

Marshall of Cambridge



8 November 2021

Further long-term value creation

Planning approval has been granted for the second phase of the Marleigh development, comprising 421 homes approximately two miles east of the centre of Cambridge. This represents a further step in the unlocking of value from the Group's portfolio of assets. We continue to believe that the property projects will continue to prove transformative to Group EBIT and cash flow over the next decade. Further ahead, a recent announcement relating to the airport site was also very encouraging. The share price continues to sit at a significant discount to both our sum-of-the-parts based fair value and to shareholders' funds.

Marleigh development

Approval was recently granted for 421 homes on land adjacent to phase 1 of the Marleigh development. The homes, including 333 one-to-two bed apartments and 88 two-to-four bed houses, will be suited to first-time buyers and families. 30% of the second phase will consist of affordable housing, via shared ownership or affordable rent. The apartments will be set out in five blocks of three to four storeys high, with ground floor parking and green space provided (including podium gardens).

Construction of phase 2 will commence in Q1 2022, with occupation from Q2 2023 onwards. The sales process has completed on phase 1a, with the focus of the sales office has moved to phase 1b and is about to include phase two.

Outline planning permission for the overall scheme was granted in November 2016 for up to 1,300 homes, a primary school, food store, community facilities, landscaping, sports pitches, public spaces, and a market square for the land north of Newmarket Road, known as the Marleigh development. Phase 1a of the Marleigh development was given approval for the construction of 239 dwellings and a local centre in September 2019. The sales centre opened at Marleigh in March 2020.

The number of reservations and completions has continued to rise on phase one of the Marleigh development, with the total number of dwellings at 547. Construction on phase 1a is expected to complete in Q1 2022. The demolition and relocation of several franchised car dealerships operated by the Group's subsidiary, MMH, as well as properties previously utilised by the Aerospace and Land Systems businesses, has also begun, in preparation for phase 3 of the Marleigh development.

Cambridge East

The local authorities (comprising Cambridge City and South Cambridge) published a first draft of the Preferred Options Local Plan, which set out its favoured development strategy for the city from 2030 to 2050. Cambridge East remains central to those plans, which incorporates land owned by Marshall.

The freeing up of the land at Cambridge Airport and the relocation of its Marshall Aerospace business possibly to Cranfield, for which the Group has just appointed a team of consultants to commence the planning application, will provide a further 670 acres available for development. Currently, the redeveloped 900-acre site is capable, ultimately, of providing a combined 12,000 homes and c.5m sq ft of commercial space.

Valuation

With no change to our estimates because of this news, we have retained our fair value at 611p per NVPO share. The most recent traded share price of 257p stands at a discount of 58% to our fair value assumption.

Marshall of Cambridge Holdings

Last matched NVPO trade	257p
Implied market cap	£151.9m
ED Fair Value / NVPO	611p
Net debt (Jun '21)	£33.7m

Share Price, p



Source: James Sharp & Co, ED

Description

Founded in 1909, Marshall of Cambridge (Holdings) Ltd (MCH) is a private, family-owned company, employing 7,500 staff. The world-class applied engineering services and technology business to the aerospace/defence sectors (Marshall Aerospace and Marshall Land Systems), is the core of the Group. The 64.41% owned motor retail business (MMH) delivers the bulk of the revenues. The property division, MGP, is in the process of unlocking value from its 900-acre estate at Cambridge airport. Finally, the Group owns the UK's largest independent commercial vehicle service organisation (MFS).

The non-voting priority ordinary shares (NVPOs) can be traded freely via a special off-exchange matching facility administered by Stockbroker James Sharp & Co. The contact there is Josh McArdle, Tel. 0161 764 4043.

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