

Interim results generate more cash

8th December 2023

For the six months to 30 September Eco Animal Health reported revenue of £38.0m, +9%YoY, and (adj.) EBITDA of £0.7m (H1 22: £1.7m). Underlying currency-adjusted revenue growth was 15%YoY. Cash generated by operations of £4.8m compared to £3.0m a year earlier resulting in a period-end cash balance of £20.6m (H1 22: £12.9m). The loss per share was (1.93)p; (H1 22 1.95p). The gross margin at 40.8% contrasted with 45.3% in H1 22; we expect an H2 improvement based on sales mix and clarity of revenue outlook (the Group notes that 94% of market consensus outlook is covered by the order book and stock run rate), abetted by the traditionally strong demand in the northern winter months.

Regional performance dominated by China and US

With a combined 47% of total (FY23: 43%), revenue from China and North America dominated H1 performance, with growth in China & Japan (25.5% of H1) +14.7%YoY and North America (21.6%) +26.0%YoY. In particular, incidence of Porcine Reproductive and Respiratory Syndrome (PRRS) boosted demand for the proprietary Aivlosin® antibacterial, continuing through the summer months the strength of trading in Q4 23; in addition, the Group reported continued market share gains.

South and South East Asia contributed 20.4% of total revenue (£7.7m), +4.7%YoY across a range of markets; poultry demand in India recovered (£2.9m revenue); Thailand remained firm (£3.6m); as did Bangladesh, Pakistan, Malaysia and Vietnam (£1.2m).

Revenue from Latin America (20.3% of H1 total) declined by 2.3% to £7.7m; Brazil (£4.2m, flat YoY) remained a major component as pork exports to China underpinned demand for Aivlosin®. Europe (9.2% of H1 total) grew 20.0%YoY led by Spain (£0.8m of £3.5m total).

R&D emphasis well-funded. Outlook maintained.

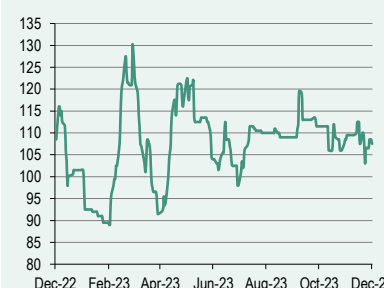
Spend of £3.6m (H1 22: £4.2m) underlines the Eco Animal Health commitment to new product development, which was the subject of the 9 November Capital Markets day and which we examine in detail in this report. A key feature is the ability to demonstrate a clear funding path for projects that can require up to a decade to move from nascent to fully productive stages, backed by the strength of demand for proven products such as Aivlosin® with global reach.

The combination of strong H1 performance in key markets (combined +19.6%YoY), continued strong cash generation and the seasonal nature of second half performance means that our full year FY24 and subsequent FY25 outlook is maintained.

Company Data

EPIC	EAH
Price (last close)	109p
52 weeks Hi/Lo	132p / 88p
Market cap	£74m
Proforma net debt (cash)	£(20.6)m

Share Price, p



Source: LSE

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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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	2.4x	10.3x	7.7x	7.3x	6.9x
EV/Rev	0.5x	0.7x	0.7x	0.6x	0.6x

Source: Company data, Equity Development estimates.

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Interim performance - key features

The key features of H1 performance, summarised below, were:

- Revenue +9.0%YoY (+15%YoY on a currency adjusted basis, net of a £3.5m impact).
- Gross margin of 40.8% (H1 22: 45.3%), impacted by (i) foreign exchange movement (£0.9m); (ii) the costs of active pharmaceutical ingredients (£1.1m); (iii) increased costs of manufacture in locations outside of China (£0.3m); and (iv) depreciation of equipment in China accounted in COGS (£0.5m), which in FY22 was charged to admin costs. In the absence of these items, gross profitability indicated is £18.0m, a 48.1% margin.
- EBIT (adj.) of £(0.3)m reflecting a 13%YoY increase in (non-forex) admin costs to £14.2m (H1 22: £10.0m) principally personnel costs.
- EBITDA (adj.) of £0.7m (H1 22: £1.7m) reflecting the trend at EBIT level where segment-based (adj.) EBITDA was £0.925m compared to £4.243m in H1 22. Adjustments, including forex, total £1.4m compared to £3.3m a year earlier.

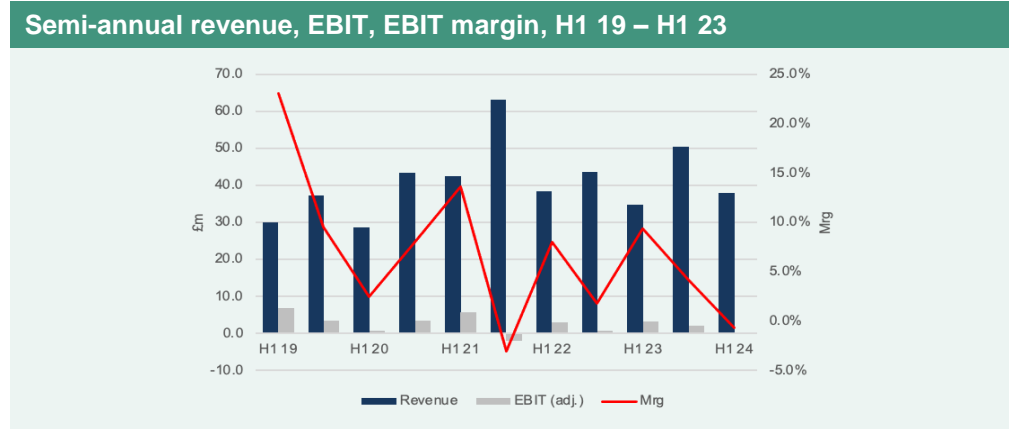
Summary of performance to H1 24

Year to 31 March (£m)	FY23	H1 23	H2 23	H1 24
Revenue	85.3	34.9	50.5	38.0
Gross	38.4	15.8	22.6	15.5
<i>Margin</i>	<i>45.0%</i>	<i>45.3%</i>	<i>44.8%</i>	<i>40.8%</i>
Other income	0.4	0.2	0.1	0.0
R&D	(5.9)	(2.9)	(3.0)	(2.1)
Admin	(27.9)	(10.0)	(17.8)	(14.0)
Impairment	0.0	0.0	0.0	0.0
Sum Op-ex	(33.4)	(12.7)	(20.7)	(16.1)
Share-based payments	(0.4)	(0.2)	(0.2)	(0.3)
Forex	(0.5)	(2.6)	2.1	(0.2)
EBIT (rptd.)	4.9	3.1	1.9	(0.6)
EBIT (adj.)	5.4	3.3	2.1	(0.3)
<i>Margin</i>	<i>6.3%</i>	<i>9.3%</i>	<i>4.2%</i>	<i>N.M.</i>
EBITDA (rptd.)	6.8	1.5	5.3	0.4
EBITDA (adj)	7.2	1.7	5.6	0.7
<i>Margin</i>	<i>8.5%</i>	<i>4.8%</i>	<i>11.0%</i>	<i>1.9%</i>
Financial income	0.1	0.0	0.1	0.1
Financial expense	(0.7)	(0.1)	(0.5)	(0.2)
Associate	0.0	0.1	(0.0)	0.0
PBT (rptd.)	4.4	3.0	1.4	(0.6)
PBT (adj.)	4.8	3.2	1.6	(0.3)
Tax	(1.3)	(0.9)	(0.4)	(0.6)
PAT (rptd.)	3.1	2.1	1.0	(1.2)
PAT (adj.)	3.5	2.3	1.2	(0.9)
EPS rptd. basic (p)	1.49	1.96	(0.47)	(1.93)
EPS rptd. dil. (p)	1.47	1.95		
EPS adj. basic (p)	1.49	1.96	(0.47)	(1.93)
EPS adj. dil. (p)	1.47	1.95		

