

Creating long-term value

1 June 2020

The resolution to grant planning approval for the Group's housing development on land adjacent to Cambridge Airport was forthcoming late last week. This is another pivotal step in its growth strategy, and we believe the property projects will prove to be transformative to the Group's EBIT and cash flow over the next decade. Management is expected to invest much of this cash flow into the core Aerospace & Defence business. In the immediate term we have left our estimates and fair value assumptions unchanged.

Marshall Group Properties (MGP), a subsidiary of the Group, owns approximately 900 acres of land that comprises both Cambridge Airport and areas adjacent to it. The airport itself is less than two miles east of the city centre and nearby Marshall has two major development projects. **Marleigh** lies to the north and **Land North of Cherry Hinton** (LNCH) to the south. MGP is to develop approximately 230 acres of its land across the two sites.

Phase One of the Marleigh development is already underway, with detailed planning permission granted in August 2019 for 239 dwellings, with initial home reservations secured during Q1 2020. The combination of the two projects support the relevant authorities' five-year housing supply in the current local plan. The entire LNCH site comprises 138 acres, with 70 supplied by MGP. MGP has collaborated with the adjoining landowner and their appointed land promoter, Endurance Estates (EE), to secure the outline planning consent for up to 1,200 homes. The homes will be split between MGP (780) and EE (420) and of these, 480 will be affordable.

In addition to the homes, the LNCH planning consent will see the provision of a primary school, a secondary school, a local community centre (including retail units) and, will include both formal and informal open spaces, including pocket parks, play areas and allotments. Indeed, up to 40 acres across the development will comprise open spaces. Public footpaths linking the development to the villages of Cherry Hinton and Teversham will be provided, with several cycle routes adjacent to the site also linking the development to Cambridge itself. The construction of a new primary access road and other roads will also be required. Also, there are already several bus routes in proximity to the LNCH development that allow for communal travel to reduce harmful emissions.

The development of the two parcels of land will transform the finances of the Marshall Group over the next decade. We expect that significant cash flow should begin to pass back into the Group from 2025 onwards, thereby enabling management to further invest in the core Marshall Aerospace & Defence Group (MADG).

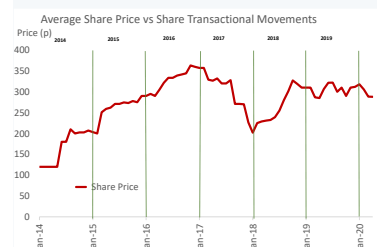
A lack of visibility relating to the COVID-19 pandemic has caused us to withdraw financial estimates for FY20 and beyond. We expect to revisit these once it is appropriate to do so. The outline planning approval for the LNCH development is a further step in the transformation of the Group which commenced with the restructuring of MADG in 2018.

In the meantime, we retain our fair value of 532p per NVPO share.

Marshall of Cambridge Holdings Ltd

Last matched trades	288p
Implied market cap	£170m
ED fair value/NVPO share	532p
Ordinary share count	59.1m
Preference shares (NBV)	£8.4m
Net debt (Dec '19)	£24.9m

Share Price, p



Source: ED, James Sharp

Description

Founded in 1909, Marshall of Cambridge (Holdings) Ltd (MCH) is a private, family-owned company, employing 6,365 staff.

In 2018, the business generated c.£58m of EBITDA on revenues of £2.5bn and has significant organic opportunities ahead. Not only accelerating expansion at its leading aerospace/defence (MADG) and motor retail businesses (MMH – 64.46% owned). Along with perhaps turning around its loss-making Fleet Solutions arm and providing a springboard for its high-tech venture capital investments. But also unlocking value from its 900-acre estate at Cambridge airport.

The non-voting priority ordinary shares (NVPOs) can be traded freely via a special off-exchange matching facility administered by stockbroker James Sharp & Co. To register interest, the contact there is:

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