



6 March 2024

Marshall of Cambridge (Holdings) Ltd 2023 Trading Update

Marshall of Cambridge (Holdings) Ltd (“Marshall” or “the Group”), a leader in engineering excellence for the aerospace, defence and logistics industries and Cambridge property development, today announces a trading update for the 12 months to 31 December 2023¹.

Kathy Jenkins, Chief Executive Officer said:

“This is the first year in the Group’s five-year strategic plan as it transitions to a post-HIOS² operating model. It was anticipated that there would be challenges in repositioning the engineering businesses in the short term, and that has been evidenced over the year. However, there have also been notable successes in building on the Group’s competitive strengths in winning new business, especially internationally, with US and Canadian Militaries who value our specialised engineering expertise.

“Our focus remains on creating long term shareholder value under a strengthened and refreshed management team through improving product delivery, driving greater efficiencies, and capitalising on the strong order pipelines. The specialist expertise and problem-solving skills we bring to our engineering projects are highly valued by our customers and build on the long, trusted customer relationships we have established over many years. Whilst this has been a challenging year financially, we remain confident that our renewed focus on profitable growth will generate long term value for shareholders.”

2023 FINANCIAL SUMMARY^{1,3}

- Total Group Revenues £322m (2022: £369m) with revenue growth in Fleet Solutions, Advanced Composites and Skills Academy.
- Aerospace revenues declined following the cessation of the HIOS² contract in H1. Land Systems reported broadly flat revenues for the year.
- Group Profit in line with previous guidance for profit outturn in low to mid-single digit millions.
- Year-end cash position of £35m (2022: £129m) due to increased working capital requirements and operational underperformance as well as delays in the sale of the UK RAF C-130 Hercules aircraft.

2023 OPERATIONAL SUMMARY^{1,3}

- Order book totalling £449m as at 31 December 2023 (2022: £568m), reflecting in part the cessation of the HIOS² contract during the year.
- On-going construction of new facilities in US and Canada to service Marshall’s growing international presence with the US and Canadian Militaries.
- Good growth in Skills Academy, with 68 apprentices accepted out of over 1,000 applications, with a pilot programme successfully trialled in Canada.
- Proactive reorganisation of the businesses to build on Marshall’s engineering expertise and drive operational efficiencies under a strengthened management team.

Operating review

Group revenues declined over the year, primarily due to the cessation of the HIOS² maintenance contract in the Aerospace business midway through the year. Whilst forecast, this had a material impact on revenues and profit for both the Aerospace business and the Group as a whole.

In the engineering businesses, Fleet Solutions' revenues recorded strong growth, driven by the recent acquisition of the two FRIGOBLOCK dealers. Advanced Composites continued to benefit from contracts with the UK MOD to supply bespoke components for military applications. Revenues in Land Systems were broadly flat.

The award-winning Marleigh property development again reported a strong performance, completing on the sale of 91 units. The Property business from also benefited from an increase in the value of investment property.

Group profits, whilst in line with our Q3 trading update, were disappointing in the engineering businesses, although Advanced Composites again performed strongly. As forecast, the cessation of the HIOS² contract in the first half was the largest driver of profit decline in the Aerospace business. Land Systems continued to be impacted by legacy contracts, although it is anticipated that the impact of these contracts will begin to reduce in late 2024. Fleet Solutions experienced another difficult year as price competition intensified in the vehicle refrigeration market, although this was slightly offset by the good performance in the recent FRIGOBLOCK acquisition.

Property once again recorded an increase in profits recognised from the joint venture with our development partner.

Cash position

The year end cash position was significantly below forecast primarily due to increased working capital requirements on various projects, including the Centre Wing project in Aerospace and inventory build-up in Land Systems following a temporary line stoppage to address an engineering issue. Underperformance in the engineering businesses also contributed to the reduction in cash.

The continued delay in resale of the UK RAF C130 Hercules aircraft contributed further to the reduction in the cash position. However, there has been serious interest from several overseas governments over the year, with a sale of the majority of the aircraft anticipated in the second half of 2024. The additional value created in these aircraft through MRO⁴ work, undertaken in collaboration with the UK MOD, will be released by the sale and should result in material value to the Group.

Outlook

This has been a transitional year for Marshall, and it was always anticipated that progress against the five-year strategic plan would not be linear. The Group is proactively addressing these challenges through prudent cost control, accelerated operational efficiencies and a renewed focus on leveraging the profit opportunities in our order pipeline, particularly internationally.

In the short term, it is expected that the cash and working capital trends will continue in the first half of the 2024 financial year before easing in the second half of the year, pending the anticipated

sale UK RAF C130 Hercules aircraft. The order book and order pipeline remain robust, and international expansion remains on track with construction of facilities in the US and Canada to service the US and Canadian Militaries

In the Property business, the Marleigh Phase 1 is complete and planning for the development of Phase 3 is beginning. Consultations continue with Cambridge City Council on the inclusion of the Cambridge East project in the Local Authority Plan which is expected to be published later in the year.

We remain confident that our strategy, the quality of our order book and the skill base of our employees underpin our ability to generate long term value for shareholders.

Full year results for the 12 months to 31 December 2023 are expected to be published with the Marshall Annual Report in late May once the financial audit work is completed.

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¹ 2023 figures based on unaudited figures for the 12 months to 31 December 2023

² Hercules Integrated Operational Support

³ 2022 comparatives taken from the Operating Review published 12 May 2023

⁴ Maintenance, Repair and Overhaul