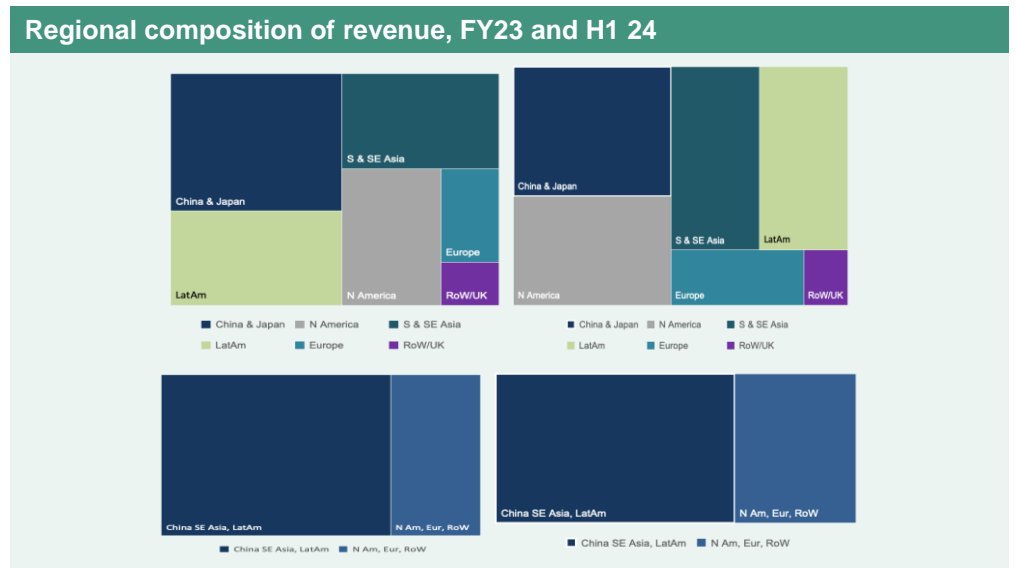
Source: Company data. Diluted EPS not shown.

Semi-annual trends

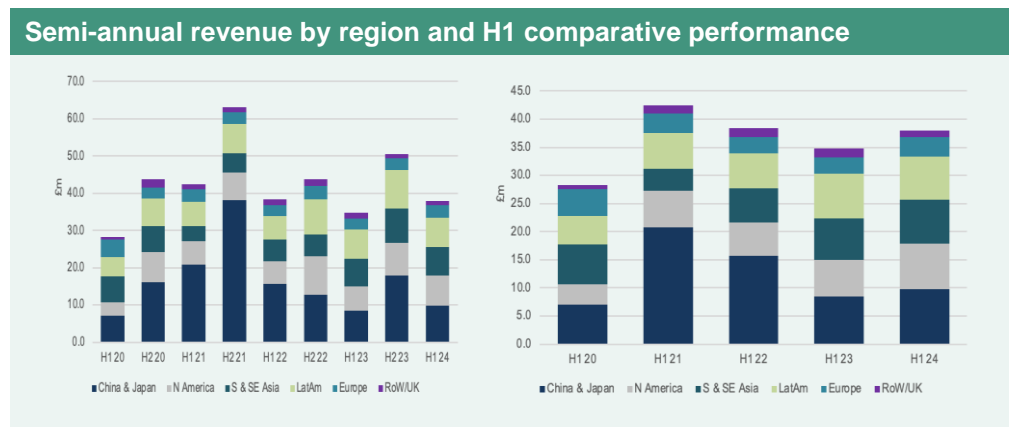
Below we summarise semi-annual trends, noting in particular the **comparison of successive first halves**.



Source: Company data.



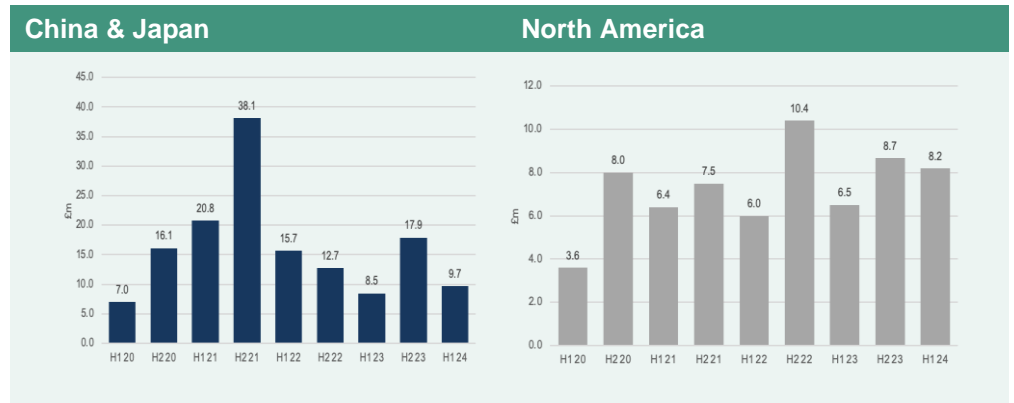
Source: Company data.



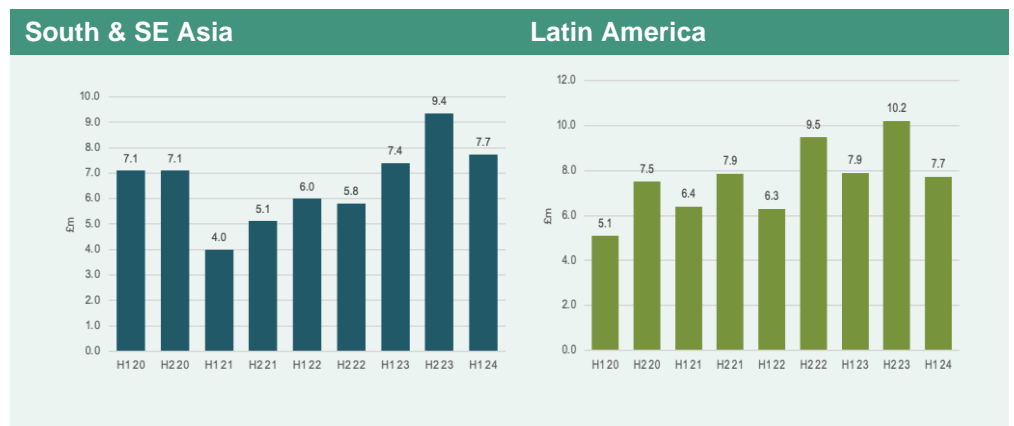
Source: Company data.

Regional performance

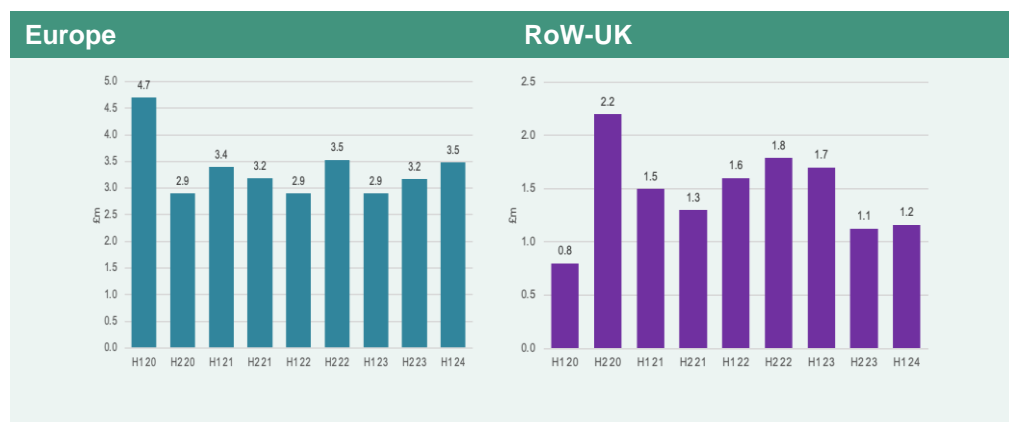
Below summarises regional semi-annual performance, H1 20 – H1 23, by region.



Source: Company data.



Source: Company data.



