	-0.4	-1.3	220.9%
Futureworx & other	-2.0	-1.8	-11.8%
Central costs	-5.0	-7.9	58.3%
Adj. PBT	4.1	-55.5	-1459.3%
Exceptional items	0.3	-67.8	
Taxation	-1.3	3.2	-343.0%
Tax %	32.5%	5.8%	
Adj. PAT	2.8	-52.2	-1997.4%
Adj. EPS (p)	2.5	-89.7	-3686.9%
DPS - Ord (p)	4.0	0.0	-100.0%
DPS - NVPO (p)	6.0	0.0	-100.0%
Net cash	34.9	32.1	-7.9%

Source: Company

Revenues help up well, despite the termination of the HIOS contract

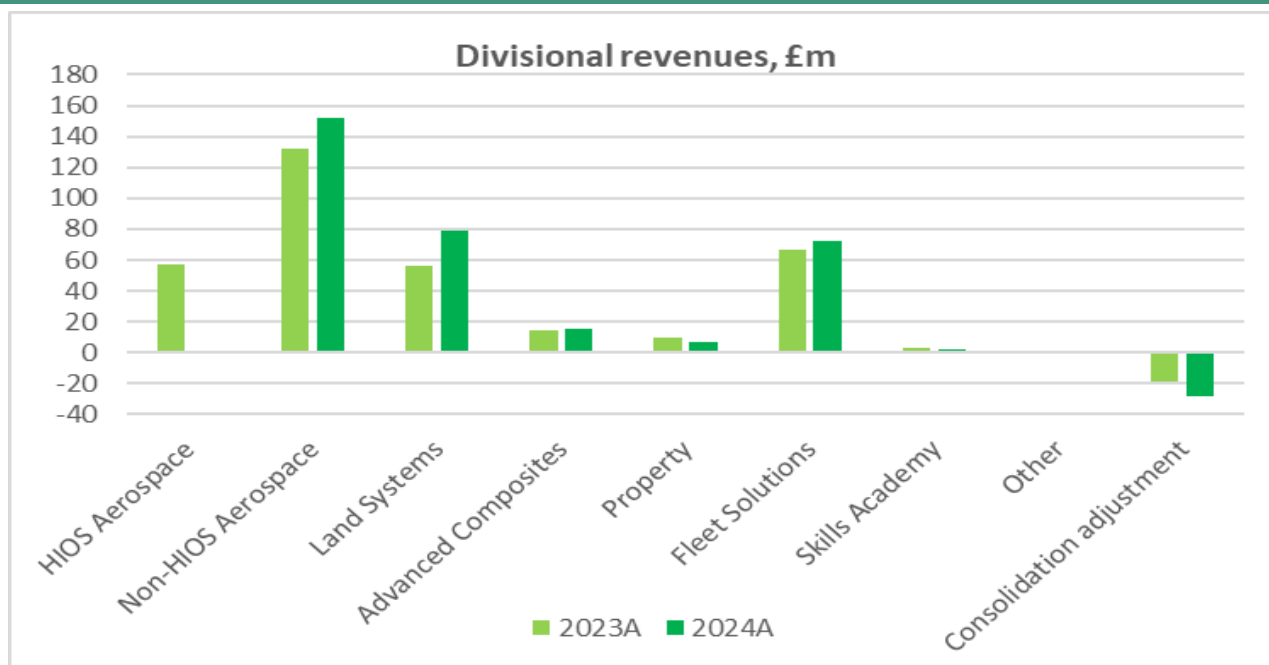
2024 proved to be a year of firefighting on several fronts, as shown in the financial results for the year. Notwithstanding the termination of the Hercules integrated Operational Support (HIOS) MRO contract, as the RAFs C-130 fleet was mothballed and placed up for sale in June 2023, Group revenues held up relatively well, declining just 6.3% yoy to £300.9m.

Revenue progression, £m



Source: Company

Revenue progression by division, FY24 vs FY23



Source: Company

Revenues increased yoy across five of the divisions, declining across two. The movements in the top-line were as follows:

- Non-HIOS Aerospace (+15.1% to £151.7m).** The loss of the HIOS contract in June 2023 resulted in revenues declining £57.3m yoy. A strong improvement in continuing revenues reflected the ramping up of the US Marine Corps MRO contract ("USMC"), coupled with programmes in the Middle East.

- **Land Systems (+42.1% to £79.2m).** The comparative trading period included a temporary halt in production, as well as productivity issues. Both continued in FY24, resulting in cost overruns on a major contract.
- **Slingsby Advanced Composites (+8.2% to £15.3m).** Delivered steady growth, which followed a cumulative 70% improvement in the previous two years. Despite operating close to production capacity, a rising pipeline drove the yoy uplift in sales.
- **Fleet Solutions (+9.0% to £72.6m),** The addition of two Frigoblock dealerships in May 2023 was responsible for the growth in the top-line, although on an underlying basis revenues declined. Competitive pricing further hampered progress.
- **Other/Futureworx (+9.7% to £1.0m).** Futureworx was closed mid-year.
- **Property (-31.2% to £7.0m)** With several properties disposed of during both periods, which included the site move of a Group subsidiary's production, the level of inter-group rent realised fell.
- **Skills Academy (-29.5% to £2.4m).** Notwithstanding the increase in intake and a widening of the programmes offered in FY23 revenues declined, which reflected the decision to offer the services internally to Company apprentices only.

