

Sustainable growth through consistent delivery

12 October 2022

At the recent Capital Markets Day CEO Trond Williksen outlined Benchmark's strategy: to drive sustainability in aquaculture, improving product yield and quality for its customers, and at the same time to build Benchmark's growth through planned phases of development in its three key business areas - Genetics, Advanced Nutrition and Health.

Restructured in 2020, the Group is now focused on **consistent delivery**, anchoring business area profitability and cashflow, and delivering on strategic programmes within a 2-5-year time frame. The direction of travel for Benchmark's target markets in aquaculture remains positive. As the OECD¹ notes "fish consumption is projected to keep rising at a faster rate than meat consumption over the next decade" and "Aquaculture is expected to drive production growth ...to overtake capture fisheries production." The Group outlined its growth pathway for each business area.

Genetics – diversification from salmon

To Q3 YTD FY22, Genetics recorded 34% of Group total revenue (excluding intra-company) with a 26.5% average (adj.) EBITDA margin. Based on its expertise and leading **30% global market share** in producing eggs for the £130m global farmed salmon sector, the segment is focused on developing a similar position in shrimp (£100m) and tilapia (£50m) breeding markets.

Advanced Nutrition – more localised presence

To Q3 YTD FY22, Advanced Nutrition recorded 53% of Group total revenue (excluding intra-company); 22.8% average (adj.) EBITDA margin. With over 550 primary customers in >60 countries, Advanced Nutrition has an **established market presence**, providing specialist nutrition and preventative health solutions for the warm water aquaculture sector: Artemia brine shrimp and artemia technologies, specialist diets and probiotics. The aim is to expand local market presence, accelerate production cycles and improve yields.

Health – potentially transformational

Benchmark's proprietary Ectosan[®] Vet and Clean Treat[®] (CT) treatment has proved 99% successful in treating the problem of sea lice in farmed salmon. The business area now has the opportunity to scale as the next new generation of clients' well boats come on stream, moving from deployment on platform service vessels to boats incorporating Benchmark CT, **implying a rise in EBITDA margin**.

The Group also reiterated plans to list on the Oslo Bourse.

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)
Net debt/(cash)	32.2	70.3	63.0	68.5	69.5
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. ¹OECD-FAO Agricultural Outlook 2022-2031

Company Data

EPIC	AIM: BMK
Price (last close)	36p
52 weeks Hi/Lo	64p/35p
Market cap	£253m
ED Fair Value / share	63p
Proforma net debt / (cash)	£63m

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.

Mike Jeremy (Analyst)

0207 065 2690
mike.jeremy@equitydevelopment.co.uk

Hannah Crowe

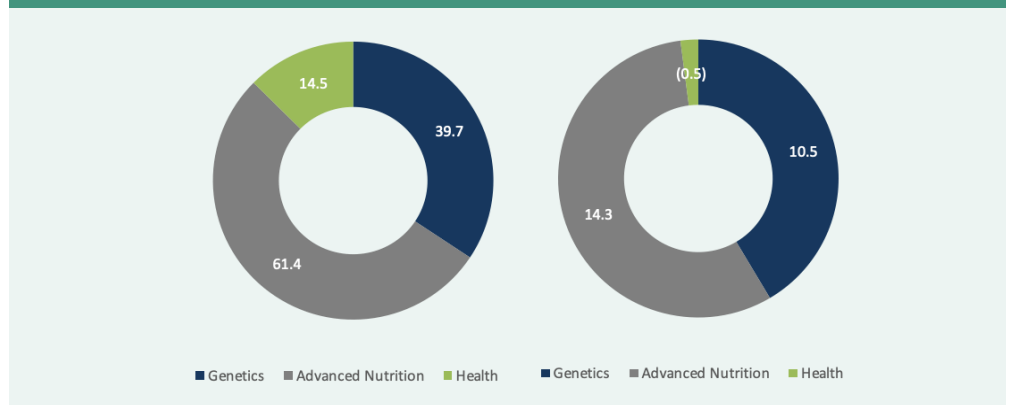
0207 065 2692
hannah@equitydevelopment.co.uk

Operational overview, year-to-date Q3 22

Benchmark comprises two business areas with an established international market presence and leading market positions - Genetics and Advanced Nutrition - showing strong growth and sound margins, and a third, Health, which has recently exhibited rapid development within a high-growth, high-margin business model. For the three quarters to 30 June 2022 Benchmark recorded total revenue of £115.5m (inclusive of £(0.122)m of intracompany revenue) equating to 31.6%YoY growth; by the third quarter revenue had reached 92% of the previous full year total. The overall average (adj.) EBITDA margin was 19.4% (FY21 full year: 15.6%). The contribution to total revenue and (adj.) EBITDA is shown below:

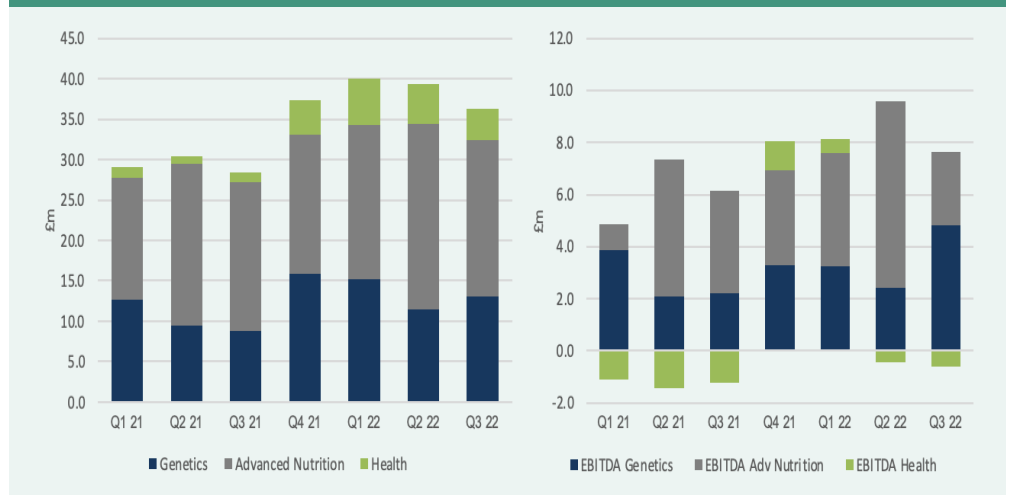
- **Genetics**, with YTD 3Q revenue of £39.7m, +28.6%YoY, comprised 34% of the total. EBITDA (adj.) margin averaged 26.5%, with Q3 at 36.8% contrasting with c21% in the prior quarters.
- **Advanced Nutrition**, revenue of £61.4m, +14.9%YoY, comprised 53% of the total. EBITDA margin averaged 23.3%.
- **Health**, with revenue of £14.5m, an increase of 3.1x, comprised 13% of the total. Reflecting start-up costs associated with its new sea lice solution, this division registered a small, £(0.52)m, loss during the period, compared to £(3.8)m a year earlier.