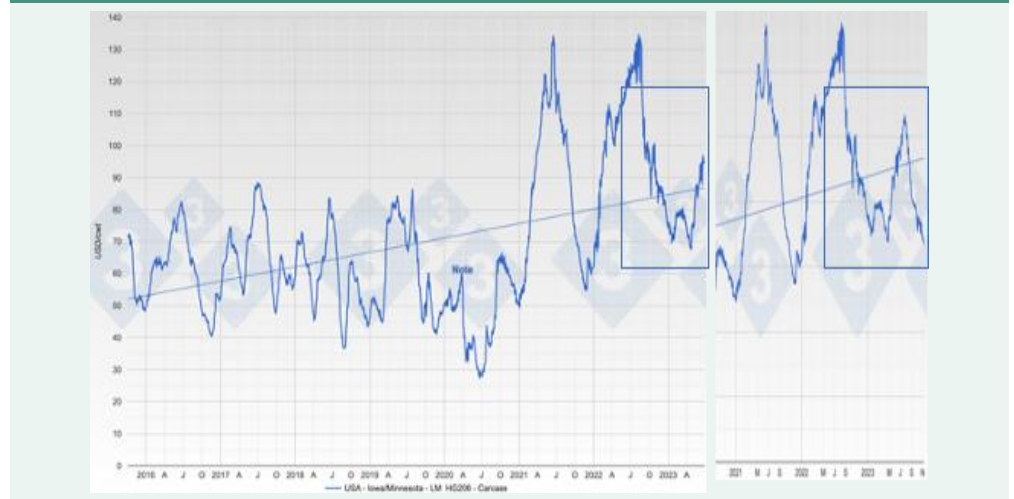
Source: Company data.

Update on key price pig meat trends – remaining weak

Given the importance for the Group of demand in key markets for pig meat, notably China and the US (also Brazil as an exported to China), the market price of pig meat remains a bell-weather for the affordability, or propensity to use, of EAH's proprietary Aivlosin® antimicrobial treatment. When last surveyed in July the indicative US pig carcass price stood marginally above the medium-term trend, as shown in the LH chart below.

The highlighted area and RH chart update indicates a subsequent reversion to below trend, sinking to US\$67.7/cwt compared to the July peak of US\$103/cwt.

US pig price trend, 2016 – 2023, US\$/cwt



Source: https://www.pig333.com/markets_and_prices/usa-iowa-minnesota_93/. 'Note' indicates the inception of COVID-19.

Similarly, pig price trends in China, updated post-July (below), indicate a temporary recovery in mid-October (to 27.46 CNY/kg) followed by recent retrenchment, remaining below the medium-term trend at 15.12 CNY/kg.

China pig price trend, 2016 – 2023 CNY/kg



Source: https://www.pig333.com/markets_and_prices/china_106/#

Outlook

Our projections to FY25 indicate:

- FY23 - 25E revenue CAGR of 3.4%.
- EBIT (adj.) at 8.2% CAGR and EBITDA (adj.) of 5.6%, with gross margins in FY24 - 25 averaging 43.1%.
- PAT CAGR indicated is 8.9%.
- Potential growth in cash reserves to c.£18m, with an annual commitment to R&D of £4.2m - £4.6m.

Outlook to FY25

Yr to 31 March (£m)	FY23	FY24E	FY25E	YoY 24E	YoY 25E
China & Japan	26.4	26.0	26.5	-1.4%	2.0%
N America	15.2	15.8	16.6	4.1%	5.0%
S & SE Asia	16.8	17.8	18.9	6.2%	6.0%
LatAm	18.1	18.4	19.3	1.6%	5.0%
Europe	6.1	6.4	6.7	5.4%	5.0%
RoW/UK	2.8	3.0	3.2	6.1%	6.0%
Revenue	85.3	87.4	91.2	2.4%	4.3%
Gross	38.4	37.3	39.6	-2.8%	6.1%
<i>Margin</i>	<i>45.0%</i>	<i>42.7%</i>	<i>43.4%</i>		
EBIT (rptd.)	4.9	4.9	5.3	-0.5%	8.7%
EBIT (adj.)	5.4	5.3	5.7	-1.6%	8.2%
<i>Margin</i>	<i>6.3%</i>	<i>6.0%</i>	<i>6.3%</i>		
EBITDA (rptd.)	6.8	7.3	7.7	6.5%	5.9%
EBITDA (adj)	7.2	7.6	8.1	5.3%	5.6%
<i>Margin</i>	<i>8.5%</i>	<i>8.7%</i>	<i>8.8%</i>		
Finance (net)	(0.6)	(0.5)	(0.5)		
Associate	0.0	0.1	0.1		
PBT (rptd.)	4.4	4.5	4.9	0.7%	9.6%
PBT (adj.)	4.8	4.8	5.2	-0.6%	8.9%
PAT (rptd.)	3.1	3.1	3.4	0.9%	9.9%
PAT (adj.)	3.5	3.5	3.8	-0.8%	8.9%
PAT attributable	1.0	1.1	1.3	5.8%	25.2%
Non-controlling interest	2.1	2.1	2.1		
EPS rptd. basic (p)	1.49	1.58	1.97	5.8%	25.2%
EPS rptd. dil. (p)	1.47	1.55	1.95	5.8%	25.2%
EPS adj. basic (p)	1.49	1.58	1.97	5.8%	25.2%
EPS adj. dil. (p)	1.47	1.55	1.95	5.8%	25.2%

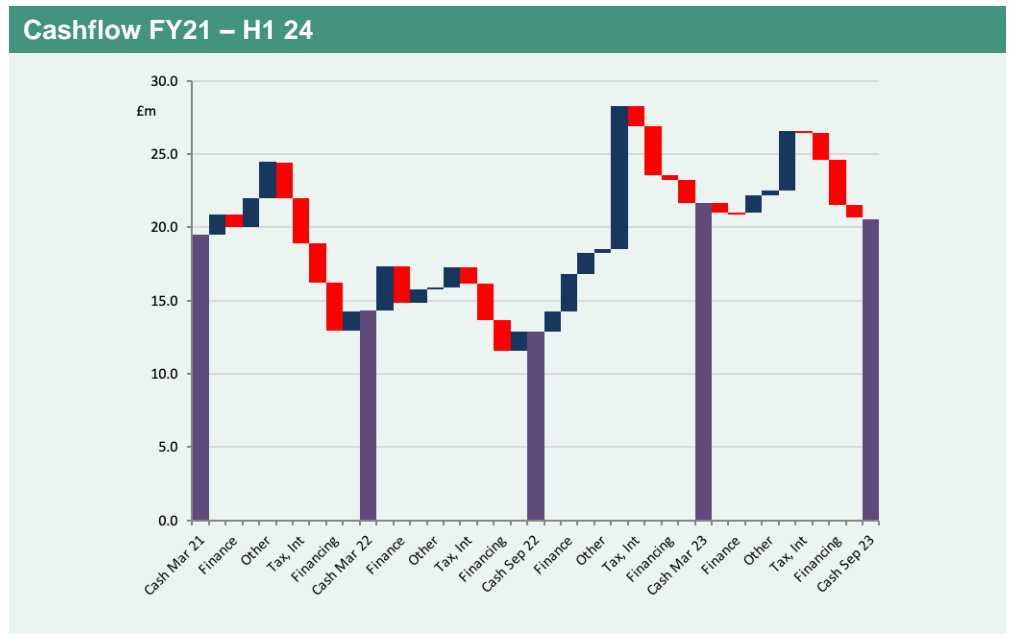
Source: Company data. Equity Development estimates.

Cashflow: sound management continues

As illustrated below, the Group maintained a strong period-end cash position (£20.6m) principally due to a **£4.1m positive contribution** from working capital management; inventories grew by £2.5m and receivables by 2.3m, whilst payables were reduced by £0.8m. With no debt, the net cash balance was therefore £20.6m, compared to £18.1m at 31 March 2023. The Group notes the following location of cash reserves: UK, £6.1m; non-China subsidiaries; £2.9m, China 100%-subsidiary; £1.5m; China 51%-owned subsidiary, £10.1m. Cash held in the China j.v. subsidiary is considered not to be available outside China, the residual £10.5m therefore available for investment in R&D activities.