The decline in profitability exceeded expectations

Although a double-digit loss for the year was anticipated, the engineering businesses continued to underperform, resulting in profitability deteriorating further in FY24 relative to levels in H2 '23, reflecting a combination of:

- The loss of the higher margin HIOS contract,
- A lower resultant capacity utilisation in the hangars at Cambridge Airport, and
- A further deterioration in losses at Land Systems and Fleet Solutions, reflecting issues with major contracts and a price competitive market, respectively,

Profitability within the **Aerospace** division was certainly affected by the delay in the disposal of the ex-RAF fleet of Hercules C-130s and responsible for the lower capacity utilisation at Cambridge Airport. Initially, the expectation was the sale and the likelihood of securing an MRO contract with the new owner (the precedent was set following previous sales of RAF C-130s, not least with Bangladesh and Bahrain) would take place in 2024. This now looks set to complete in late 2025, which has also delayed the release of working capital following previous repairs under the profit-sharing arrangement with the UK MoD. As a result, divisional losses increased to £6.1m (FY23: -£4.1m) on a continuing basis.

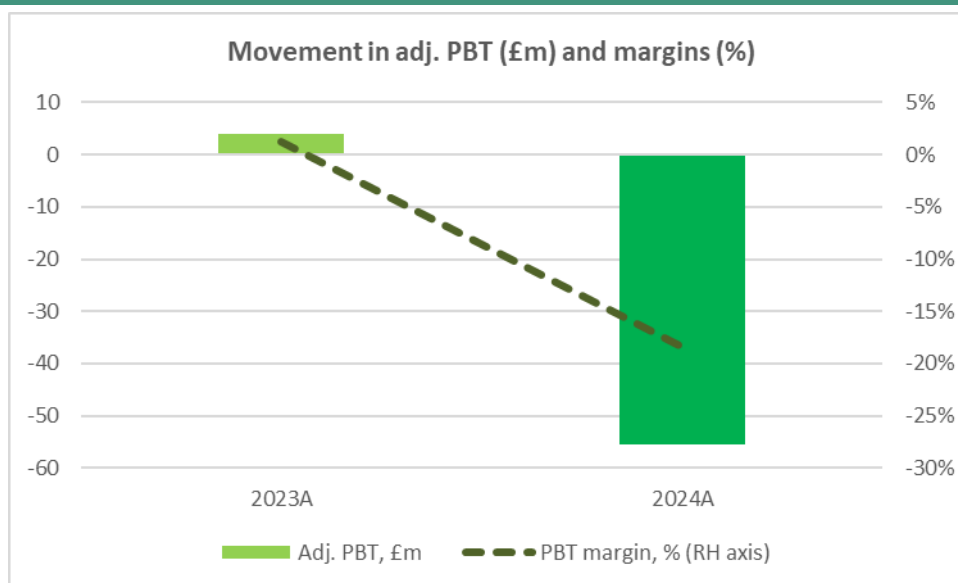
Land Systems operates four loss-making legacy contracts with one completing at the end of FY24, another ending in 2025, leaving two to continue for several years. Productivity and deliveries were impacted by the production issues and as such divisional losses increased from £20.1m in FY23 to £36.1m in FY24.

Losses doubled at **Fleet Solutions**, despite the dealerships purchased. The combination of ongoing price competition in its market and reduced productivity following the implementation of the new ERP system.

Profitability increased by two-thirds yoy to £3.3m at **Advanced Composites** during 2024. Adj. PBT margins rose to 21.5% (FY23: 13.9%), reflecting the operationally geared nature of the business model.

