

Sustained demand and continuing progress

21st March 2024

FY24 trading update

For the year ended 31 March 2024, ECO Animal Health reports progress in both the second half and Q4, underpinned by demand for the Group's proprietary Aivlosin® antibacterial treatment for gastrointestinal and respiratory diseases in pigs and poultry. The Group reports sustained demand for Aivlosin® across the territories it targets, which we note are worldwide: China, Japan and SE Asia, the Americas and Europe. The Group expects FY24 revenue to be in line with a market consensus estimate of £88.7m.

Building on the platform established by Aivlosin®

The Group reports that Aivlosin® continues to take market share from more established products. In addition to being the primary Group earnings generator, Aivlosin® represents the establishment of a process: a system of innovation, production developed for volume, and market understanding deployed across multiple geographies. Through this platform the Group has identified solutions to the next phase of challenges facing animal rearing against a background of continued rising demand - particularly in developing markets - and the means for effective delivery. As outlined in the November 2023 Capital Markets event, the Group has a number of projects underway, and highlights the major late-stage development of Mycoplasma vaccines for poultry, and vaccines for pigs which, under the ECOVAXXIN® trademark approved in the US, EU and UK, create the basis for product launch across target markets from 2025 onwards.

Board appointment and share purchase plans

On 12 February the Group announced the appointment to the Board of Dr Joachim Hasenmaier as Non-Executive Director. Dr Hasenmaier is a former Board member of Boehringer Ingelheim, a pharmaceutical, animal health and biopharma specialist with over 55,000 employees. The Group also announces plans for share purchase, via the proceeds of recent property disposals. We note that the Group closed H1 with cash of £20.6m and no debt.

Valuation exercise reviewed

Following the November Capital Markets event, we reviewed the contribution to valuation of the product development pipeline, particularly in light of the strong track record established by Aivlosin® (ED report, 8 December 2023, [Interim results generate more cash](#)). Our resulting **Fair Value range was 137p-146p**. This contrasts with the current share price and suggests that the potential contribution to earnings of the product development pipeline deserves far closer attention.

Forecasts to FY25

Yr to 31 March (£m)	2021	2022	2023	2024E	2025E
Revenue	105.6	82.2	85.3	87.4	91.2
EBITDA (adj.)	23.5	5.4	7.2	7.6	8.1
Pre-Tax Profit (adj.)	19.4	3.8	4.8	4.8	5.2
EPS (adj. dil. p)	10.85	(1.01)	1.47	1.55	1.95
Net debt (cash)	(18.3)	(12.8)	(18.1)	(19.7)	(17.5)
EV/EBITDA	1.6x	6.9x	5.2x	4.9x	4.6x
EV/Rev	0.4x	0.5x	0.4x	0.4x	0.4x

Source: Company data, Equity Development estimates.

Company Data

EPIC	EAH
Price (last close)	86p
52 weeks Hi/Lo	123p/85p
Market cap	£58m
Proforma net debt (cash)	£(20.6)m

Share Price, p



Source: ADVFN

Description

Founded in 1995, ECO Animal Health specialises in the development, registration and distribution of pharmaceutical products for animal health markets worldwide, notably disease, bacterial infection and parasitic prevention for pigs, cattle, sheep and poultry (also horses and dogs). The Group addresses markets in China and the Far East, SE Asia, North America, Latin America and Europe, and derives c.90% of revenue from its enteric and respiratory antibiotic Aivlosin®, for the treatment of enteric and respiratory diseases in pigs and poultry.

