

Significant contract win

13 May 2020

Marshall of Cambridge has announced that it has secured a meaningful, five-year contract within its Aerospace and Defence Group (MADG). The contract is to supply maintenance, support and training to the Cameroon Air Force's fleet of C-130J Hercules transport aircraft. It is noteworthy, both in scale and for the addition of the 17th customer of the airframe, again highlighting the Group's enduring expertise.

While we have temporarily withdrawn estimates owing to uncertainty created by the COVID-19 pandemic, we think the contract addition serves as a reminder of the Group's inherent value as a long-term engineering project management business. The Group is also strongly asset-backed, with significant opportunities materialising from land sales and ultimately, the proposed re-location of the Cambridge Airport site.

Typically, Marshall will undertake a rigorous and lengthy process in maintaining an aircraft, which tends to last several months to ensure that the plane will provide several further years of dedicated service. MADG can modify aircraft, including altering the layout, extending the length and load carrying capabilities and to add specific equipment.

The contract is for an initial five years, with all in-depth maintenance work undertaken at the Group's facilities in Cambridge. In addition, MADG will provide both technical support and training under the terms of the contract, with the latter enabling the Cameroon Air Force to deliver front-line maintenance and support in Cameroon.

The addition of the Cameroon Air Force contract takes the number of MADG's C-130J maintenance related and international customers to 17, supporting the largest number of operators globally and highlighting MADG's expertise on the airframe. MADG also has a significant maintenance contract with the UK's Royal Air Force fleet of C-130 aircraft, which includes the enhanced Centre Wing Replacement programme (CWRP) from 2017. Under the terms of the revised Strategic Defence & Security Review, the life of the 14-strong fleet was extended to 2035 last year.

The Lockheed Martin C-130J Hercules is a four-engine turboprop transport aircraft used in military, search and rescue and humanitarian situations (including recent COVID-19 related supply drops and medevac repatriation missions). The C-130J is the latest version of the aircraft and introduced in 1999, incorporating new engines, digital avionics and reduced crew requirements over earlier versions. The longevity (63 years) and continued demand for the aircraft reflect its large load, ability to land and take-off from makeshift landing strips and a capability to airdrop a variety of stores and equipment.

Valuation

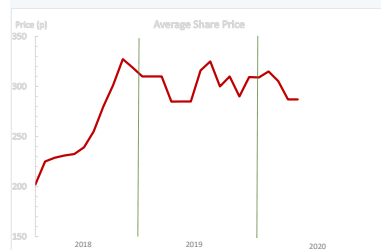
We have withdrawn FY20 estimates in the context of a current lack of visibility in the Group's markets following the COVID-19 pandemic. However, the ongoing transformation of the Group began with the restructuring of the MADG business, the commencement of land sales and the subsequent long-term development/relocation of the Group's asset base.

There is no change to our view of fair value being 532p per NVPO share.

Marshall of Cambridge (Holdings)

Last matched trades	288p
Implied market cap	£170.1m
ED fair value / NVPO share	532p
Ordinary share count	59.1m
Preference shares (NBV)	£8.4m
Net debt (June '19)	£12.3m

NVPO Share Price, p



Source: Company

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, the Group is 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 is:

Josh McArdle, Tel 0161 764 4043

David O'Brien (Analyst)

0207 065 2690
david@equitydevelopment.co.uk

Hannah Crowe

0207 065 2692
hannah@equitydevelopment.co.uk



Investor Access

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

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www.equitydevelopment.co.uk

Equity Development, 15 Eldon Street, London, EC2M 7LD. Contact: info@equitydevelopment.co.uk 0207 065 2690