Revenue and EBITDA (adj.) FY22 YTD to Q3 (£m)



Source: Company data.

Business area revenue, EBITDA (adj.), Q1 21 – Q3 22



Source: Company data.

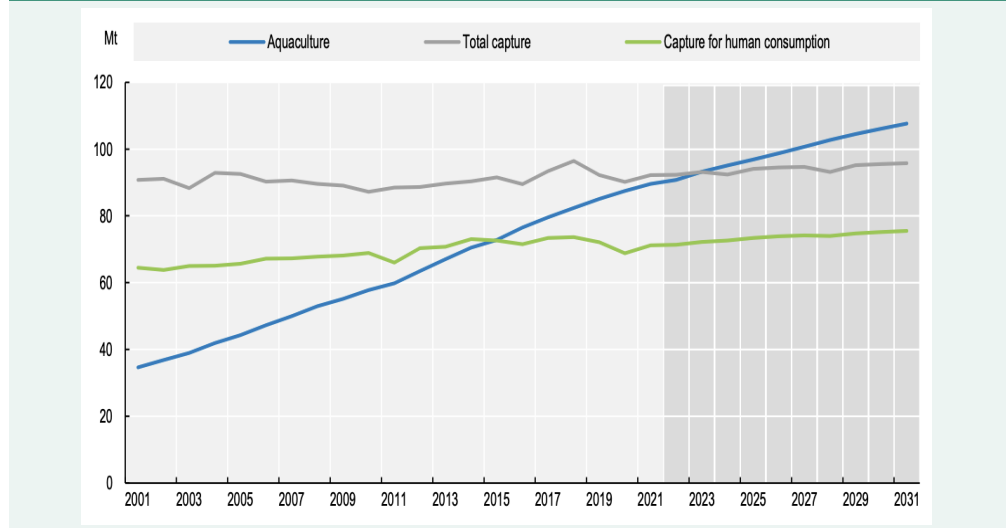
Target markets – aquaculture boosted by sustainability

Aquaculture growth to outpace capture (fishing)

Benchmark's products and services target the global aquaculture market. As illustrated below, the OECD post-COVID-19 outlook (2022-2031) for world agricultural production¹ highlights two key features which frame the demand picture for the markets Benchmark addresses:

- Continued emphasis on fish protein consumption: "fish consumption is projected to keep rising at a faster rate than meat consumption over the next decade (1.4% p.a. for fish vs 1.0% p.a. for meat)".
- Production led by aquaculture rather than capture (fishing): "Aquaculture is expected to drive production growth over the outlook period, increasing 23% (20 Mt) by 2031 (at +1.9% p.a.) ... aquaculture is expected to overtake capture fisheries production in 2023".

Aquaculture to lead in fish production: 2001 – 2031, OECD outlook



Source: ¹OECD-FAO Agricultural Outlook 2022-2031, p 221.

Strong growth potential for Benchmark's focus species

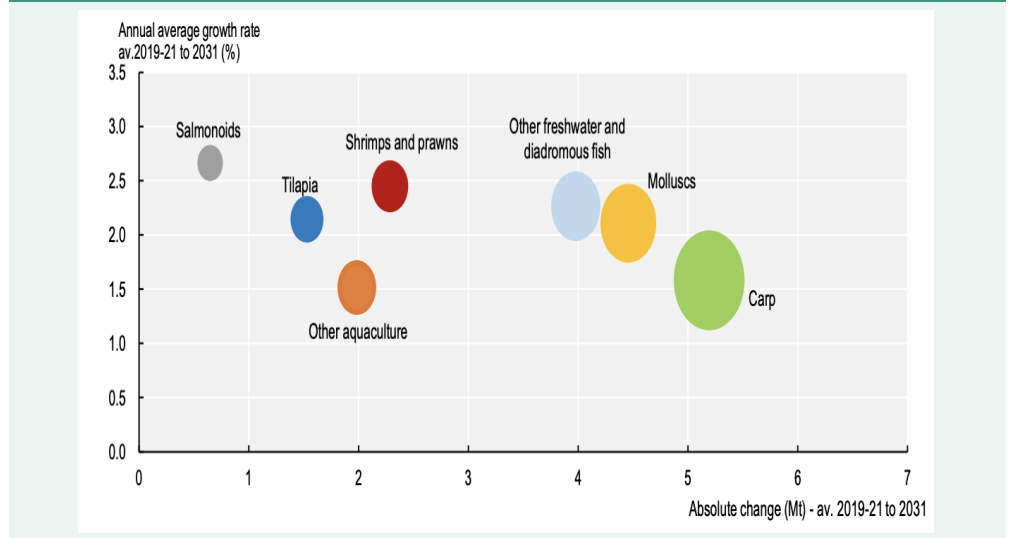
Benchmark focuses on the salmon, shrimp, sea bass and bream, and recently, tilapia industries. The OECD outlook (2019-2031) for aquaculture production by species, illustrated below, highlights strong growth in particular in the market for shrimps and prawns (+31%) and tilapia (+25%).

In terms of pricing, the OECD outlook forecasts growth in the price of aquaculture products of 33% (1.5% p.a.) in nominal terms - equating to a sideways trend in real terms. By contrast, the price of captured product is forecast to grow by 19% nominal - which equates to a decline of 9.9% (-1.4% p.a.) in real terms, reflecting elements such as the cost of fuel and other energy-related inputs.

In terms of regional production, China's current 57% share of aquaculture production is expected to remain high at 56%, with Asia as a whole the leading area, reaching 88% by 2031 boosted by growth across the region, notably in India (+39%), Thailand (+25%), Indonesia (+24%), the Philippines (+22%), and Vietnam (+11%).

The leading consumers of fish products for consumption should remain the OECD nations, at an estimated 52% of world imports in 2031, led by the EU27 (18%), US (14%) and China (10%). Fishmeal production, important in aquaculture, is led by Peru (imports and exports, rather than consumption) and China, expected to absorb 54% of global production by 2031 (46% currently), reflecting its overall importance in aquaculture markets. Other major importers are Japan, Norway and Vietnam.