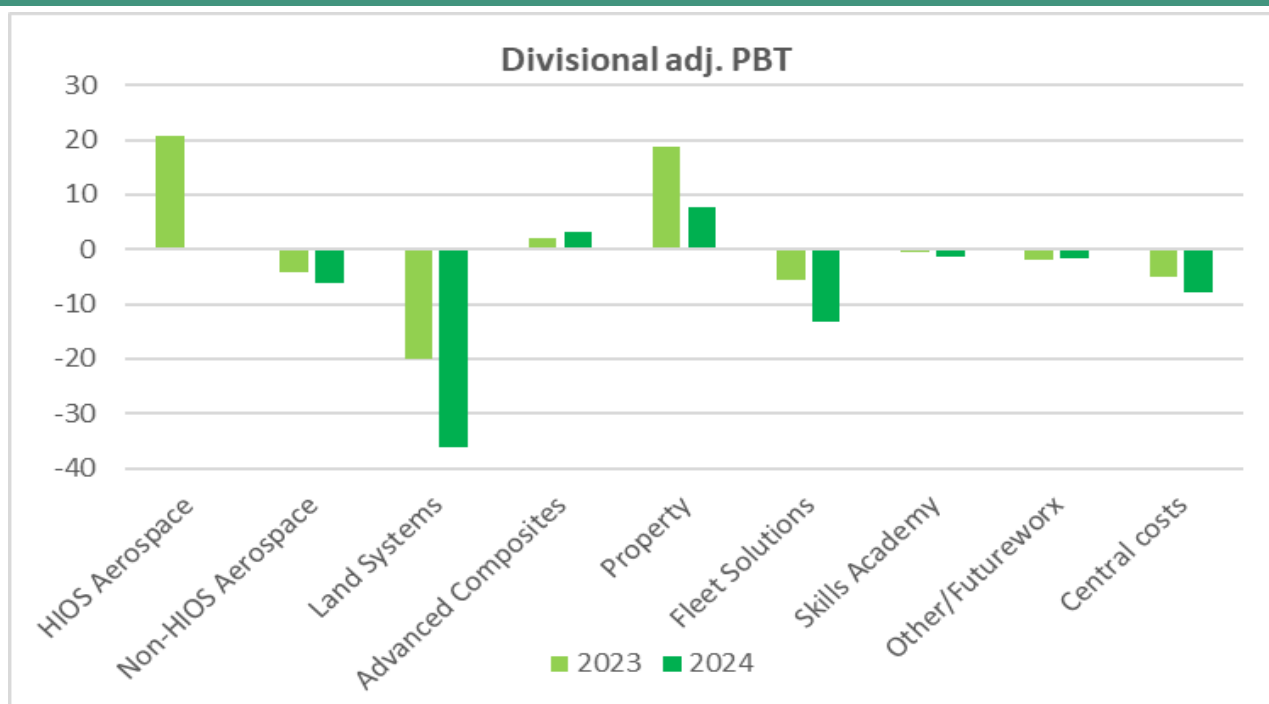
This combined to result in profitability and margins plummeting. Gross margins declined to 15.6% (FY23: 27.4%), as cost of sales rose 8.9% to £254.1m. Similarly, OpEx increased 13% to £112.6m to reduce EBIT margins to -20% (FY23: -2.1%).

Change in profitability & margins, FY24 vs FY23



Source: Company

Divisional progression in ad. PBT, FY24 vs FY23 (£m)



Source: Company

Exceptional items

Sharp rise in 'one-offs'



Source: Company

The increase in exceptional items highlights the scale of the issues faced within the Group, amounting to a net £67.8m. The separately disclosed items comprise:

A £13.7m profit on the disposal of the Marleigh JV (phases one and two) and associated land (phase three),

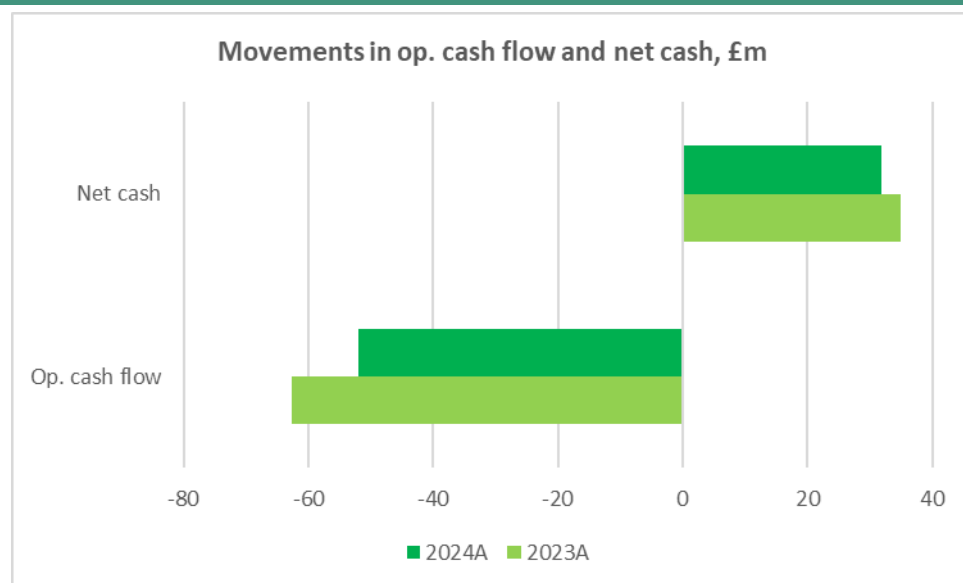
- The restructuring costs of £15.1m include redundancies, asset impairments and previously capitalised intangible assets and compares to £2.3m in FY23,
- The £18.6m write down of the assets of Fleet Solutions to reflect the scale of losses and the expected realisable value ahead of its disposal,
- The assets of Land Systems, the largest loss-making subsidiary within the Group, were written down to a likely realisable value. The impairment amounted to £34m,
- The impairment of capitalised development costs (Land Systems) and abortive ERP implementation costs amounted to a combined write-off of £9.5m, and
- The Group has provided for one-off onerous multi-year service contracts which have been written down to zero. This equated to a further write-off of £5.1m.

An ERP system has been implemented throughout the Group and will be amortised over seven years.

The loss after exceptional one-offs rose to £123.3m (FY23: +£1.9m), with a tax credit of £3.2m resulting in a loss before preference dividends of £120.1m (FY23: +£0.6m).

