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Stobart Group Limited
11 January 2019

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) NO. 596/2014

11 January 2019

**Stobart Group Limited
(the "Group" or the "Company")**

Formation of Aviation Joint Venture

Connect Airways has today announced a recommended cash offer to acquire the entire issued and to be issued share capital of Flybe Group PLC ("Flybe") ("the Transaction") and the formation of a joint venture private limited company, Connect Airways Limited ("Connect Airways"), the shareholders of which are Stobart Aviation Limited ("Stobart Aviation"), a wholly owned subsidiary of the Company, Virgin Travel Group Limited ("Virgin Travel Group"), the holding company of Virgin Atlantic Airways Limited, and DLP Holdings S.à.r.l. ("DLP Holdings"), a Luxembourg company wholly-owned by funds managed by Cyrus Capital Partners LP. ("Cyrus Capital").

Under the terms of the Transaction, Stobart Aviation will enter into two conditional agreements to dispose of the entire issued share capital of each of (i) Everdeal Holdings Limited ("Everdeal Holdings"), which indirectly holds the entire issued share capital of Stobart Air Unlimited Company ("Stobart Air"), and (ii) Propius Holdings Limited ("Propius Holdings"), which directly holds the entire issued share capital of Propius Limited ("Propius"), to Connect Airways (together, the "Disposals"). The Disposals are due to complete immediately prior to the completion of the Transaction, and following the Disposals, both Stobart Air and Propius will become indirectly wholly-owned subsidiaries of Connect Airways.

Stobart Aviation will enter into the conditional agreements to dispose of the entire issued share capital of Everdeal Holdings and Propius Holdings for an aggregate consideration of £40 million to be satisfied as set out below.

Everdeal Holdings, being the holding company of Stobart Air, provides long-term aircraft crew maintenance and insurance contracts and charter series contracts. The consideration payable to Stobart Aviation will be (i) the issue of £2.5 million unsecured 8% loan notes issued by Connect Airways, which will be redeemable in 2025; and (ii) £7.5 million in cash to be rolled over and utilised as part of a £50 million second-ranking secured senior facility (such facility to be advanced by Cyrus Capital, Stobart Aviation and Virgin Travel Group to Flybe Limited ("Flybe Opco") for the purposes of Flybe's working capital). The Company will also guarantee Stobart Aviation's obligations under the proposed sale and purchase agreement.

Propius Holdings and its wholly-owned subsidiary, Propius (both incorporated in the Cayman Islands), carry on Stobart Aviation's aircraft leasing business. The consideration payable to Stobart Aviation will be (i) the issue of £22.5 million unsecured 8% loan notes issued by Connect Airways, which will be redeemable in 2025; and (ii) £7.5 million in cash to be rolled over and utilised as part of a £50 million second-ranking secured senior facility (such facility to be advanced by Cyrus Capital, Stobart Aviation and Virgin Travel Group to Flybe Opco for the purposes of Flybe's working capital).

In the Group's 2018 interim statement for the six month period ended 31 August 2018, the Group's reported aggregate gross assets included amounts attributable to Propius Holdings and Everdeal Holdings of £73 million. In the Group's audited consolidated accounts for the period ended 28 February 2018, the aggregate profit before tax attributable to Propius Holdings and Everdeal Holdings was £13 million.

In line with Connect Airways' announcement earlier today, the combination of Stobart Air and Propius with Connect Airways is expected to bring benefits to customers, suppliers and employees, providing stability in an extremely tough trading environment.

The Disposals and Stobart Aviation's contribution to Connect Airways will constitute a Class 2 transaction for the purposes of the Listing Rules.

The person responsible for arranging the release of this announcement on behalf of Stobart Group is Louise Brace, Company Secretary.

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