Aquaculture growth by species 2019 - 2031



Source: OECD-FAO Agricultural Outlook 2022-2031, p227. Size of bubble equals market scale.

Increased emphasis on sustainability

The OECD emphasises the importance of biosecurity in offsetting supply volatility, recent examples being the war in Ukraine and the related spike in energy prices, or trade tensions between China and the US. In this context, it notes the importance of “**environmentally-friendly and sustainable production systems**”. This is a central feature of Benchmark’s market approach as evident in its mission statement: “**To drive sustainability in aquaculture**”. The OECD stance is echoed by the FAO in its 2022-2031 Strategic Framework report, *Blue Transformation*², which outlines a pathway for the sustainable management of marine resources as a means of combating hunger and food insecurity. The report’s objective is promotion of sustainable aquaculture with a target of “*at least 35 per cent growth in global sustainable aquaculture production by 2030*”. There are a number of ‘priority actions’, including:

- To “Facilitate the development of innovative operations and climate-smart aqua-business”.
- To “Support appropriate application of technologies to promote sustainable use and development of genetic resources to improve supply of quality seed for enhanced production efficiency”.

FAO Blue Transformation roadmap 2022 - 2030



Food and Agriculture Organization of the United Nations

BLUE TRANSFORMATION

Roadmap 2022-2030
A vision for FAO’s work on aquatic food systems

Objective

Sustainable aquaculture intensification and expansion satisfies global demand for aquatic food and distributes benefits equitably.

Outcomes

- At least 35 percent growth in global sustainable aquaculture production by 2030 (FAO, 2020a).
- Growth in aquaculture employment and skilled labours improves income and livelihoods.
- Achieve full and productive employment and decent work in the aquaculture sector for all women and men by 2030.⁵

Source:² Food and Agriculture Organization of the United Nations, Rome, 2022, p1, 8.

Next, we examine each of Benchmarks’ business areas, recent performance, strategy and outlook.

Genetics

Diversifying from strength in salmon into shrimp and tilapia

Based on its expertise in producing eggs for the £14bn¹ global farmed salmon sector, Benchmark's Genetics operation is focused on developing a similar position in shrimp and tilapia breeding to address end-producer markets worth, respectively, £30bn¹ and £6bn¹ worldwide. Benchmark commands a c.30% (2022E) share of the global farmed salmon egg market of c.1.1bn eggs worth £130m annually.

Benchmark's strength in salmon egg production is concentrated in Norway (38% share), Scotland (>30%) and Europe (84%), with an estimated 87% share of land-based production (company estimate).

State-of-the-art Salten facility

The division's expertise in salmon egg production is demonstrated at its *SalmoBreed* Salten facility, located just inside the Arctic Circle at 67° north on the Sørkjøya in Northern Norway. The location combines high quality salt and freshwater supplies, proximity to suitable sea broodstock locations, and excellent land and (via the airport at Bodø) air transportation links.

The facility uses recycled energy and purified water to raise salmon stock over a period of >2 years in combinations of part- to wholly- indoor systems, to yield c.400m salmon eggs per year predominantly for the leading producers in the Norwegian farmed salmon sector: Mowi, Cermaq, Lerøy, Salmar, Grieg Seafood, Norway Royal Salmon and Nova Sea.

Benchmark's Salten salmon egg production facility



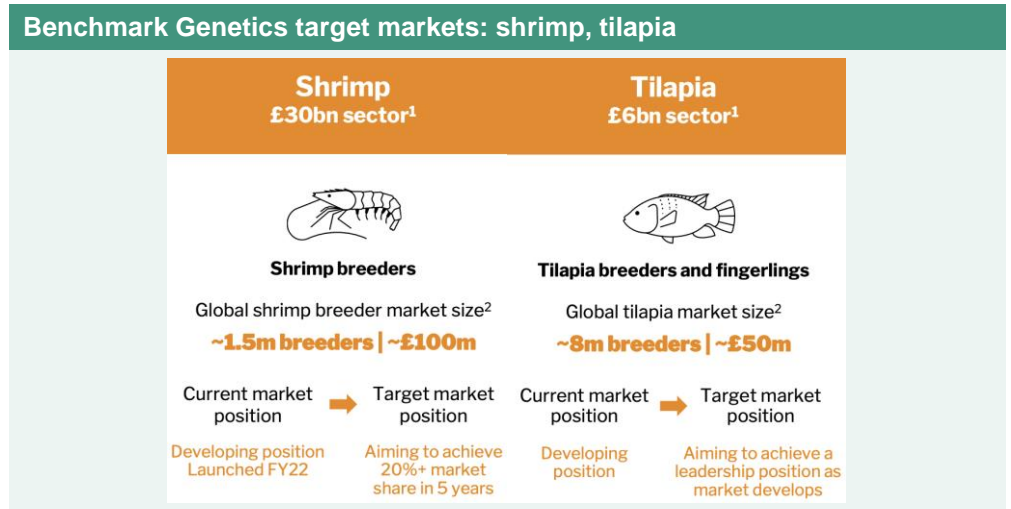
Source: Company data.

Opportunities in shrimp and tilapia

Benchmark aims to address the opportunity in two nascent aquaculture genetics growth markets, shrimp and tilapia. Shrimp demand has led to increased production capacity in markets such as the US, Thailand and Columbia, whilst there is scope for the use of genetics to improve yield and product quality.

Tilapia, despite farmed in 125 countries (see: <https://aquafeed.co.uk/-tilapia-soon-to-be-the-world?s-most-popular-farmed-fish-21311>) fish, is still produced with comparatively low attention to disease control or the application of professional genetics - offering an opportunity for the skills Benchmark has developed in its salmon egg production programmes.