In terms of banking facilities available, the Group retains a £5.0m overdraft and £10.0m RCF. Available to June 2026, these facilities remain undrawn.

Cash flow metrics therefore support the basis for a strong, self-funded pipeline of R&D and new product development, as outlined at the 9 November Capital Markets day which we now examine.



Source: Company data.

Valuing the development portfolio

Demand outlook for pig and poultry meat

As outlined at the 9 November Capital Markets day, the Group has a roadmap for new product development to address a number of major target markets with endemic animal health problems, the background to which remains growing demand for chicken and pig meat worldwide.

Global meat consumption is expected to increase from an estimated 338m tonnes in 2022 to reach 375m tonnes by 2030, driven by a combination of rising population and increased per capita income in high-growth developing economies, notably China, India and Indonesia (OECD data). The OECD estimates that in 2023, 64.8% of pork consumption and 63.4% of poultry consumption was concentrated in the developing world, amounting to an overall 64.6% of total pig and poultry consumption (cwe: carcass weight equivalent).

In forecasting meat consumption to 2050 the key factors are (i) population growth in developing nations and (ii) the propensity to eat meat per capita.

Population growth outlook

The global population is projected to increase from an estimated 8.192bn in 2025 to c.9.7bn by 2050. For meat demand, this outlook highlights the significance of growth in the developing world:

- In 2016 6.1bn (81%) of a total of 7.5bn of the world's population lived in developing countries (UN: <https://www.un.org/en/desa/world-population-projected-reach-98-billion-2050-and-112-billion-2100>).
- By 2050 this proportion is expected to rise to 86%, 8.34bn, as a result of falling birth rates in developed nations and higher birth rates in developing countries (where the young comprise 27% of total compared to 16% in more developed regions: <https://www.unfpa.org/data/world-population-dashboard>).
- This is accompanied by the expectation of rising rates of developing nations per capita GDP and urbanisation, notably in Asia, and with this an increased propensity to include meat in the diet.

Implications for consumption of pig and poultry meat

OECD data indicates a total per capita consumption of meat in 2023 of 28.54kg/year on a *retail weight* basis (i.e. boneless meat; comprising 73% of pig carcass weight, 60% for chickens, 67% for beef and 66% for sheep). Grossed up to carcass weight this data matches 2025 OECD estimated total meat consumption of 358.1 mt cwe.

The latest OECD projections to 2032 for meat consumption indicate:

- 2025 developed world retail consumption per capita of 55.97kg/yr rising to 57.12kg by 2032.
- 2025 developing world retail consumption per capita of 21.80kg/yr rising to 22.94kg by 2032.
- 2025 total retail consumption per capita rising from 41.57kg/p/yr to 43.76kg/p/yr by 2032.

OECD data, below, indicates that consumption of pig meat and poultry should increase as a proportion of total, from 74.4% in 2022 to 74.8% by 2032. Therefore, the pig and poultry consumption CAGR is expected to exceed the overall average at 1.25% vs 1.20%, led by poultry at 1.44%.

Projected demand for pig and poultry meat to 2050

kt cwe	2022	2023	2025	2030	2032	CAGR 22-32
Beef	70,499	71,948	73,067	76,344	77,631	0.97%
Pig	116,667	122,023	125,009	128,056	129,302	1.03%
Poultry	135,413	139,677	142,892	152,576	156,237	1.44%
Sheep	16,259	16,726	17,155	18,286	18,724	1.42%
Total carcass	338,837	350,374	358,123	375,262	381,894	1.20%
o/w pig&poultry	252,080	261,701	267,901	280,632	285,539	1.25%
% of total	74.4%	74.7%	74.8%	74.8%	74.8%	
Total retail	216,800	222,100	234,900	243,800	247,300	1.32%

Source: OECD. https://www.oecd-ilibrary.org/agriculture-and-food/data/oecd-agriculture-statistics_agr-data-en.

Demand outlook to 2050

Based on the OECD/FAO outlook for global meat consumption to 2032 (OECD-FAO Agricultural Outlook 2023-2032 - © OECD 2023) and an estimated world population of c.9.7bn by 2050, we project prospective demand trends for pig and poultry meat as shown below. In addition to demographics, this outlook is based on two key variables:

- An overall propensity to consume meat, rising from 43.72kg/person/year to an estimated 56.02/kg/p/y (gross carcass equivalent), driven by **increased consumption in developing nations**.
- A growing preference for pig and poultry meat, rising from 74.8% in 2031 to an estimated 77.0% by 2050 (ED estimate).

The result is an indicated 2025-2050 pig and poultry consumption CAGR of 1.80% compared to an overall CAGR of 1.68%.

Projected demand for pig and poultry meat to 2050 (ED E)

Projections to 2050	Developed	Developing
Population 2025 (m)	8,192	6,718
Population 2050 (m) E	9,700	8,314
CAGR	0.68%	0.86%
2025 meat pc / yr / retail (kg)	28.68	22.53
2050 meat pc / yr / retail (kg) E	36.41	33.34
CAGR	0.96%	1.58%
2025 per capita consumption cwe kg / yr	43.72	
2050 per capita consumption cwe kg / yr E	56.02	
2025 consumption of meat mt cwe	358.1	
2050 consumption of meat mt cwe E	543.4	
2025 % P&P	74.8%	
2050 % P&P E	77.0%	
P&P 2025 mt cwe	268	
P&P 2050 mt cwe E	418	
CAGR	1.80%	

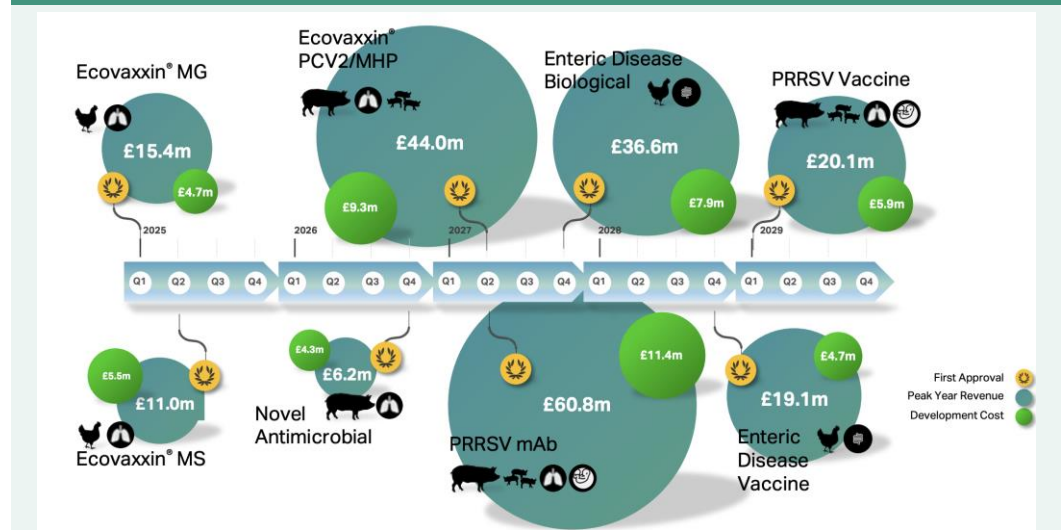
Source: OECD. https://www.oecd-ilibrary.org/agriculture-and-food/data/oecd-agriculture-statistics_agr-data-en, Equity Development estimates. Gross total consumption = per capita OECD reported retail consumption (2025 28.68kg/p/yr) at 65.6% of reported 2025 gross carcass consumption, estimated at 65.0% from 2032. Cwe: carcass weight equivalent. Mt: million tonnes.