The losses continued to consume cash

Although operating cash flow improved during FY24 relative to movements in FY23, they remained sharply negative, at -£52.1m (FY23: -£62.8m, pre-interest and taxation). This reflected the rising trading losses within the business, offset by a working capital inflow. This left the Group asset-rich but cash-poor, with a smaller balance sheet following the disposal of Marshall Motor Holdings in May 2022. The shrinking of the balance sheet and move into a net debt position during the year restricted the ability to fund growth opportunities within core areas.

Changes in op. cash flow and net cash, FY24 vs FY23 (£m)


Source: company

Balance sheet hit by losses and provisions

Net assets declined to £150.2m, from £271.3m a year earlier. The primary causes include:

- The adjusted loss after tax (-£55.5m)
- The provisions for onerous contracts (-£21.7m), and
- A write down in the carrying value of Land Systems and Fleet Solutions (-£52.6m).

One should bear in mind that although the assets were reduced during the year to the likely net realisable value, particularly within loss-making and/or non-core divisions, other assets sit on the balance sheet at cost.

Another exception is the property division, where c.£30m has been spent to date on acquiring the land assets, together with capital costs such as planning permission for the Cambridge Airport site. The latter sits on the balance sheet at cost, strongly suggesting that the real 'asset base' is significantly undervalued within the balance sheet, as the airport was purchased 90 years ago.

The Group's revolving credit facility was renewed on 5 June 2025, amounting to £20m, a £10m trade loan facility and an £18m overdraft, accruing interest at SONIA plus 3.95% (3.5% on the £10m working capital facility), and is repayable in December 2026. Following the actions undertaken by the Board from early 2024 onwards, in conjunction with the sale of most of the ex-RAF C-130 fleet, we anticipate the Group will be in a better place to renegotiate the revolving credit facility (RCF) during FY26.

The implementation of a new strategic plan

What is in little doubt is that the Group was unable to continue in its current structure (as at the end of FY23). It required a plan of action to re-shape the Group. We believe that the plan implemented during FY24 can provide a long-term future for the core Group and allow it to unlock the potential of the Airport land.

The plan executed is as follows:

- A re-shaping of the Board to better deal with the issues facing the Group, while facilitating growth in key areas of the business,
- The UK's disposal of the ex-RAF Hercules C-130 fleet will unlock sunk capital for Marshall and enable it to seek replacement MRO contracts,
- Cost reduction programmes to stem losses across the Group,
- The disposal of businesses, whether profitable (but deemed too small to move the dial), loss-making or in areas considered non-core, and
- The move, ultimately, to a slimmed down business targeting added-value margins with good prospects for growth, positive cash and value generation, and funded via a mixture of internal resources and external finance.

The first step was a re-shaping of the Board in favour of personnel with experience of transforming businesses, with expertise in property and growing revenues.

The Non-Executive Chairman, Roger Hardy, was appointed to the position of Executive Chair at the AGM in July 2024, replacing the previous CEO who departed in May. Roger, David Heaford, CFO, and their team have implemented the new strategy and extricated the Group from the position it found itself in.

In view of the rising losses on several fronts and cash outflow, resolute action was required from the Board to ultimately place the core divisions on an even keel; difficult decisions were made requiring patience on the part of investors.

Significantly, no dividend was recommended for FY24, except for the ongoing commitment to the preference shares, which amounted to £0.744m per annum. This followed the decision to omit a final dividend for FY23, which reflected the ongoing liquidity risk.

We expect that once the Group's cashflow and balance sheet improves, the Board will look at options to distribute a portion of the cash proceeds resulting from the execution of the strategic plan.

Restructuring – actions undertaken in FY24

Closures

The Board announced the closure of Futureworx in June 2024, with the scaling back of its Skills Academy training business. Futureworx was the Group's venture arm, focused on harnessing emerging technologies to solve customer's problems. The Skills Academy has reduced its intake and course offerings, limiting them exclusively to apprentices within the Group. This should yield an annualised cost saving of c.£3m.

Disposals

The Group disposed of the 50% interest in Marleigh to its joint venture partner Hill Group in late November 2024. The consideration amounted to £68.0m, payable in four instalments with £38m received to date.

The deferred consideration will be payable over three years, with the first instalment in December 2025. To date, a profit of £13.9m was included within exceptional items in the FY24 report and accounts. Owing to the Group's short-term liquidity issues, profits over the medium term were exchanged for short-term cash.

Restructuring

In addition to the disposals and closures, the Board had little option but to consider the ongoing costs within the remaining businesses as it sought to stem the heavy losses. A redundancy programme to reduce headcount by 300 was announced in June, with a focus on administrative and support roles. A voluntary redundancy scheme was launched to achieve this goal.

Principal risks

The Board has identified 13 principal risks within the 2024 Report & Accounts, centred on three areas:

- Contract performance/ delivery risk,
- Group-wide liquidity, and
- Property development risks.

Contract review meetings are scheduled regularly which assess performance and to address outstanding issues. Although approval is outstanding for the proposed transfer of the ex-RAF C-130s to Turkey, the securing of a four-year maintenance contract has reduced the risks involved.