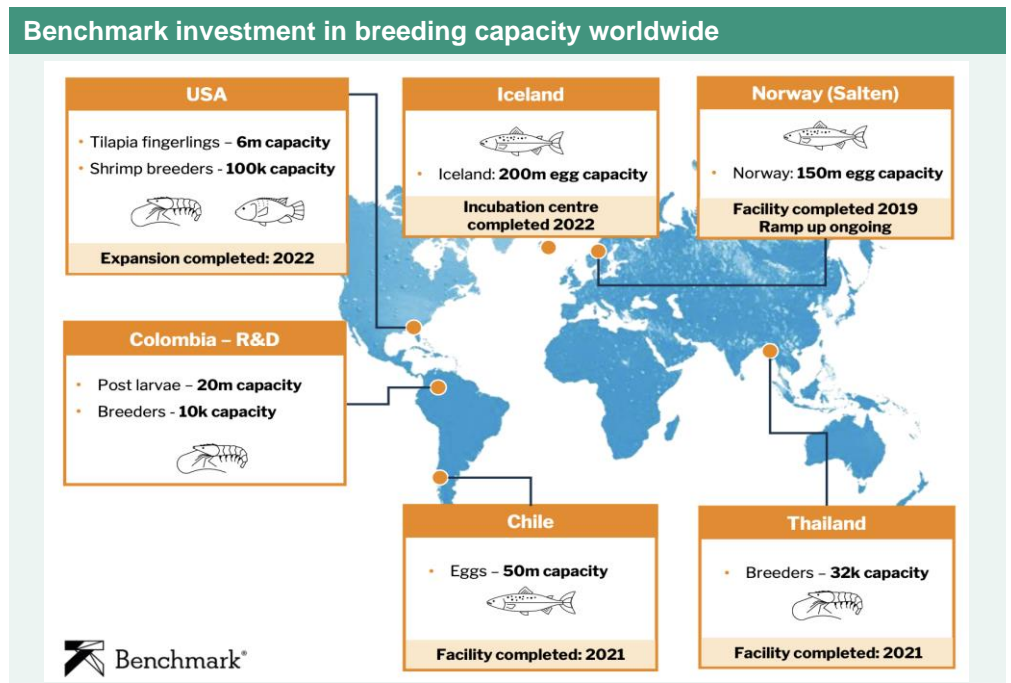
As illustrated, Benchmark has identified the scale of the opportunity in shrimp and tilapia and has set a 5-year time frame from entry to commercial development.



Source: Company data.

Investment in breeding facilities

The sea-based Atlantic salmon sector has led the development of industrial farming with >90%³ use of professional genetics for consistent improvement of yield and product quality. This process is being replicated for other species. As illustrated, Benchmark has developed a roadmap for breeding fry for the shrimp and tilapia fingerlings.



Source: Company data. ³ Data from Kontali, FAO, Benchmark.

Benchmark has recorded a 61% increase in salmon harvest weight from its stock over five generations (2000-2020 data) and improvement in key areas such as pancreatic disease survival rates, from 41% to 63% (measured over four generations). There are early indications of improvements in shrimp harvest yields: Benchmark reports yields of 25,111 kg/ha, averaging 17.3% above selected competitors.

FY22 Genetics performance

To Q3 YTD FY22, Genetics recorded revenue totalling £39.7m, 34.3% of Group total (excluding intra-company revenue) and £10.5m (adj.) EBITDA, 42.3% of total (excluding start-up losses in the Health Division), with an EBITDA margin averaging 26.5% over the first three quarters. Within the segment (YTD):

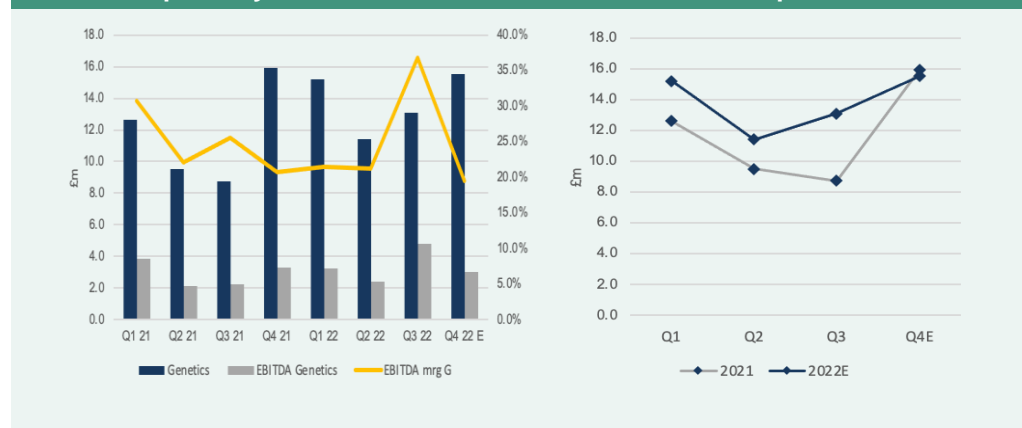
- Salmon eggs comprised 94% of revenue, with eggs with specialist traits amounting to 66% of revenue, under Benchmark's brands Salmo-Protect[®], Salmo-Select[®], Salmo-Total[®], and Salmo-RAS[®] [RAS: recirculating aquaculture systems].
- Shrimp comprised 3% of revenue (YTD), with specific pathogen-resistant breed stock.
- Tilapia fingerlings comprised 1% of revenue.
- Genetic services and consulting comprised 2% of divisional revenue. The Genetics division maintains close relationships with leading aquaculture research centres, including the University of Stirling, Nofima, the Norwegian food research institute, ROSLIN, based at the University of Edinburgh, the Institute of Marine Research, and the USAD Agricultural Research Service.

FY22 quarterly performance and outlook

The segment recorded quarterly performance to date:

- Q1 revenue of £15.2m, +20.4%YoY, EBITDA of £3.3m, -15.9%YoY, margin 21.5% (Q1 21: 30.7%). Broodstock revenue from the Salten facility was augmented by the sale of surplus harvested fish, and improved revenue from salmon eggs and SPR (specific pathogen resistant) shrimp. EBITDA was impacted by post-COVID costs and a £0.1m reduction in the value of biological assets¹. Adjusted for the £1.3m uplift in the value of assets in Q1 21, EBITDA was +29%YoY, a 22.2% margin.
- Q2 revenue of £11.4m, +19.9%YoY, EBITDA of £2.4m +15.2%YoY, margin 21.3% (Q2 21: 22.2%). Adjusted for the fair value of biological assets EBITDA declined 7%YoY.
- Q3 revenue of £13.1m, +49.9%YoY, EBITDA of £4.8m, +1.2x, margin 36.8% (Q3 21: 25.6%). Sales of salmon eggs increased 39%YoY, with shrimp +1.6x and tilapia +57%YoY from the new incubation centre in Iceland. Adjusted for biological asset value, EBITDA was £3.4m, +81%YoY, a 26.2% margin.