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Summary financial data

P&L					
Year to 31 March (£m)	FY21	FY22	FY23	FY24E	FY25E
China & Japan	58.9	28.4	26.4	26.0	26.5
N America	13.9	16.4	15.2	15.8	16.6
S & SE Asia	9.1	11.8	16.8	17.8	18.9
LatAm	14.3	15.8	18.1	18.4	19.3
Europe	6.6	6.4	6.1	6.4	6.7
RoW/UK	2.9	3.4	2.8	3.0	3.2
Revenue	105.6	82.2	85.3	87.4	91.2
Gross	52.7	35.1	38.4	37.3	39.6
<i>Margin</i>	49.9%	42.7%	45.0%	42.7%	43.4%
COGS	(52.9)	(47.1)	(46.9)	(50.1)	(51.6)
Other income	0.3	0.1	0.4	0.0	0.0
R&D	(8.1)	(7.6)	(5.9)	(4.2)	(4.6)
Admin	(25.5)	(24.1)	(27.9)	(28.2)	(29.6)
Impairment	0.0	(2.1)	0.0	0.0	0.0
Sum Op-ex	(33.3)	(33.7)	(33.4)	(32.4)	(34.2)
Share-based payments	(0.1)	(0.3)	(0.4)	(0.4)	(0.4)
Forex	2.2	(1.0)	(0.5)	0.0	0.0
EBIT (rptd.)	19.4	1.4	4.9	4.9	5.3
EBIT (adj.)	19.6	3.9	5.4	5.3	5.7
<i>Margin</i>	18.5%	4.7%	6.3%	6.0%	6.3%
Amortisation	(0.9)	(1.1)	(1.1)	(1.1)	(1.1)
Amortisation RoU	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)
Depreciation	(0.4)	(0.5)	(0.8)	(0.8)	(0.8)
EBITDA (rptd.)	23.4	2.4	6.8	7.3	7.7
EBITDA (adj.)	23.5	5.4	7.2	7.6	8.1
<i>Margin</i>	22.3%	6.6%	8.5%	8.7%	8.8%
Financial income	0.1	0.2	0.1	0.1	0.1
Financial expense	(0.3)	(0.3)	(0.7)	(0.6)	(0.6)
Associate	0.0	0.0	0.0	0.1	0.1
PBT (rptd.)	19.3	1.4	4.4	4.5	4.9
PBT (adj.)	19.4	3.8	4.8	4.8	5.2
Tax	(3.5)	(2.1)	(1.3)	(1.3)	(1.5)
PAT (rptd.)	15.8	(0.7)	3.1	3.1	3.4
PAT (adj.)	16.0	1.7	3.5	3.5	3.8
Basic wtd. Av. shares (m)	67.6	67.7	67.7	67.7	67.7
Diluted wtd. av. shares (m)	67.6	67.7	68.6	68.6	68.6
EPS rptd. basic (p)	10.86	(1.01)	1.49	1.58	1.97
EPS rptd. dil. (p)	10.85	(1.01)	1.47	1.55	1.95
EPS adj. basic (p)	10.86	(1.01)	1.49	1.58	1.97
EPS adj. dil. (p)	10.85	(1.01)	1.47	1.55	1.95

Source: Company data, Equity Development estimates.