Eco Animal Health portfolio

The Group has developed a range of vaccines and treatments with a development pathway, shown below, to 2029 to address the opportunity represented by the evolving patterns of meat consumption demand outlined. For poultry the focus is on the development of vaccines, Ecovaxxin[®] MG and Ecovaxxin[®]MS, and treatment of necrotic enteric disease, in markets estimated to be worth £154m. For pig vaccination (Ecovaxxin[®] PCV-2 Mhp) and the application of monoclonal antibody technology to porcine reproductive and respiratory syndrome virus (PRRS-V Mab), the estimated market size is £696m. Divided into early stage, clinical trial and late stage assets, the Group estimates that the pipeline (illustrated below) indicates an aggregate peak revenue contribution of £213.2m, and £53.7m in EBITDA. By stages:

- Early stage: PPC vaccines, antiparasitic vaccines, multivalent vectored vaccines, biologic antiparasitics.
- Clinical stage: enteric disease biologic and vaccine, Ecovaxxin[®] PCV2/MHP for pig respiratory diseases, PRRSV vaccine and Mab.
- Late stage: novel antimicrobial, Ecovaxxin[®] MG and MS.

Product development pipeline and valuation: company estimates



Source: Company data, Capital Markets Day 23 November 2023.

A key feature of the development pathway is that products are selected to address sizeable market opportunities with novel and therefore competitive solutions.

'Gateways' and probability of success

The Group notes that the process requires passage through a series of 'gateways': target identification (5-15% probability of technical and regulatory success, PTRS); validation for safe use in animals (16-35% PTRS threshold); suitability for manufacture (36-60% PTRS); and scalable with confirmed safety and efficacy (61-80% PTRS).

Development takes a decade

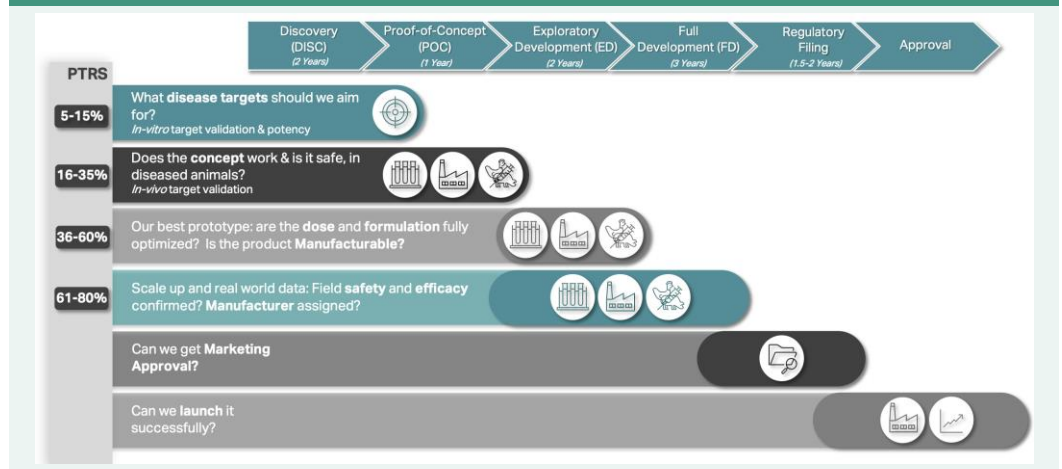
In addition, the process takes c.10 years from initiation to marketing: a 2-year discovery phase followed by 1 year for proof of concept, a further 2 years exploratory development and 3 years for full development, before 1-2 years for regulatory filing and approval. The process is rigorous; the Group reports a 33% rate of attrition, i.e. 6 major projects stopped since 2017.

Valuing the portfolio - process

Given the longevity of the development process and scale of market opportunity addressed, the question arises of assessing the present value of products in the pipeline. The EAH valuation process involves the following inputs and assessments:

- Market size assessment – animal population, disease prevalence, economic opportunity.
- Market entry assumptions, pricing and competition.
- Production costs and scale effects.
- Additional development, launch costs (£50 - £200k), marketing costs (1% of revenue), royalties (3% of revenue), additional personnel (3% of revenue).
- Assumed peak revenue post market entrance at 3 years, up to year 5.

Product development process

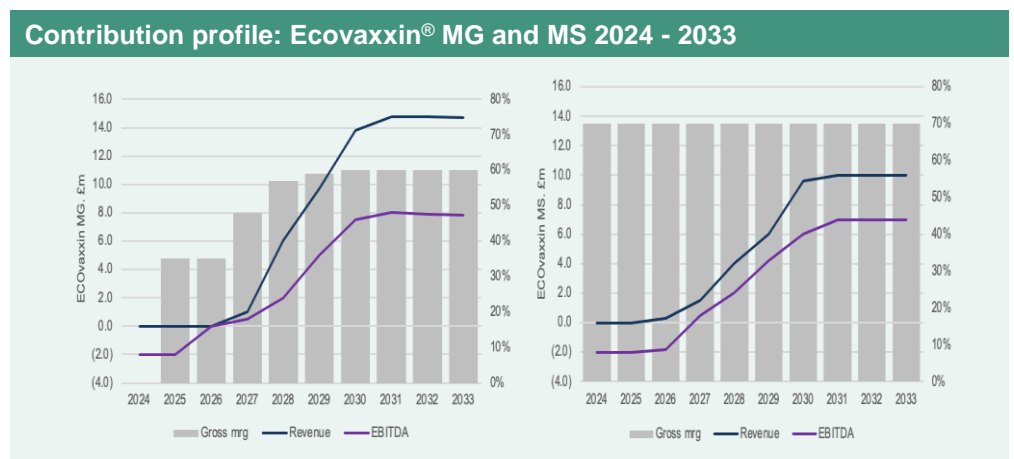


Source: Company data, Capital Markets Day 23 November 2023.

From this the Group derives a NPV valuation for each project based on a 10% WACC. It is assumed that the full value of the portfolio is reflected, i.e. in receipt of all cashflows with no outflow to the China joint venture.

Valuation: mycoplasma Ecovaxxin® example

Below illustrates the earnings profile – gross margin, estimated revenue and EBITDA – over the life cycle of the two leading poultry mycoplasma vaccines **Ecovaxxin® MG** and **Ecovaxxin® MS**.



Source: Company data, Capital Markets Day 23 November 2023, Equity Development estimates.

Markets and projects addressed: estimated value

The Group assessment and valuation process for each project yields the following results.

Ecovaxxin® MG, which targets strains of the highly-transmittable bacterial infection avian mycoplasmosis, notably mycoplasma septicum which causes chronic respiratory disease, sinusitis and conjunctivitis.

- Annual addressable market size and estimated market share (world): £41m, 37%.
- R&D cost, PTRS: £4.8m, 76%.
- Peak annual EBITDA, NPV, payback £8m, £18m, 6 years.

Ecovaxxin® MS, targeting mycoplasma synoviae which causes joint lesions and respiratory problems, and leads to eggshell thinning.

- Annual addressable market size and estimated market share (world): £44m, 25%.
- R&D cost, PTRS: £5.5m, 79%.
- Peak annual EBITDA, NPV, payback: £7m, £17m, 6 years.

Ecovaxxin® PCV2 / Mhp is a combined pig vaccine which targets both porcine circovirus type 2 (PCV2), and mycoplasma hypopneumoniae (Mhp).

- Annual addressable market size and estimated market share (world): £363m, 12%.
- R&D cost, PTRS: £6.5m, 32%.
- Peak annual EBITDA, NPV, payback: £18m, £39m, 7 years.