Genetics: quarterly revenue/EBITDA & revenue annual comparison



Source: Company data, Equity Development estimates.

¹Biological assets comprise the biomass of Benchmark's broodstock, at Salten, in Iceland and elsewhere, valued under IAS41.

Genetics: outlook to FY24

At the Capital Markets Day Benchmark outlined its 3-5 year divisional targets (illustration below):

- Focus on organic growth: salmon, shrimp, tilapia.
- Revenue growth of 10% - 15% p.a.
- Target EBITDA (adj.) margin of 22% - 27%.

We estimate that this indicates, at an average 12.5% revenue CAGR:

- FY27 revenue of £99.5m.
- FY27 EBITDA (adj.), with margin rising to 27.0% over the period, of £26.9m.

Genetics medium-term company targets

Medium term objectives (3-5 years)		Pathway
Revenue	Adj. EBITDA margin	
10-15% p.a. growth	22-27% period end	<ul style="list-style-type: none"> • Organic growth into existing capacity • Salmon • Shrimp • Tilapia

Source: Company data

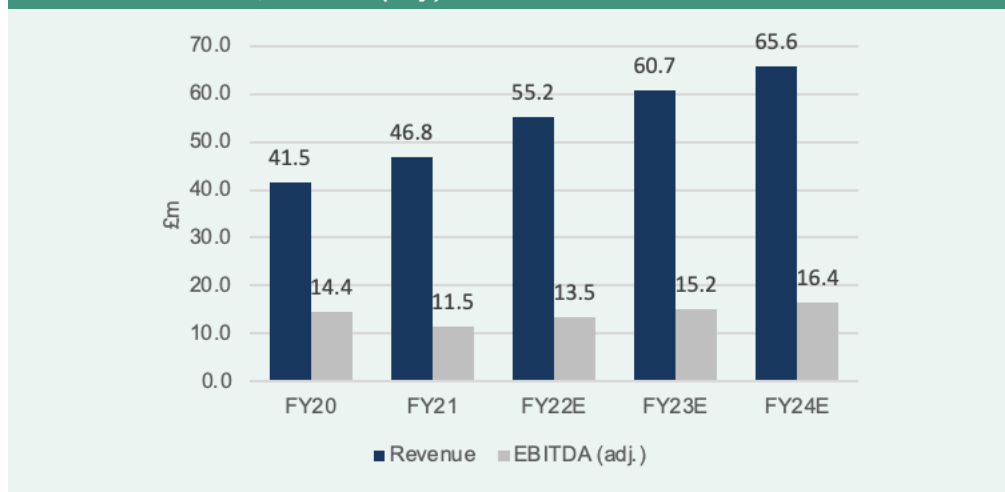
Our Genetics division estimates to FY24 are summarised as follows.

Divisional revenue, EBITDA (adj.) outlook to FY24

Yr to 30 Sep (£m)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	41.5	46.8	55.2	60.7	65.6
EBITDA (adj.)	14.4	11.5	13.5	15.2	16.4
Margin	34.8%	24.6%	24.5%	25.0%	25.0%

Source: Company data, Equity Development estimates.

Divisional revenue, EBITDA (adj.) outlook to FY24



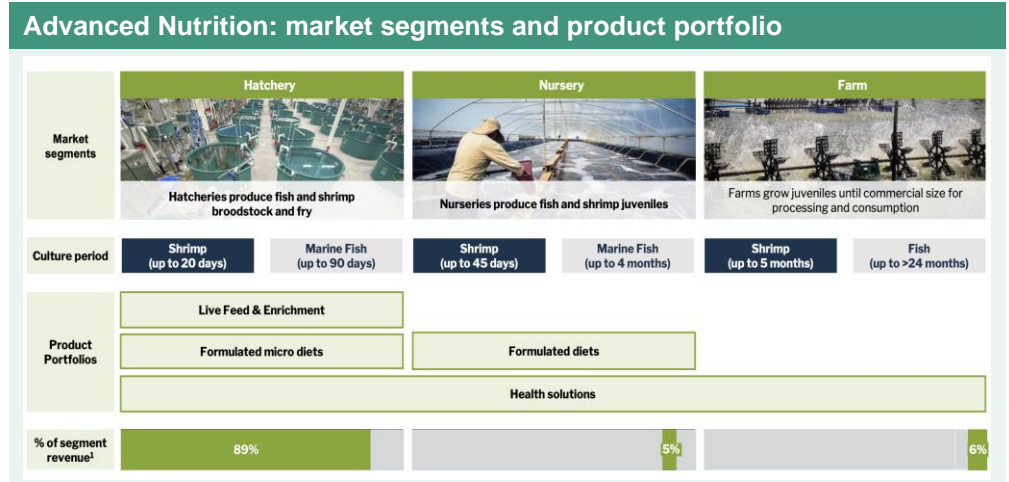
Source: Company data, Equity Development estimates.

Advanced Nutrition

With over 550 primary customers in over 60 countries, Benchmark's Advanced Nutrition business area has an established market presence, focused on specialist, high margin nutritional solutions for the early stages of production of warm water aquaculture sector, in three principal segments:

- **Artemia** and artemia enriched diets. Artemia is a genus of brine shrimp measuring c.9 mm; it is the source of the pink pigmentation in flamingos. Artemia comprises 49% of divisional revenue, addressing the marine fish market where Benchmark has a 70% market share², and shrimp (30% market share³), with an EBITDA margin of >20%. Benchmark has a permit (Certificate of Registration) to harvest c.40% of the Great Salt Lake (State of Utah) annual harvest in October-January.
- **Specialist diets** developed for broodstock, hatcheries and fish and shrimp nurseries: 32% of divisional revenue. These 'grow out' feeds are lower-margined, at an EBITDA margin of 3-8%, in a volume-driven market. Benchmark's share is 45%⁴. In the marine fish market, Benchmark reports a 30% global market share.
- **Probiotic health** products (e.g. the Sanolife[®] range) Unlike antibiotics which treat disease, probiotics promote healthy development as the basis for suppressing infection.

As illustrated, 89% of divisional revenue addresses hatcheries and the live feed and enrichment products, whilst health-related probiotics span the full range of market opportunities.



Source: Company data.

