

12 October 2020

## Eddie Stobart Logistics plc

(the "Company")

### Trading Update of Associate Company

#### Return to profitability - progress on turnaround

Eddie Stobart Logistics plc (the "Company") has been notified by its 49% indirectly owned associate GreenWhiteStar Acquisitions Limited ("GWSA"), the holding company of the Eddie Stobart, iForce, The Pallet Network and The Logistics People businesses (the "GWSA Group"), that it has published the following statement on its website:

#### William Stobart, Executive Chairman of GWSA, commented:

*"I am pleased to be back leading the GWSA Group. These results show we have put past challenges firmly behind us. The past six months have shown the strength of our differentiated business model which has allowed us to grow existing customer relationships, win new business, return the GWSA Group to profitability and overcome challenges presented by Covid-19. Looking ahead, we are confident that our renewed focus on our historic core capabilities as transport and logistics services provider for the FMCG and grocery sectors, and as a leading player in e-commerce logistics and fulfilment, will allow us to drive profitable growth going forward."*

#### Financial Highlights

HY results (£ millions) <sup>1</sup>	31 May 2020	31 May 2019 <sup>2</sup>	Change
Revenue	416.5	421.1	(1.1%)
Underlying EBITDA <sup>3</sup>	16.6	(6.3)	363.5%
Underlying EBIT <sup>3</sup>	10.6	(11.6)	191.4%

<sup>1</sup> All financials are stated before the application of IFRS 16.

<sup>2</sup> The comparator stated is the results of Eddie Stobart Logistics Plc which owned 100% of GWSA prior to 9 December 2019 and included the operating businesses within its consolidated results.

<sup>3</sup> Underlying EBITDA is defined as Underlying EBIT before depreciation of property, plant and equipment. Underlying EBIT is defined as profit from operating activities before exceptional items, amortisation of acquired intangibles and includes the Company's share of profit from equity accounted investees as well as a gain of £3.9m in 2020 arising from the exit of a leased property and in 2019 it is stated before the costs of employee share costs funded by previous parent holding group, charges to the income statement relating to the management incentive plan and long-term incentive plan.

- Strong performance against the backdrop of Covid-19, with the business benefitting from increasing demand for high quality logistics and transport services
- Revenues of £416.5m broadly in line with the same period last year reflecting resilience of business model
- Increased profitability from existing and new customers replacing revenue from exited loss-making contracts
- Business returned to profitability reflecting progress on turnaround plan with further benefits expected to come
- Underlying EBITDA for the period of £16.6m (2019: loss of £6.3m) and underlying EBIT of £10.6m (2019: loss of £11.6m) <sup>1,2,3</sup>
- Net debt at 31 May 2020 of £242.7m compared to £236.9m at the time of the DBAY transaction, reflecting non-recurring re-organisation costs and investments
- Generated positive operating cash flow in the period and initiated repayment of debt since period end

- As proposed at the time of the DBAY transaction, the intention remains to offer Eddie Stobart Logistics plc's shareholders the opportunity to re-finance the PIK note loan that was used as part of the December 2019 refinancing of the business as soon as is practicable
- Outlook: Underlying EBITDA in excess of £33m (pre IFRS 16) and reduction in net debt expected for the year to 30 November 2020

### **Operational Highlights**

- Initial phase of business re-organisation now complete: significant reduction in cost base through increased use of internal capabilities

### **Eddie Stobart:**

- Increased warehouse utilisation and reduction of property rental liabilities
- Focus on attention to detail and customer service which has strengthened our unique business model
- New business wins in the UK with Wm Morrison, Hillebrand, McBride and in our EU business with Nike and Amazon
- Exited non-core activities and loss-making contracts
- Investment through the purchase of the "Eddie Stobart" and "Stobart" brands

### **iForce:**

- Centralised the company's activities into our 850,000 sq.ft. National Fulfilment Centre in Corby
- Maintained excellent customer service and gained new volumes throughout Covid-19

### **The Pallet Network:**

- Record breaking pallet volumes in the company's history whilst maintaining customer service levels
- Extended the central cross-dock hub by 75,000 sq.ft.
- Invested in new branding for the business with our Partner Powered Alliance

### **Logistics People:**

- New management team have increased their supply of labour to GWSA Group and grown external sales

### **Further enquiries:**

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Nicholas Wells / Giles Balleny / Harry Hargreaves

## Half Year 2020 Results Summary

The GWSA Group reported revenues of £416.5m (2019: £421.3m) during the six months to 31 May 2020<sup>2</sup>. The performance was broadly in line with the previous year and reflects the strong performance in the FMCG and grocery sectors, which have offset lower volumes in sectors which have been impacted by Covid-19, and the revenue reduction resulting from the exiting of loss-making contracts.