Following the closure of Skills Academy and Futureworx, plus the disposal of the second and third phases of the Marleigh joint venture, the Group returned to a position of net cash by the year end. Fleet Solutions was sold at the start of Q2 25, with Advanced Composites towards the end of the same quarter. However, the ongoing losses across its remaining engineering businesses will have eaten into cash levels during FY25.

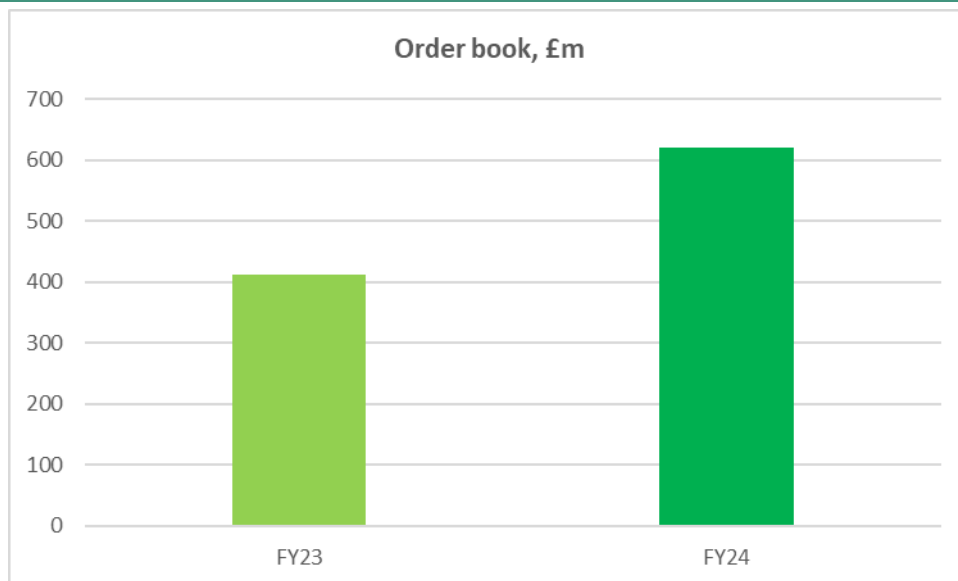
Further disposals are planned in FY25, including the potential receipt of the consideration owed for the ex-RAF C-130s and the heavily loss-making Land Systems. As such, the outlook with regards to liquidity has improved from the dire position as at the end of H1 24.

The Group's RCF amounted to £25m during FY24, including a £18.5m overdraft (FY23: unchanged). However, the Group had to obtain a waiver on the facility due to a breach of covenants. The facility was renewed in mid-2025.

Having disposed of the two joint venture developments on the fringes of the Cambridge Airport land (LNCH & Marleigh), key risks surround the development of the remainder of the site, of which the majority should form part of the plan for Cambridge East, once planning has been granted. The funding of the development represents a sizeable risk, in view of the scale and longevity of the project.

Order book

The engineering order book increases 50% yoy



Source: Company

The securing of new orders in both Canada and Europe by the Land Systems subsidiary resulted in the Group's engineering order book rising 50.4% yoy during FY24 to £621m. The new orders are multi-year by nature, the most significant of which are:

- The Logistics Vehicle Modernisation (LVM) contract runs over 25 years and provides vehicles and containers (valued at C\$1.5bn) and service support (valued at C\$1.8bn) to Canada's Department of National Defence. The contract will be fulfilled by a consortium led by General Dynamics and Marshall.
- A seven-year contract to build 500 command and control centres and ancillary equipment for the Swedish Armed Forces. This contract is expected to generate over £100m in revenues.

Those contracts will not commence their production phases until FY26 at the earliest, with FY25 comprising of design phase.

We expect the order book to rise further once the sale of the ex-RAF Hercules C-130s completes, as work commences on the MRO contract on behalf of the acquiror.

Post-balance sheet events, FY25 and beyond

Fleet Solutions

Fleet Solutions was sold to Trane Technologies, the parent of Thermo King and the primary supplier to the business at the beginning of April 2025. The consideration amounted to £5.8m, of which £1.5m is deferred.

Advanced Composites

Advanced Composites, one of the two profitable divisions in FY24, was sold in late June 2025 to a Swedish company for a consideration of £17.5m, as part of a strategic move to concentrate on the Group's core operations and optimise the overall business portfolio.

At 5.3x adjusted PBT, this represents a reasonably attractive historic exit multiple, in our opinion, particularly as capex is required to modernise the division's facilities and further investment needed to elevate revenues and profitability to the next level.

Land Systems

The Group is in the process of concluding an agreement to dispose of the heavily loss-making Land Systems. The business has lost approximately £77m in the four years to and including FY24, reflecting onerous, loss-making contracts. The FY24 impairment of the division's assets adds a further £37m to the cumulative losses sustained in recent years.

The losses within Land Systems are expected to continue, notwithstanding the new contracts secured over the last 18 months which are currently at the planning stage. We believe it remains unlikely that EBIT margins will reach added-value levels, even after loss-making contracts end. One such contract, supplying one of Europe's armed forces with specialised containers, was completed in December 2024. The contract with the UK MoD completes in 2025. However, two onerous legacy contracts continue for several years.