Strategy – fine-tuned to localised quality

Benchmark's Advanced Nutrition segment strategy is to develop both laterally, expanding local market presence, and qualitatively, by offering product to accelerate production cycles and improve yields by expanding production cycles, for example in shrimp, from 3 cycles to 5-7 cycles. Techniques include:

- Improved protein formulation and protocols developed to match production: for eco-farming in Ecuador, intensive farming in Asia and Central America, or 'super-intensive (Vietnam).
- The application of feed particle size (from 5-50 μ , or 50-100 μ) to match growth stages.
- Combination with expertise in the Genetics business area to further improve targeted nutrition.

² Company estimate

³ Company estimate

⁴ Company estimate

FY22 Advanced Nutrition performance

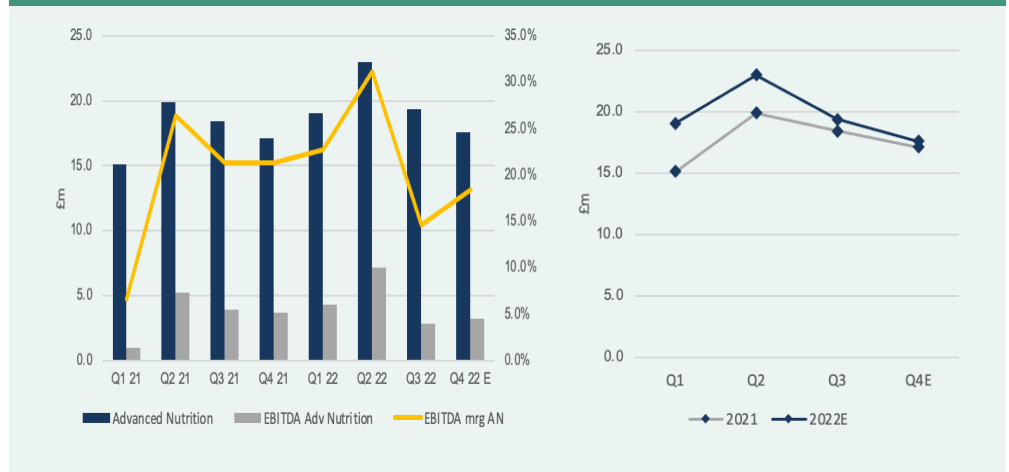
To Q3 YTD FY22 the Advanced Nutrition division recorded revenue totalling £61.4m, 53.1% of Group total (excluding intra-company revenue) and £14.3m (adj.) EBITDA, 57.7% of total (excluding start-up losses in the Health Division), with an EBITDA margin averaging 23.3% over the first three quarters.

FY22 quarterly performance and outlook

Reviewing the year, quarterly performance saw:

- Q1 revenue of £19.1m, +26.0%YoY, EBITDA of £4.3m, +3.4x, margin 22.7% (Q1 21: 6.6%) reflecting the recovery in shrimp demand. Core product areas grew: Artemia (brine shrimp) +23%YoY, Diets +31%YoY and Health +13%YoY.
- Q2 revenue of £23.0m, +15.5%YoY, EBITDA of £7.2m +36.3%YoY, margin 31.1% (Q2 21: 26.4%).
- Q3 revenue of £19.4m, +5.3%YoY, EBITDA of £2.8m, -27.6%YoY, margin 14.6% (Q3 21: 25.6%). On a constant currency (adjusted) basis, revenue declined 5%YoY due to order timing factors. Benchmark reported that EBITDA retreated due a combination of a change in product mix and increased production costs.

Advanced Nutrition: quarterly revenue and EBITDA; revenue annual comparison to Q4 22E



Source: Company data, Equity Development estimates.

Advanced Nutrition: outlook to FY24

Benchmark outlines its 3-5 year Advance Nutrition targets as:

- Growth through market development, product cross-selling, innovation.
- Revenue growth of 7% - 10% p.a.
- Target EBITDA (adj.) margin of 20% - 25%.

We estimate that this indicates, at an assumed average 7.5% revenue CAGR:

- FY27 revenue of £114m.
- FY27 EBITDA (adj.), with margin rising to 25.0% over the period, of £28m.

Advanced Nutrition medium-term company divisional targets

Medium term objectives (3-5 years)		Pathway
Revenue	Adj. EBITDA margin	
7-10% p.a. growth	20-25% period end	<ul style="list-style-type: none"> • Growth through higher penetration, cross-selling and innovation • High and improving margin supported by specialist solutions

Source: Company data.

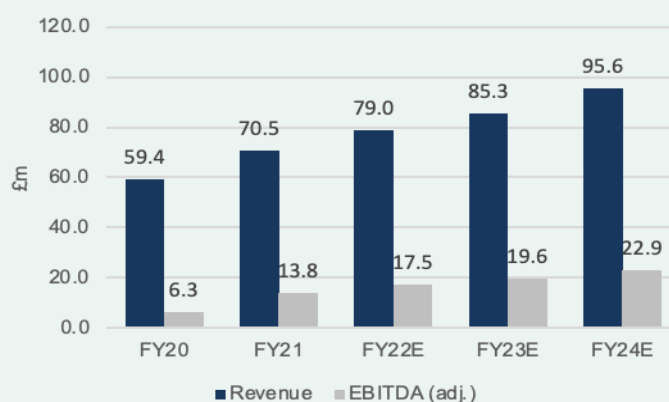
Our Advanced Nutrition division estimates to FY24 are summarised as follows.

Divisional revenue, EBITDA (adj.) outlook to FY24

Yr to 30 Sep (£m)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	59.4	70.5	79.0	85.3	95.6
EBITDA (adj.)	6.3	13.8	17.5	19.6	22.9
Margin	10.6%	19.6%	22.2%	23.0%	24.0%

Source: Company data, Equity Development estimates.

Divisional revenue, EBITDA (adj.) outlook to FY24



Source: Company data, Equity Development estimates.

Health

The Benchmark Health business area provides sea lice treatments to the salmon farming industry. Its first treatment *Salmosan Vet* has been in the market for many years. In addition, the Company has developed, over a ten-year period, a next generation, highly-effective treatment for what is the single major salmon health problem affecting the farmed salmon industry – sea lice.

Sea lice in salmon – “largest biological challenge”

As Benchmark notes: “**sea lice are the largest biological challenge**” facing the salmon industry. Sea lice infestation is estimated to cost the global salmon farming industry between US\$600m and US\$1bn annually (Nofima, IntraFish 2019). The sea louse, *Lepeophtheirus salmonis*, is a tiny copepod crustacean which, after a brief free-swimming larval phase, attaches to and feeds on fish skin and blood, resulting in loss of weight and lesions that render the product unsalable.