During the period, the initial phase of the business re-organisation was successfully completed, resulting in a return to profitability with underlying EBITDA for the period of £16.6m (2019: loss of £6.3m), before the impact of IFRS 16<sup>1,2,3</sup>. The business also reported positive underlying EBIT of £10.6m (2019: loss of £11.6m)<sup>1,2,3</sup>. The turnaround in profitability was driven by a significant reduction in the cost base through the increased use of internal capabilities such as the recruitment of drivers and warehousing staff, the streamlining of duplicated roles within the organisation, and the replacement of loss-making work with profitable volumes from existing and new clients. In addition, an increased focus on the warehousing portfolio has led to improved utilisation levels, with available space taken up by a number of blue chip customers.

Net debt at 31 May 2020 was £242.7m compared to £236.9m at the time of the DBAY transaction. This includes the non-recurring costs of the re-organisation of the group and the continued investments made during the period to strengthen the business going forward. The operating cash flow during the period was positive and debt repayments have been initiated since the period end.

A highlight for the period was the acquisition of the “Eddie Stobart” and “Stobart” brands, at a cost of £10m, which will deliver future brand license fee savings of £3m per annum and allow the group to further differentiate the business from its competitors.

The business has also seen a reduction in property rental liabilities, and the team is actively pursuing other opportunities to reduce cash outflows, such as the reduction of GWSA’s interest in SpeedyFreight, from 47.5% to 20% to avoid future payment obligations, which was announced post period end in August 2020.

### Divisional overview

An overview of the HY results for the main divisions of the Eddie Stobart business is set out below:

HY 2020 results (£ millions) <sup>1</sup>	Revenue	Underlying EBITDA <sup>3</sup>	Underlying EBIT <sup>3</sup>
Eddie Stobart	309.5	6.5	1.4
iForce	46.6	6.6	6.0
The Pallet Network	62.6	2.3	2.1
The Logistics People	30.2	2.7	2.6
Other <sup>4</sup>	(32.4)	(1.5)	(1.5)

<sup>4</sup> Includes holding companies, consolidation adjustments and income from associates.

**Eddie Stobart** is a leading supply chain, transport and logistics business, providing services to many of the UK’s best-known brands. The business runs the largest FTL network in the UK, with over 2,200 trucks and 3,500 trailers, operates 6 trains per day, and provides warehousing services from over 20 sites with over 6m sq.ft. of storage space. Our EU business also provides transport and warehousing services from various sites in continental Europe. The business has benefited from its exposure to the

FMCG and grocery sectors as well as from a growing demand for warehousing. Trading was strong including during the Covid-19 lockdown, and notable contracts were secured with Nike, Amazon, and after the period end from Wm Morrison.

**iForce** provides e-commerce logistics, fulfilment, returns processing and carriage management solutions for some of the leading brands and retailers in the UK. The business is performing strongly and is benefitting from exceptionally high demand for its services due to the recent accelerated growth in online sales in light of the Covid-19 situation, which has resulted in a number of new business wins from well known brands.

**The Pallet Network** is one of the largest high quality palletised distribution service providers in the UK, with sector-leading IT systems and over 120 regional transport partners operating from over 150 locations. After seeing volumes decline at the start of the Covid-19 lockdown period, the business has rebounded swiftly and is currently delivering record pallet volumes while gaining market share.

**The Logistics People** is a temporary staff provider to the logistics industry, specialising in the recruitment of drivers and industrial workers and provision of site security, managed from a centralized 24/7 monitoring suite. The company has successfully navigated the unexpected demand volatility during the period and continues to trade strongly.

### **Full year expectations**

For the year to 30 November 2020 the Group expects to achieve an underlying EBTDA in excess of £33m (pre IFRS 16) and intends to continue to focus on reducing net debt.