Significantly, plans to relocate the division to the outskirts of Cambridge were shelved. Production urgently needs to find a new home as the land on which the current facility sits (within North Works) was sold to Hill alongside the outstanding Marleigh joint venture. The combination of the ongoing losses, the need to find a new production facility and the funding involved led the Board to commence a disposal process in late 2024. The process has continued into FY25, with interest from several trade and financial purchasers and four 'best and final offers' received.

Discussions have since progressed with a well-funded third party to purchase Land Systems in the UK, Canada (including the Moncton facility) and in the Netherlands. Heads of terms have been agreed with approval required from banks, shareholders and the national interests of the three nation states in which the facilities are domiciled.

Following the write-off within the FY24 accounts to net realisable value, and in view of the ongoing losses (up to £4m per month), the options available to Marshall were to either close the business or to provide support payments to the acquiror.

Aerospace

Although it was reported in May that 12 of the 15 retired Super Hercules C-130Js had been purchased by an existing member of NATO, it requires US International Traffic in Arms (ITAR) approval from the US Congress.

While nothing is certain, there remains confidence that the necessary export licence will be granted before the end of September this year. Work to upgrade several airframes was undertaken by Marshall following the retirement of the fleet. We expect an influx of cash as part of a gainshare agreement with the UK MoD, amounting to an initial £28m. Further payments are likely ahead of the year end, totalling £80m including the gainshare payment and initial contract milestones.

Once approved, Marshall Aerospace will immediately commence a multi-year MRO contract to install new centre-wings and update the 12 airframes to the purchaser's specifications. The contract is expected to commence during Q4 25. We anticipate that such a contract will, alongside existing undertakings from the other 14 customers of the Aerospace division, result in high level of capacity utilisation within the hangars at the Cambridge Airport for the foreseeable future.

Three ex-RAF C-130s remain unsold and continue to be stored in Cambridge, with the Group receiving a small storage related fee. We are currently unaware of any advanced discussions underway relating to the three aircraft. Significantly, the Aerospace business is required to relocate from the Airport during FY28/29 to deliver the site to the Property division by FY29. The cost of the relocation is likely to be more than £100m.

Marshall Group Properties

Excluding various properties owned and historically rented to other Group divisions and third parties, the core asset held by the property division is the remaining 680 acres of airport land.

Two plots, comprising c.220 acres, were sold to their joint venture development partners in 2022 (Land North of Cherry Hinton) and Marleigh (2024). The remaining land is in the books at cost, purchased some 90 years ago by the Group's founder (David Marshall) and his son (Arthur, a pilot), in 1935.

Of the 680 acres, 200 are green belt. The Government has plans for a station linking the proposed Cambridge East development with the city centre and potentially increasing the attractiveness of the site and **materially expanding the number of homes projected** to be built over initial estimates (rising from 9,000 to 13,000).

The value of the Cambridge East site sits on the Group's balance sheet at £30m, which reflects the historic cost of the land and capital expenditure to date. The Board has sought a formal valuation of the site, which is currently in the range of £120m to £160m for the 480 acres retained for the Cambridge East land. Available land for expansion could well be worth approximately £15m to £25m, suggesting a **total undeveloped value without planning permission of £135m to £185m** (source: Savills).

The value of the plot will increase once planning permission has been granted, although this is by no means certain, as the expansion land is partly in green belt. The full planning process is expected to cost approximately £30m. One would surmise that after the change in planning legislation the Ministry of Housing Communities and Local Government (MHCLG) would be keen to see the proposed development proceed in some form.

Significant value uplift with planning approval

With outline planning permission (OPP), the value of the undeveloped land would increase by an estimated £100m.

However, there are several constraints on the development of the land:

- Cash resources,
- Vacant possession of the Airport required,
- The time parameters of the local governments involved do not necessarily fit with those of a commercial entity,
- A portion of the site will require remediation due to previous contamination,
- In unlocking the site surrounding the station (resulting in a further 5,000 homes and taking the total to 18,000), Marshall Group Properties would need to work with the land's current owners, and
- The green belt land

All the above restrictions are significant. However, arguably the most significant is the funding requirement for the development, in view of the liquidity issues facing the Group.

On a positive note, the Cambridge East development has moved to the consultation stage within the Local Plan.

Options open to the Group regarding the airport land

There are several options open to the Board on which route to follow to develop the 680 acres airport land:

- Sell outright to a third party, without planning permission
- Form a joint venture (JV) with a partner, with the latter paying for planning permission and then sell the land with outright planning permission
- Form a JV with a partner, who pays for the planning process and retain the Group's stake into the development phase
- Pay a development manager to deliver OPP, while retaining 100% ownership of the site, and
- Obtain outline planning permission via internal resources and retaining 100% ownership of the site.

It is only when we move to option four that the Group incurs a cash cost, with option five representing the highest cash outflow (c.£30m). Conversely, the earlier options represent a low level of risk to Marshall, rising as we move to options four and particularly five.