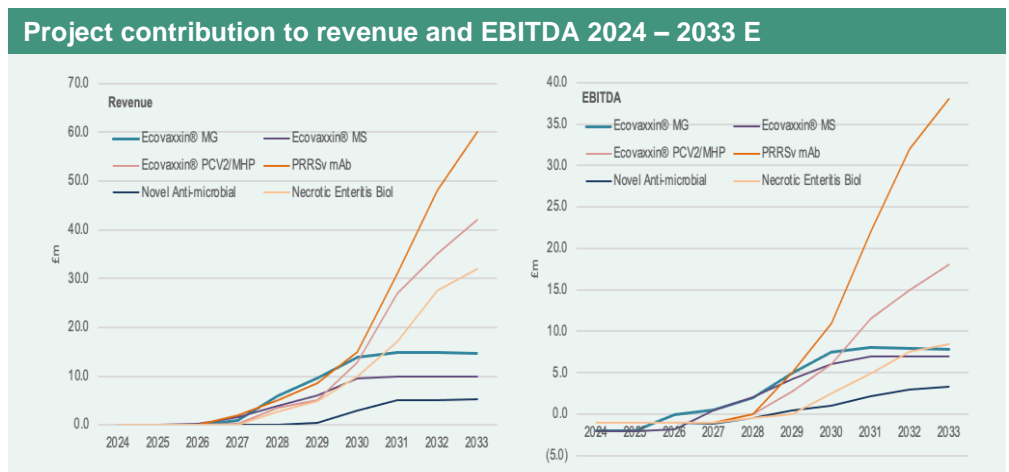
PRRSv Monoclonal antibody (mAb) approach to porcine reproductive and respiratory syndrome virus (PRRSV).

- Annual addressable market size and estimated market share (world): £289m, 21%.
- R&D cost, PTRS: £11.4m, 14%.
- Peak annual EBITDA, NPV, payback: £39m, £74m, 7 years.

Necrotic enteritis biological. Treatment of poultry necrotic enteritis (NE) caused by the spread of Clostridium perfringens type A.

- Annual addressable market size and estimated market share (world): £148m, 25%.
- R&D cost, PTRS: £7.9m, 5%.
- Peak annual EBITDA, NPV, payback: £10m, £17m, 8 years.

The overall profile of the contribution to revenue and EBITDA is illustrated below (Group estimates).



Source: Company data, Capital Markets Day 23 November 2023.

As shown, the portfolio includes a combination of large market size / low PTRS (PRRSv) and smaller market size / higher PTRS (mycoplasmosis MGG/MS) opportunities.

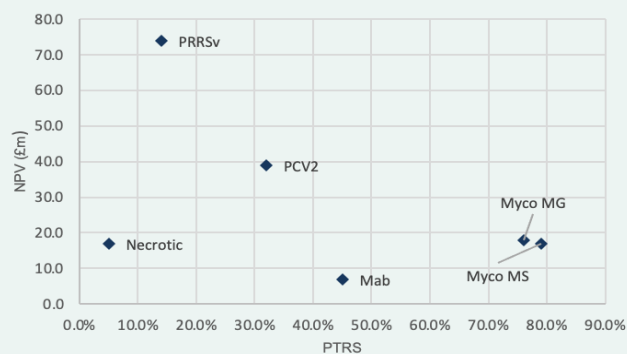
Project comparison of market opportunity, PTRS and NPV

Project	MG	MS	PCV2	PRRSv	Mab	Necrotic
PTRS	76.0%	79.0%	32.0%	14.0%	45.0%	5.0%
NPV (£m)	18.0	17.0	39.0	74.0	7.0	17.0
Rev (£m)	15.0	11.0	44.0	61.0	6.2	37.0
EBITDA (£m)	8.0	7.0	18.0	39.0	3.8	10.0
Mkt £m	41.0	44.0	363.0	289.0	44.0	69.0

Source: Company data, Capital Markets Day 23 November 2023.

The resulting 'risk/reward' profile is described below, comparing the Group estimated NPV of each project with the PTRS (measure of successful implementation) assumed. As shown, the portfolio spans a range of projects from high value/low PTRS – PRRSv – to lower value/higher PTRS – mycoplasmosis.

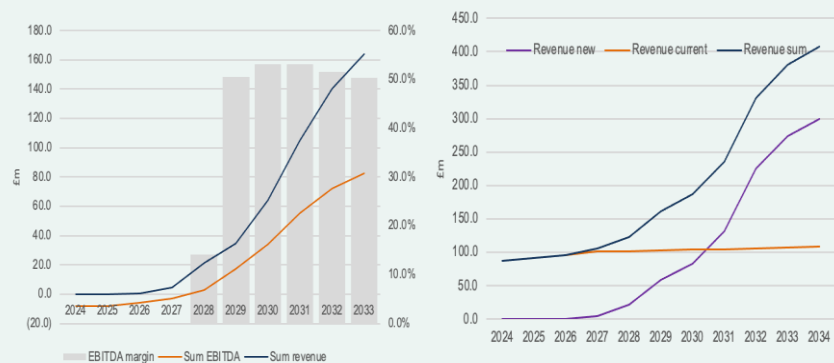
Project NPV vs PTRS



Source: Company data, Capital Markets Day 23 November 2023.

Below illustrates the sum of contributions to revenue and EBITDA from the six projects outlined, up to 2033 (Co E), and comparison (RH chart) of new projects with current (Aivlosin®) revenue streams.

Sum of project contribution to revenue and EBITDA 2024 – 2033 E



Source: Company data, Capital Markets Day 23 November 2023.

Valuation results

Applying the valuation process to each major initiative, plus others underway results in the following assessment of the net present value of its portfolio.

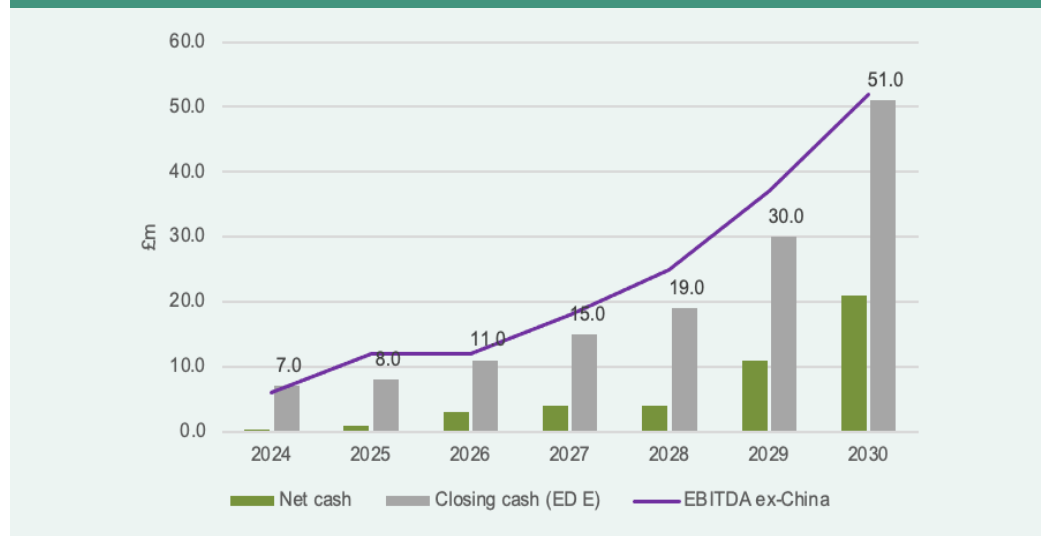
Product development pipeline and valuation: company estimates

	Peak Rev (£m)	Peak EBITDA (£m)	NPV	Payback yrs	Prob NPV	IRR
Ecovaxxin® MG	15	8	18	6	14	44%
Ecovaxxin® MS	11	7	17	6	14	46%
Novel Anti Microbial	6	4	7	7	3	36%
Ecovaxxin® PCV2/MHP	44	18	39	7	12	52%
PRRSv mAb	61	39	74	7	10	53%
Necrotic Enteritis mAb	37	10	17	8	1	53%
Other	148	76	158	9 - 11	32	28 - 42%
Sum (£m)	322	162	330	41	86	48%

Source: Company data, Capital Markets Day 23 November 2023.

Below illustrates the Group estimate evolution of EBITDA, contribution to cash and year-end cash position resulting from the deployment of the products under development outlined plus others (Group estimates). A key feature of the evaluation exercise is that it includes assessment of initial project funding: **the pipeline can be demonstrated to be self-financing.**

Product development evolution of EBITDA and cash (Group estimates)



Source: Company data, Capital Markets Day 23 November 2023.

