

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 and 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 and 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:

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

Equity Development Limited is regulated by the Financial Conduct Authority

Equity Development Limited ('ED') is retained to act as financial adviser for various clients, some or all of whom may now or in the future have an interest in the contents of this document and/or in the Company. In the preparation of this report ED has taken professional efforts to ensure that the facts stated herein are clear, fair and not misleading, but make no guarantee as to the accuracy or completeness of the information or opinions contained herein.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom ('FSMA'). Any person who is not a relevant person under this section should not act or rely on this document or any of its contents. Research on its client companies produced and distributed by ED is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent, as defined by the FCA, but is 'objective' in that the authors are stating their own opinions. This document is prepared for clients under UK law. In the UK, companies quoted on AIM are subject to lighter due diligence than shares quoted on the main market and are therefore more likely to carry a higher degree of risk than main market companies.

This report is being provided to relevant persons by ED to provide background information about Marshall of Cambridge Holdings Ltd. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever. Self certification by investors can be completed free of charge at www.fisma.org

ED may in the future provide, or may have in the past provided, investment banking services to the Company. ED, its Directors or persons connected may have in the future, or have had in the past, a material investment in the Company.

More information is available on our website

www.equitydevelopment.co.uk

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