As the infective larvae are <1mm in length, in the wild attaching to salmon is difficult; however, in the densely populated environment of farmed salmon cages or pens the chances of rapid sea louse infestation are increased. Larvae are able to settle and attach to fish and enter the pre-adult stage without the immune system of the fish reacting. As they develop, sea lice detect blood and move from feeding on tissue and surface mucous to more invasive attacks. Damage to the epithelium (scales and skin tissue), and related fluids, impacts on the balance of fish, resulting in reduced feeding or lethargy, and introduces the possibility of other bacterial infections.

Feeding on blood results in more serious damage to the fish and to its appearance.

[Sea lice do not attack humans, however a bathers’ rash caused by contact with the larvae of jellyfish has been confused with ‘sea lice’].

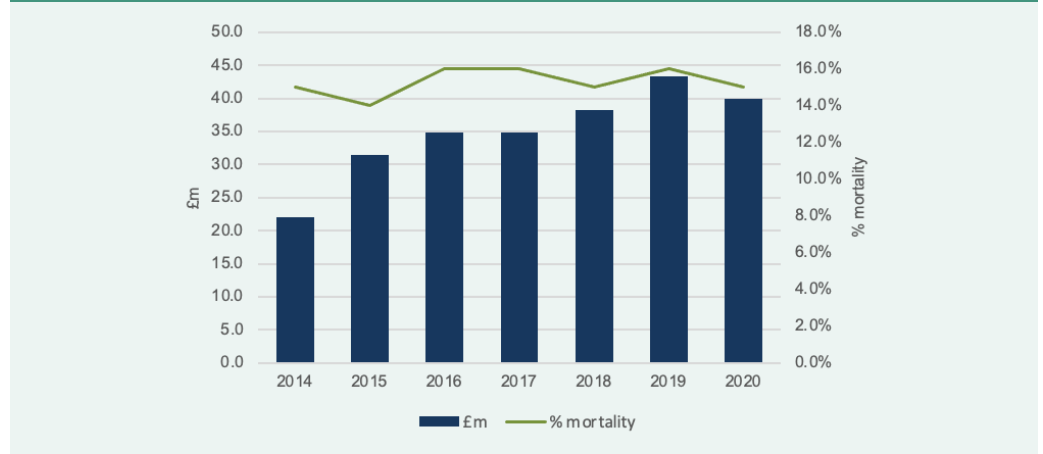
Sea lice infestation in salmon



Source: IntraFish.

Sea lice infestation has remained a persistent problem as Norwegian salmon production has continued to rise, persistently refusing to fall below c.15% of production. The following chart illustrates the continuing prevalence of sea lice-related mortality in salmon compared to the rise in the value of production over the sixteen years to 2020.

Sea louse infestation in salmon



Source: NOFIMA (2021), Kontail, Norwegian Veterinary Institute (2021). NOK data converted at Kr 0.085:GB£1.00.

Sea lice treatments

There have been a variety of approaches to the problem. The use of harsh chemicals, such as hydrogen peroxide, carries risk to the fish; moult inhibitors, to catch the crustacean during moult cycles, are difficult to time and may affect shrimp and other crustaceans; introduction of a 'cleaner fish' species, such as wrasse, has proven only partially effective; and, whilst fully-submerged netted salmon enclosures can inhibit sea lice, unless carefully-constructed they also impact on salmon which, as physostomes, must have access to the surface to replenish their swim bladders.

Benchmark provides an analysis of the leading treatments available and assessment of efficacy.

Comparison of treatments for sea lice

Treatment method		Supplier	Fish welfare	Environment	Efficacy
Ectosan® Vet and CleanTreat®		Benchmark	High	High	High
Non-medical	Fresh water treatment	Multiple suppliers	Low	High	High
	Mechanical removal	Multiple suppliers	Low	High	High
	Thermal treatment	Multiple suppliers	Low	High	High
Biological control	Cleaner fish	Multiple suppliers	Low	High	High
Medical/chemical	New chitin synthesis inhibitors*	Multiple suppliers	Low	High	High
	Hydrogen Peroxide (H2O2)	Multiple suppliers	Low	High	High
	Organophosphorous compounds	Benchmark	Low	High	High
	Pyrethroids	Multiple suppliers	Low	High	High
	Other substances	Multiple suppliers	Low	High	High

Source: Company data.

Benchmark solution: Ectosan® Vet and Clean Treat®

Benchmark's solution, **Ectosan® Vet** and **Clean Treat®** is used to treat sea lice infestations in enclosed bath tanks – within well boat vessels – in a two-stage process, killing sea lice by exposure to Ectosan® Vet and subsequent separate removal of waste matter (e.g., dead sea lice, faecal matter, fish scales etc.) and Ectosan® Vet residue in the Clean Treat® filtration process. The treatments also ensure that no waste is released into the marine environment from the Ectosan® Vet treatment.

The Benchmark treatment cycle is illustrated, as follows:

- Salmon are transferred from the breeding pen to the well boat and Ectosan®Vet introduced for 60 minutes, after which the fish are unloaded, dewatered and rinsed with clean water.
- Used treatment water is assessed for a potential second cycle (there is evidence that up to four cycles are possible) or otherwise transferred to a vessel equipped with Clean Treat® facilities. Water discharged is environmentally safe with medicinal residues monitored to be below quantifiable levels. Debris or sludge is contained for disposal onshore.

Ectosan®Vet and Clean Treat® vessel operational cycle



Source: Company data.

Clean Treat® has been awarded the highest environmental score by the Aquaculture Stewardship Council (ASC: <https://www.asc-aqua.org/>).

Ectosan®Vet and Clean Treat® platform service vessel installation



Source: Company data.

Ectosan[®]Vet

Ectosan[®]Vet is an ectoparasiticide (i.e. surface parasiticide) based on the neonicotinoid imidacloprid, a class of chemicals which interfere with neural pathways, disrupting signals between nerves and leading to paralysis and death. Imidacloprids are widely-used, in agriculture to control aphids and beetles, against termites and cockroaches, or to control fleas in dogs, etc. From inception in Q4 21, Benchmark has reported 99% effectiveness in the use of Ectosan[®]Vet in the treatment and elimination of sea lice in farmed salmon installations.

Ectosan[®]Vet authorisations

Benchmark's combined closed-loop treatment - i.e. with no discharge of active agent - is offered initially in Norway, with planned subsequent deployments in major salmon producing areas: Chile, the Faroes and Scotland. The use of neonicotinoids in agriculture is restricted in the EU, with the potentially-negative effect on pollinators of concern. In salmon the maximum residue level for imidacloprid is set at 600 micro g / kg.