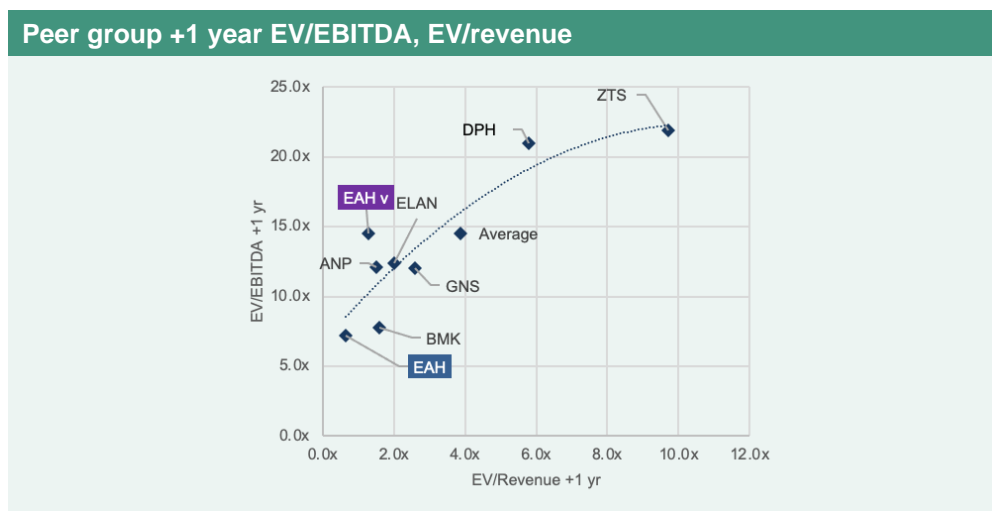
Comparative valuation considerations

Below summarises key valuation ratios – based on +1 year consensus outlook (source: *Koyfin*) – for a range of Eco Animal Health peers. As illustrated, Eco Animal Health currently trades on a FY24E EV/EBITDA and EV/Revenue combination at the lower end of a range represented by its peers.

Peer group comparative valuations						
Code	Name	Price (lcu)	Mkt cap (£m)	EV/Rev +1yr	EV/EBITDA +1yr	PE
DPH	Dechra Pharmaceuticals	38.3	4,381	5.8x	21.0x	30.5x
ZTS	Zoetis Inc.	179.1	65,016	9.7x	21.9x	31.0x
ELAN	Elanco Animal Health Inc.	12.4	4,831	2.6x	12.0x	14.6x
GNSL	Genus plc	19.0	1,257	2.0x	12.4x	22.8x
ANP	Anpario plc	2.6	52	1.5x	12.1x	24.5x
BMK	Benchmark Holdings plc	34.0	251	1.6x	7.8x	(21.7)x
EAH	Eco Animal Health	108.0	73	0.6x	7.2x	69.5x
EAH at peer av.				1.3x	14.5x	

Source: Company data, Equity Development estimates. Koyfin.

Below shows EAH's current valuation and ('EAH v') that indicated by an average of peer multiples.



Source: Company data, Equity Development estimates. Koyfin.

Indicative valuation

On the basis of our FY24 and FY25 Eco Animal Health EBITDA outlook, and the peer group average EV/EBITDA multiple, the Group Fair Value indicated range is 137p – 146p per share.

Peer group-based indicative valuation		
Yr to 31 March (£m)	2024E	2025E
Revenue	87.4	91.2
EBITDA (adj.)	7.6	8.1
Mrg	8.7%	8.8%
ECO EV at +1yr av. EV/EBITDA (£m)	110.8	117.0
Net debt / (cash)	(18.1)	(18.1)
Indicated mkt cap (£m)	92.7	98.9
Per share (p)	136.9	146.1

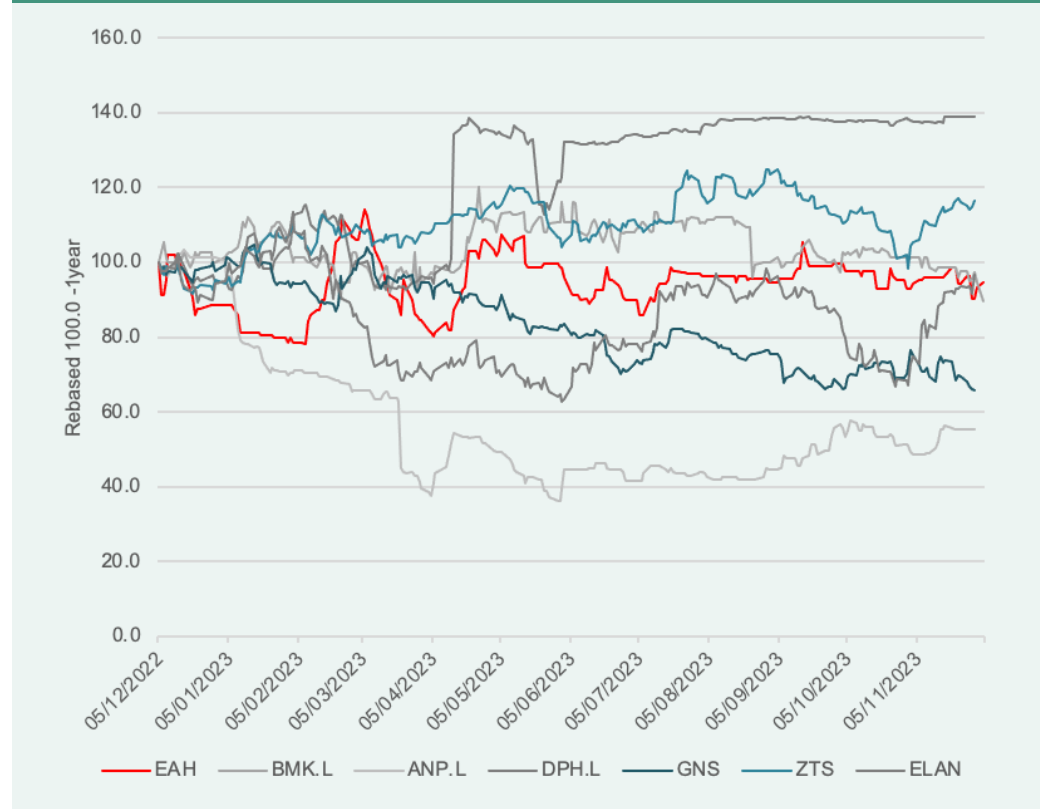
Source: Company data, Equity Development estimates. Koyfin.

Share price performance

As illustrated, on a -1 year-to-date basis, the performance of Eco Animal Health vs its peers is as follows:

- DPH: +39.1%.
- ZTS: +16.4%.
- ELAN: -3.5%.
- **EAH: -5.3%.**
- BMK: -10.3%.
- GNS: -34.4%.

Share price performance -1 year to date, rebased



Source: Company data, Equity Development estimates. Yahoo Finance. Rebased at 100.0.