Summary financial data

Cashflow					
Year to 31 March (£m)	FY21	FY22	FY23	FY24E	FY25E
PBT (rptd.)	19.3	1.4	4.4	4.5	4.9
Finance (net)	0.2	0.1	0.6	0.5	0.5
Forex	0.6	(1.0)	(0.5)	0.0	0.0
Amortisation	0.9	1.1	1.1	1.1	1.1
Amortisation RoU	0.4	0.4	0.5	0.5	0.5
Depreciation	0.4	0.5	0.8	0.8	0.8
Impairment	0.0	2.1	0.0	0.0	0.0
Associate	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)
Share-based payments	0.1	0.3	0.4	0.4	0.4
Other	0.0	0.1	(0.0)	0.0	0.0
Operating Cash Flow	21.9	4.9	7.2	7.6	8.1
Working capital					
(Increase)/Decrease inventories	(3.7)	(8.6)	7.8	(0.6)	(0.7)
(Increase)/Decrease in receivables	(4.0)	7.6	(0.7)	(0.7)	0.1
Increase/(Decrease) in payables	0.8	(2.9)	2.7	2.2	0.7
Provisions	0.9	1.4	1.4	1.5	1.5
Movement in working capital	(6.0)	(2.4)	11.2	2.4	1.6
Cash generated by operations	15.8	2.5	18.4	10.1	9.6
Interest paid	(0.1)	(0.1)	(0.5)	(0.5)	(0.5)
Tax (paid)/received	(3.8)	(3.0)	(2.1)	(1.3)	(1.3)
Net cash from operations	12.0	(0.5)	15.9	8.3	7.8
Investing activities					
PPE	(0.2)	(1.6)	(3.6)	(2.5)	(2.6)
Sale of PPE	0.0	0.0	0.0	0.0	0.0
Capitalised R&D	(0.9)	(1.3)	(2.4)	(4.5)	(4.0)
Finance	0.1	0.2	0.1	0.1	0.1
Net cash used in investing	(0.9)	(2.7)	(5.9)	(6.9)	(6.5)
Net OpFCF	11.0	(3.2)	10.0	1.4	1.3
Financing activities					
Shares issued	0.4	0.1	0.0	0.0	0.0
Interest on leases	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)
Leases	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Dividends	(0.6)	(2.9)	(1.8)	(2.8)	(3.0)
Net cash from financing	(0.7)	(3.3)	(2.4)	(3.3)	(3.5)
Net increase in cash	10.4	(6.5)	7.6	(2.0)	(2.1)
Cash at beginning of year	9.8	19.5	14.3	21.7	19.7
Forex	(0.7)	1.3	(0.3)	0.0	0.0
Cash at year end	19.5	14.3	21.7	19.7	17.5
Net debt / (cash)	(18.3)	(12.8)	(18.1)	(19.7)	(17.5)

Source: Company data, Equity Development estimates.

Summary financial data

Balance sheet					
Year to 31 March (£m)	FY21	FY22	FY23	FY24E	FY25E
Fixed Assets					
Intangible Assets Net	36.1	34.3	35.6	39.0	42.0
PPE net	2.2	3.5	6.1	7.8	9.5
RoU Assets Net	1.4	1.8	4.3	7.2	10.2
Property Investments	0.3	0.2	0.0	0.0	0.0
Investments	0.2	0.2	0.3	0.3	0.3
Deferred Tax	0.3	0.5	0.6	0.6	0.5
Sum Fixed Assets	40.4	40.5	46.8	54.8	62.5
Current Assets					
Inventories	20.5	30.1	22.4	23.0	23.7
Trade receivables	32.5	26.0	26.9	27.5	27.5
Tax assets, other	4.0	2.7	3.6	0.0	0.0
Cash, Equivalents	19.5	14.3	21.7	19.7	17.5
Sum Current Assets	76.5	73.1	74.5	70.2	68.8
Total Assets	116.9	113.6	121.3	125.0	131.3
Current Liabilities					
Trade payables	(14.5)	(13.0)	(14.5)	(16.8)	(17.5)
Provisions	(1.8)	(3.9)	(5.2)	(5.2)	(5.2)
Tax, Other	(3.8)	(0.9)	(2.4)	(2.4)	(2.4)
Dividends	(0.1)	(0.1)	(0.1)	0.0	0.0
Sum Current Liabilities	(20.2)	(17.7)	(22.2)	(24.4)	(25.1)
Total Assets less Current Liabilities	96.7	95.9	99.1	100.7	106.2
Long-term Liabilities					
Deferred tax	(0.2)	0.0	0.0	0.0	0.0
Leases	(1.2)	(1.5)	(3.6)	0.0	0.0
Sum Long-term liabilities	(1.4)	(1.5)	(3.6)	0.0	0.0
Total liabilities	(21.6)	(19.3)	(25.8)	(24.4)	(25.1)
Net Assets	95.3	94.3	95.6	100.7	106.2
Capital & Reserves					
Share Capital	3.4	3.4	3.4	3.4	3.4
Share Premium	63.3	63.3	63.3	65.3	67.4
Reserves	1.9	3.0	2.6	2.6	2.6
Retained earnings	13.4	12.4	13.9	17.0	20.5
Non-controlling interests	13.4	12.3	12.3	12.3	12.3
Equity	95.3	94.3	95.6	100.7	106.2
Net debt / (cash)	(18.3)	(12.8)	(18.1)	(19.7)	(17.5)

Source: Company data, Equity Development estimates.



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