

Benchmark Holdings PLC



24th October 2022

Update says a strong Q4, continuing into FY23

In a Trading Update Benchmark Holdings reports a strong fourth quarter with trading better than expected across each of its three business areas. Consequently – subject to audit – the Group expects (adj.) EBITDA, for the year to 30 September, to be in the range of £30.0m - £31.0m, i.e. up to 14% above of our estimate of £27.3m. Entering FY23 CEO Trond Williksen noted a “positive outlook”.

Genetics – Iceland facility meets increased demand

The Genetics business area (Q3 YTD 34% of total revenue; 26.5% average adj. EBITDA margin) closed the year **ahead of management expectations** due to strong Q4 demand for salmon eggs which was met by production from the new bio-secure incubation centre in Iceland. Benchmark has a 30% global market share in producing eggs for the £130m global farmed salmon sector.

Advanced Nutrition – strong in all segments

Advanced Nutrition (Q3 YTD 53% of revenue; 22.8% average adj. EBITDA margin) delivered **revenue ahead of plan across all business segments**. We note Benchmark’s leading position - over 550 primary customers in >60 countries - in the warm water aquaculture sector: Artemia brine shrimp and artemia technologies, specialist diets and probiotics.

Health – seasonal demand

Benchmark noted **increased activity and revenues** from its proprietary Ectosan® Vet and Clean Treat® (CT) treatment for sea lice in farmed salmon ahead of the primary sea lice season. As we have commented, this business area has an opportunity to scale as the next new generation of clients’ well boats come on stream.

In the update Benchmark reported that, having refinanced its NOK850m secured bond (16th September) via the issue of a NOK750 green bond, increased volatility and the combination of increased debt costs and currency revaluation resulted in one-off redemption costs of c.£2.5m. Benchmark reports that net debt (excluding lease liabilities) at 30th September was £47.5m and cash was £36.4m (ED estimate £45.4m) following refinancing.

The Group continues with its plan to list on the Euronext Growth Oslo by the end of calendar 2022 and list on the Oslo Børs in the first half of calendar year 2023, subject to market conditions. In the light of this positive update, we shall review financial estimates when more detail is released.

Our fair value for Benchmark is 63p/share.

Outlook to FY24					
Yr to 30 Sep.(£m)	2020	2021	2022E	2023E	2024E
Revenue	105.6	125.1	153.2	169.9	193.4
EBITDA (adj)	14.5	19.4	27.3	32.0	39.8
Pre-Tax (adj)	(20.5)	(9.0)	(29.6)	(15.2)	(7.1)
EPS (adj, p)	(4.9)	(1.9)	(5.4)	(3.2)	(2.2)
P/E	N.M	N.M	N.M	N.M	N.M
EV/EBITDA	21.8x	16.3x	11.6x	9.9x	8.0x

Source: Company data, Equity Development estimates.

Company Data

EPIC	AIM: BMK
Price	37p
52 weeks Hi/Lo	66p/35p
Market cap	£260m
ED Fair Value / share	63p
Proforma net debt / (cash)	£47.5m

Share Price, p



Source: Yahoo Finance

Description

Benchmark Holdings PLC develops products and biotechnology solutions for the aquaculture sector, to improve sustainability, animal quality and health and welfare, yields and profitability. The Group focuses on Genetics, to improve stocks and species resilience; Advanced Nutrition specific to early stages of animal development; and Health for sea lice treatments..

The Group has operations in the UK, Norway, the US, Chile, Colombia, Iceland, Belgium, Thailand, Vietnam and China.

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