

Eddie Stobart Logistics

Trading statement

Growth accelerating in H218

We believe Eddie Stobart Logistics' (ESL) trading statement shows that the consumer and retail sector trend for companies to outsource their logistics operations to achieve savings continues to support organic growth for the company. FY18 revenues were 3% above market expectations, while EBIT was broadly in line.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
11/16	570.2	24.0	7.9	N/A	13.7	N/A
11/17	623.9	37.8	9.8	5.8	11.0	5.4
11/18e	817.9	50.1	11.5	6.2	9.4	5.7
11/19e	911.2	61.1	13.4	7.1	8.1	6.6

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

ESL issued a trading statement for the financial year ended 30 November 2018. Group revenues of £843m were 3% above our expectations and consensus as the company experienced a steep acceleration in organic growth in H2 (+18% for FY18 vs +10%/+6% in H118/FY17). New contract wins of £162m were broadly in line with £158m for H118 (annualised), but well above £89m for FY17. Recently acquired companies iForce, Speedy Freight and TPN are performing strongly. Despite strong revenue growth, EBIT was broadly in line with the market and our expectations (£57m), reflecting the task of integrating the acquired companies while at the same time experiencing very strong organic growth. The H218 underlying EBIT margin (we calculate c 8.0%) showed an improvement vs H118 (5.0%), partly due to seasonality and partly due to the costs that ESL incurred in H1 to support the business expansion. Margins remain well above the industry average. The company expects a further improvement in FY19 vs FY18 (we currently assume a 0.4pp increase) to reflect one-off integration costs. Net debt of £154m was slightly above our forecast of £141m mainly reflecting a working capital increase as a result of stronger revenue growth. We believe the solid revenue growth shows that the trend for customers deciding to outsource logistics to achieve savings continues to provide a tailwind for growth, especially in the consumer and retail sectors where there are revenue and cost pressures. In our view, the outsourcing opportunity is large, with 45–80% of logistics and supply chain services in the UK and Europe still performed in house (according to EU Commission estimates). ESL continues to trade at a discount to UK and European competitors, despite above average profit margins. We expect more details at the FY18 results presentation on 28 March 2019.

Business services

21 January 2019

Price 108.0p
Market cap £410m

Net debt (£m) at 30 November 2018	154
Shares in issue	379.3m
Free float	74.1%
Code	ESL
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



Business description

Eddie Stobart Logistics is a market leader in end-to-end, multi-modal transport and logistics. Operations are primarily focused in the UK, with some activities in mainland Europe. Key customer segments include retail, consumer, industrials and increasingly, e-commerce.

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