A partnership is preferred - criteria

The Board decided it was best to progress the development plans for Cambridge East in conjunction with a partner, with Savills submitting advice on the preferred outcome during the early stages of the process. The options were submitted to the Group's shareholders in meeting in March of this year.

The criteria on which the partner will be assessed are as follows:

- Affordability – the requirement for the Group to have a financial cushion, in view of the losses incurred by the remaining engineering businesses,
- Value and risk – reflecting the political and economic risks, the degree of OPP received, interest rates (determining affordability and the pace of market growth), and taxation amongst others,
- Liquidity – the timing of cash receipts from other parts of the business, including disposal proceeds, the scale of external finance required and whether funded by debt or by an issue of equity,
- Ability to deliver – what is the track record of the potential partner, whether on delivering in a timely manner or dealing with other stakeholders and national and local governments, and is the experience of the partner's people and chemistry with those employed by Marshall positive, and,
- Investment and returns – how much risk and capital do Marshall shareholders wish to take on board?

Approaches made, sorting the wheat from the chaff

Several approaches have been made to the Board, of which some were unsolicited. To date those have included:

- Outright purchase
- Development Manager proposals, and
- Master Development Partner

The Board's preference is to retain an ability to share in the creation of value on the land, thereby discounting the first option and in turn, rejecting two unsolicited offers.

Four proposals were received from development partners, with no guarantee of buy-in to the development once outline planning was achieved.

In all instances, the group would be required to fund the cost of planning. Internally, there were concerns over the time taken to obtain OPP, with delays beyond the initial estimates of three to five years increasing the cost and thereby, reducing the level of value creation for Marshall.

Several options were presented to the Board, vying for the position of Master Development Partner.

The Master Development Partner would be required to pay for OPP and pay Marshall 50% of the post-planning permission value, with the Group retaining a 50% equity share in the ongoing joint venture.

On that basis, the value to Marshall would amount to £250m plus the expansion land.

Preferred approach

The Board's preference is to take the third option, and it remains in discussions with one such potential development partner.

The current proposal is that the partner will pay for OPP, with a proportion of the Airport land sold to the JV at a pre-planning valuation, with the remainder of the 50% sold at market rates once planning has been achieved.

Marshall receives cash and retains a 50% share of the site.

The receipt of cash will provide the Group with options to renegotiate its RCF with existing or potentially new banks. Those options may well include investment in other projects, whether property related or elsewhere.

Completion is subject to shareholder approval, with contracts expected to be signed ahead of the year end.

Valuation

Calculating a precise valuation for the Group while in its current state of flux is simply not possible. Much of the business has either been closed, sold or is heavily provisioned (suggesting that it is likely to be sold at some point in the future).

The two areas seemingly absent from such treatment are the Aerospace and Property divisions. Yet, without financial projections (and preferably beyond one year), it remains difficult to suggest a reasonable value based at or close to market multiples.

What we do know is that the average level of revenues generated by the **Aerospace MRO division** in the last three years ahead of the MoD's retirement of its C-130 fleet was c.£238m. During this time, profitability fluctuated but averaged £22m, representing an adj. PBT margin of 9.2%. We suspect that the final year ahead of retirement resulted in an increase in higher level modifications to the aircraft to increase their value on disposal and as such, it is probably safer to assume a 7% margin. Our assumptions suggest the business can generate adj. EBIT of £16.7m, pre-funding.

One also needs to bear in mind that owing to the delays in disposing of the 12 airframes from the ex-MoD fleet and the start of the MRO contract for their purchaser, FY25 is likely to be loss-making.

The average FY25 EV/EBITDA multiple for defence stocks in FY25 is 14.2x (source: Koyfin). Reducing this multiple by 40% to take account of the size differential versus its larger peers and crudely converting to FY26 sector estimates gives a ratio of 8.5x. **This implies a valuation for Aerospace of £142m, minus associated debt.**

Shifting our attention to the **Property division**, market valuations suggest it is currently worth £250m with OPP by the end of 2029 (dependent upon the length of the planning process). This valuation excludes the green belt or expansion land within the Airport land. In view of the time frame, it is sensible to discount the sum back to FY25 levels.

On this basis, using a discount rate of 5.25% (representing the base rate plus 1.25%) over a four-year period suggests a current net present value of £204m for Property.

One can also bear in mind that this valuation assigns no value to the expansion/greenbelt land and external properties.

Financials

In view of the ongoing implementation of the new strategic plan, alongside challenging markets, we are withholding financial estimates for FY25 and beyond at this stage. This is likely to change as clarity emerges on the shape of the Group moving forward as the conclusion of the restructuring process draws closer.

The rising scale of losses in FY24 suggests that in the absence of the completion of the disposal of the ex-RAF fleet (and securing a multi-year MRO contract), the Group is likely to remain loss-making in FY25.

The likely continuing losses do have implications for the Group's ability to generate cash and for the balance sheet. However, offsetting the negative operating cash flow is the ongoing disposal programme, which resulted in inflows of £4.3m for Fleet Solutions (early April, with £1.5m deferred) and £17.5m for Advanced Composites (end June).