Summary financial data: semi-annual

P&L					
Year to 31 March (£m)	H1 22	H2 22	H1 23	H2 23	H1 24
China & Japan	15.7	12.7	8.5	17.9	9.7
N America	6.0	10.4	6.5	8.7	8.2
S & SE Asia	6.0	5.8	7.4	9.4	7.7
LatAm	6.3	9.5	7.9	10.2	7.7
Europe	2.9	3.5	2.9	3.2	3.5
RoW/UK	1.6	1.8	1.7	1.1	1.2
Revenue	38.5	43.7	34.9	50.5	38.0
Gross	17.1	18.0	15.8	22.6	15.5
<i>Margin</i>	<i>44.5%</i>	<i>41.2%</i>	<i>45.3%</i>	<i>44.8%</i>	<i>40.8%</i>
COGS	(21.3)	(25.7)	(19.1)	(27.9)	(22.5)
Other income	0.0	0.0	0.2	0.1	0.0
R&D	(3.3)	(4.3)	(2.9)	(3.0)	(2.1)
Admin	(10.9)	(13.2)	(10.0)	(17.8)	(14.0)
Impairment	(2.1)	0.0	0.0	0.0	0.0
Sum Op-ex	(16.2)	(17.5)	(12.7)	(20.7)	(16.1)
Share-based payments	(0.1)	(0.3)	(0.2)	(0.2)	(0.3)
Forex	0.3	(1.3)	(2.6)	2.1	(0.2)
EBIT (rptd.)	0.9	0.5	3.1	1.9	(0.6)
EBIT (adj.)	3.1	0.8	3.3	2.1	(0.3)
<i>Margin</i>	<i>8.0%</i>	<i>1.8%</i>	<i>9.3%</i>	<i>4.2%</i>	<i>N.M.</i>
Amortisation	(0.6)	(0.6)	(0.5)	(0.5)	(0.5)
Amortisation RoU	(0.2)	(0.2)	(0.2)	(0.3)	(0.2)
Depreciation	(0.2)	(0.2)	(0.2)	(0.6)	(0.5)
EBITDA (rptd.)	2.2	0.3	1.5	5.3	0.4
EBITDA (adj)	4.3	1.1	1.7	5.6	0.7
<i>Margin</i>	<i>11.3%</i>	<i>2.4%</i>	<i>4.8%</i>	<i>11.0%</i>	<i>1.9%</i>
Financial income	0.1	0.1	0.0	0.1	0.1
Financial expense	(0.2)	(0.1)	(0.1)	(0.5)	(0.2)
Associate	0.0	(0.0)	0.1	(0.0)	0.0
PBT (rptd.)	0.9	0.5	3.0	1.4	(0.6)
PBT (adj.)	3.0	0.8	3.2	1.6	(0.3)
Tax	(0.8)	(1.3)	(0.9)	(0.4)	(0.6)
PAT (rptd.)	0.0	(0.7)	2.1	1.0	(1.2)
PAT (adj.)	2.2	(0.5)	2.3	1.2	(0.9)
Basic wtd. Av. shares (m)	67.7	67.7	67.7	67.7	67.7
Diluted wtd. av. shares (m)	67.7	67.7	68.1	68.1	68.1
EPS rptd. basic (p)	(0.9)	(0.1)	2.0	(0.5)	(1.9)
EPS rptd. dil. (p)	(0.9)	(0.1)	1.9	(0.5)	(1.9)
EPS adj. basic (p)	(0.9)	(0.1)	2.0	(0.5)	(1.9)
EPS adj. dil. (p)	(0.9)	(0.1)	1.9	(0.5)	(1.9)

Source: Company data, Equity Development estimates.

Summary financial data: semi-annual

Cashflow					
Year to 31 March (£m)	H1 22	H2 22	H1 23	H2 23	H1 24
PBT (rptd.)	0.9	0.5	3.0	1.4	(0.6)
Finance (net)	0.1	0.0	0.1	0.5	0.1
Forex	(0.7)	(0.3)	(2.6)	2.1	(0.2)
Amortisation	0.6	0.6	0.5	0.5	0.5
Amortisation RoU	0.2	0.2	0.2	0.3	0.2
Depreciation	0.2	0.2	0.2	0.7	0.5
Impairment	2.1	0.0	0.0	0.0	0.0
Associate	(0.0)	0.0	(0.1)	0.0	(0.0)
Share-based payments	0.1	0.3	0.2	0.2	0.3
Other	0.0	0.1	(0.0)	0.0	0.0
Operating Cash Flow	3.4	1.5	1.6	5.6	0.7
Working capital					
(Increase)/Decrease inventories	(5.7)	(2.9)	(1.7)	9.4	2.5
(Increase)/Decrease in receivables	5.2	2.4	4.2	(4.9)	2.3
Increase/(Decrease) in payables	3.1	(6.0)	(1.6)	4.3	(0.8)
Provisions	0.4	1.0	0.5	0.9	0.0
Movement in working capital	3.0	(5.5)	1.4	9.8	4.1
Cash generated by operations	6.4	(3.9)	3.0	15.4	4.8
Interest paid	(0.1)	(0.0)	(0.1)	(0.4)	(0.0)
Tax (paid)/received	(2.3)	(0.7)	(1.0)	(1.0)	(0.1)
Net cash from operations	4.1	(4.6)	1.9	14.0	4.7
Investing activities					
PPE	(0.2)	(1.4)	(1.3)	(2.3)	(0.4)
Sale of PPE	0.0	0.0	0.0	0.0	0.0
Capitalised R&D	(0.7)	(0.6)	(1.3)	(1.1)	(1.5)
Finance	0.1	0.1	0.0	0.1	0.1
Net cash used in investing	(0.8)	(1.9)	(2.5)	(3.4)	(1.8)
Net OpFCF	3.3	(6.5)	(0.6)	10.7	2.8
Financing activities					
Shares issued	0.1	0.0	0.0	0.0	0.0
Interest on leases	(0.1)	(0.0)	(0.1)	(0.1)	(0.2)
Leases	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)
Dividends	0.0	(2.9)	(1.8)	0.0	(2.8)
Net cash from financing	(0.2)	(3.1)	(2.1)	(0.3)	(3.1)
Net increase in cash / equivalents	3.1	(9.6)	(2.7)	10.4	(0.3)
Cash at beginning of year	19.5	23.3	14.3	12.9	21.7
Forex	0.7	0.6	1.3	(1.6)	(0.8)
Cash at year end	23.3	14.3	12.9	21.7	20.6
Net debt / (cash)	(22.7)	(12.8)	(11.2)	(18.1)	(20.6)

Source: Company data, Equity Development estimates.

Summary financial data: semi-annual

Balance sheet					
Year to 31 March (£m)	H1 22	H2 22	H1 23	H2 23	H1 24
Fixed Assets					
Intangible Assets Net	34.1	34.3	35.1	35.6	36.6
PPE net	2.2	3.5	4.8	6.1	5.8
RoU Assets Net	1.3	1.8	1.6	4.3	3.9
Property Investments	0.3	0.2	0.2	0.0	0.0
Investments	0.2	0.2	0.3	0.3	0.3
Deferred Tax	0.4	0.5	0.5	0.6	0.6
Sum Fixed Assets	38.5	40.5	42.5	46.8	47.2
Current Assets					
Inventories	26.5	30.1	32.9	22.4	19.5
Trade receivables	27.3	26.0	24.8	26.9	25.7
Tax assets, other	4.1	2.7	2.4	3.6	2.3
Cash, Equivalents	23.3	14.3	12.9	21.7	20.6
Sum Current Assets	81.1	73.1	73.0	74.5	68.2
Total Assets	119.6	113.6	115.5	121.3	115.3
Current Liabilities					
Trade payables	(18.4)	(13.0)	(13.2)	(14.5)	(15.0)
Provisions	(2.3)	(3.9)	(4.5)	(5.2)	(5.3)
Tax, Other	(2.6)	(0.9)	(0.9)	(2.4)	(1.2)
Dividends	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Sum Current Liabilities	(23.5)	(17.7)	(18.7)	(22.2)	(21.6)
Total Assets less Current Liabilities	96.2	95.9	96.8	99.1	93.8
Long-term Liabilities					
Deferred tax	0.0	0.0	0.0	0.0	(3.2)
Leases	(0.6)	(1.5)	(1.7)	(3.6)	0.0
Sum Long-term liabilities	(0.6)	(1.5)	(1.7)	(3.6)	(3.2)
Total liabilities	(24.0)	(19.3)	(20.4)	(25.8)	(24.8)
Net Assets	95.6	94.3	95.1	95.6	90.6
Capital & Reserves					
Share Capital	3.4	3.4	3.4	3.4	3.4
Share Premium	63.3	63.3	63.3	63.3	63.3
Reserves	1.9	3.0	3.1	2.6	1.9
Retained earnings	12.9	12.4	13.9	13.9	12.9
Non-controlling interests	13.8	12.3	11.4	12.3	9.0
Equity	95.2	94.3	95.1	95.6	90.6
Net debt / (cash)	(22.7)	(12.8)	(11.2)	(18.1)	(20.6)

Source: Company data, Equity Development estimates.

Summary financial data: annual

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: annual

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 / equivalents	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: annual

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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