Summary Income Statement					
Year to Dec, £m	2020A	2021A	2022A	2023A	2024A
Aerospace	229.3	232.7	252.9	189.1	151.7
Land Systems	44.2	40.6	55.9	55.7	79.2
Advance Composites	10.3	8.3	10.2	14.2	15.3
Aerospace & Defence	283.8	281.6	319.0	259.0	246.2
Property	8.1	7.9	7.6	10.1	7.0
Fleet Solutions	45.7	54.3	51.6	66.6	72.6
Skills Academy	0.0	2.0	2.7	3.4	2.4
Other	13.2	3.9	0.6	0.9	1.0
Intercompany	-17.1	-6.7	-12.9	-18.7	-28.2
Revenue	333.7	343.1	368.7	321.3	300.9
Y-o-Y growth (%)	-7.8%	2.8%	7.5%	-12.9%	-6.3%
CoGS	-250.7	-255.0	-245.0	-233.3	-254.1
Gross profit	83.0	88.1	123.7	88.0	46.9
Gross margin (%)	24.9%	25.7%	33.6%	27.4%	15.6%
OpEx	-69.9	-114.6	-106.9	-107.2	-112.6
Profit on sale of land & buildings	0.0	21.1	0.0	7.7	0.1
Other income	2.6	3.4	3.0	4.8	5.6
Adj. EBIT	15.7	-2.0	19.9	-6.7	-60.0
Adj. EBIT %	4.7%	-0.6%	5.4%	-2.1%	-19.9%
Share of JVs	0.4	3.5	4.5	6.6	4.4
Associates	0.0	4.5	0.0	0.0	0.0
Net Interest	-0.1	0.0	3.7	4.2	0.1
PBT (Adjusted)	16.1	6.0	28.1	4.1	-55.5
Exceptionals	-0.5	10.7	-0.7	-2.1	-67.8
Reported PBT	15.6	16.5	27.4	1.9	-123.3
Adj. Tax	-4.6	-1.4	-5.8	-1.3	3.2
Adj. PAT	11.5	4.7	22.3	2.8	-52.2
Minority interests	-0.6	0.0	0.0	0.0	0.0
Pref. dividends	-0.7	-0.7	-0.7	-0.7	-0.7
Earnings	10.1	3.9	21.5	2.0	-53.0
EPS (Adjusted) (p)	41.3	2.3	36.4	2.5	-89.7
DPS (p) - Voting, ordinary	7.0	4.0	80.0	4.0	0.0
DPS (p) – NVPO	9.0	6.0	82.0	6.0	0.0
Ave no of shares (FD) (m)	59.1	59.1	59.1	59.1	59.1

Source: Company histories

Summary Cash Flow					
Year to Dec, £m	2020A	2021A	2022A	2023A	2024A
EBITDA	15.0	-0.5	36.7	11.0	-43.4
Working capital movement	-12.7	-34.7	8.4	-56.7	47.8
Other	-1.2	-0.6	0.8	-17.1	-56.5
Operating cash flow	1.1	-35.8	45.9	-62.8	-52.1
Net Interest	-0.3	-0.4	1.1	3.3	-0.4
Pref. dividends	-0.7	-0.7	-0.7	-0.7	-0.7
Minority payment	0.0	0.0	0.0	0.0	0.0
Taxation	1.1	-2.3	-1.8	-2.8	3.0
Cash earnings	1.1	-39.2	44.5	-63.0	-50.2
Net capex	-19.2	12.8	-15.9	-23.1	8.4
Post capex cash flow	-18.0	-26.4	28.6	-86.1	-41.7
Dividends	-3.3	-3.3	-48.2	-3.3	0.0
Free cash flow	-21.3	-29.6	-19.6	-89.4	-41.7
Net (Acqns)/Disposals	0.0	0.0	199.0	-3.9	38.9
Share Issues	0.0	0.0	0.0	0.0	0.0
Other financial	-0.2	4.4	-8.9	-1.2	-0.1
Increase Cash/(Debt)	-21.5	-25.3	170.5	-94.5	-2.9
Opening Net Cash/(Debt)	5.6	-15.9	-41.2	129.3	34.9
Closing Net Cash/(Debt)	-15.9	-41.2	129.3	34.9	31.9

Source: Company historics

Abbreviated Balance Sheet					
Year to Dec, £m	2020A	2021A	2022A	2023A	2024A
Intangible Assets	13.1	12.0	15.2	21.4	5.7
Tangible Assets	100.8	87.4	97.0	115.8	89.0
Investments/other	42.3	5.3	8.1	17.5	2.3
Net Working Capital	17.2	110.0	62.4	116.7	49.8
Capital Employed	173.4	214.7	182.7	271.3	146.9
Other	-18.9	-19.0	-23.3	-19.1	-3.3
Net Cash/(Debt)	-15.9	-41.2	129.3	34.9	31.9
Provisions	-11.8	-18.0	-14.4	-15.8	-25.3
Pension liability	-4.6	0.0	-2.3	-1.7	0.0
Net Assets	122.1	136.5	272.0	269.6	150.2
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Shareholders' Funds	122.1	136.5	272.0	269.6	150.2

Source: Company historics, Equity Development estimates

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