The key feature of Benchmark's use of imidacloprid in its Ectosan[®]Vet treatment is that it is applied in a *closed system* environment and, through the Clean Treat[®] process, eradicated from any residual discharge into the ecosystem.

Health segment business model - a 60% EBITDA margin opportunity

Under the current business model:

- Benchmark operates two Clean Treat[®] systems, with one reuse, via a platform service vessel (PSV).
- Capacity utilisation is 'low' because PSVs have to travel between client sites.
- Pricing is based on a treated volume.

Full commercialisation stage:

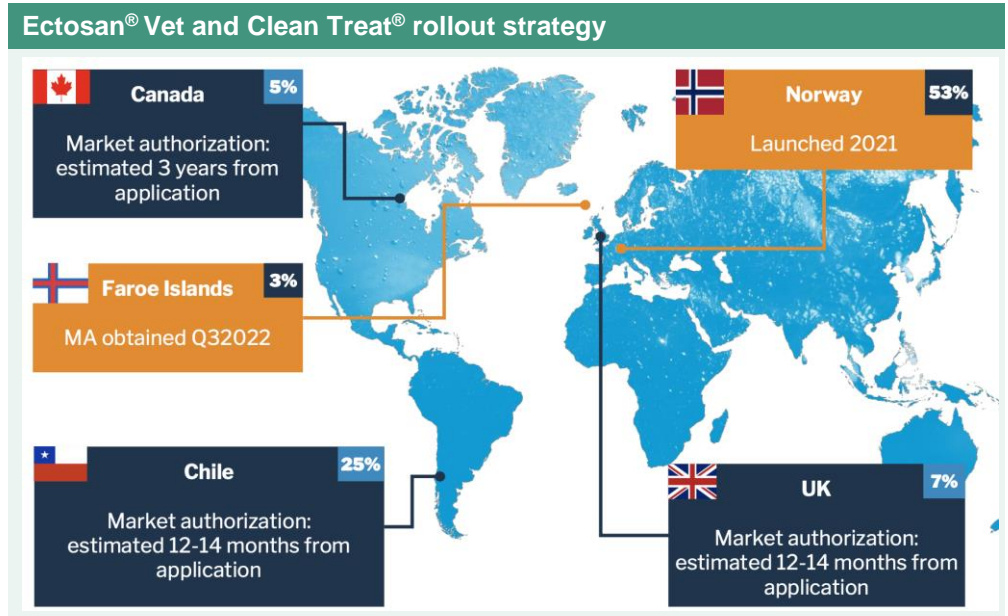
- Envisages over five Clean Treat[®] systems.
- Multiple reuse capacity.
- Configuration built in on board well boats resulting in high capacity utilisation.
- Hybrid pricing based on a combination of contracted volumes and per volume treated.

This offers the division the opportunity to rapidly scale the business at lower up-front cost and with a more sustained and predictable revenue stream, with transition from the current EBITDA margin of c.30% to a potential 60% margin model. The background to this opportunity stems from **growing industry awareness of the success of the Ectosan[®]Vet and Clean Treat[®] process:**

- Sea-based salmon producers become aware of high, c.99%, treatment efficacy results.
- The combination of well boat and Clean Treat[®] PSV-based treatment - i.e. physically aligning and operating the infrastructure - raises demand for faster cycles.
- Leading salmon producers see the opportunity to build in the required infrastructure for Clean Treat[®] processing (to ensure zero water contamination) and begin to request this as part of the well boat construction cycle.
- As a new generation of Ectosan[®]Vet and Clean Treat[®]- provisioned well boats come onstream the opportunity arises for Benchmark to move towards a licenced treatment model.

International rollout strategy

As illustrated below, Benchmark has a staged strategy for deployment of its Ectosan[®]Vet and Clean Treat[®] sea lice treatment. This began in the largest market segment, Norway, in 2021, with subsequent authorisation in the Faroe Islands and a 12-month to 3-year programme of introduction outlined for the UK, Chile and Canada.



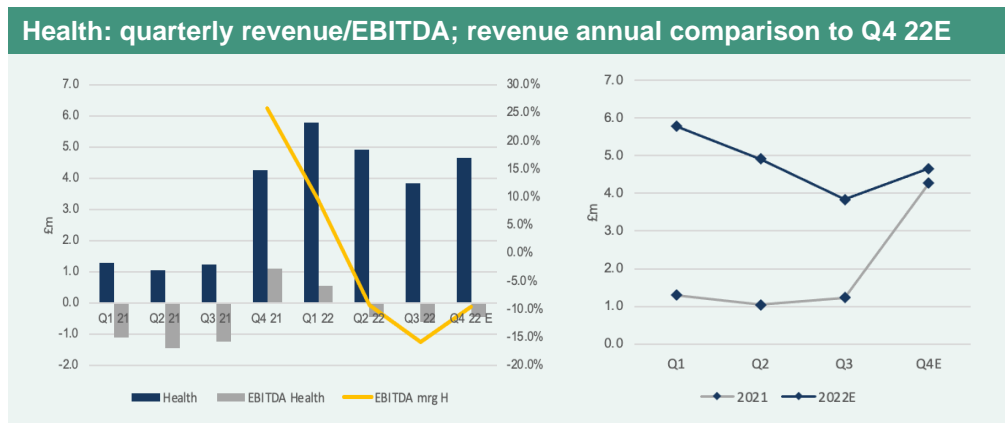
Source: Company data. Shows estimated percentage of global farmed salmon production.

FY22 quarterly performance and outlook

To Q3 YTD FY22 the Health business area recorded revenue totalling £14.5m, 12.6% of Group total (excluding intra-company revenue) and a cumulative £0.52m LBITDA loss.

Reviewing the year, quarterly performance saw:

- Q1 revenue of £5.8m, +3.5xYoY, EBITDA of £0.55m, reflecting the launch of Ectosan®Vet and CleanTreat® services in Q4 21, with £1.0m of revenue derived from related vessel recharging and fuel costs. The two CleanTreat® services deployed showed 99% efficacy.
- Q2 revenue of £4.9m, +3.7xYoY, EBITDA loss £(0.45)m. Q2 was impacted by weather conditions in January which constrained deployment of Ectosan® Vet and CleanTreat® services.
- Q3 revenue of £3.8m, +2.1xYoY, EBITDA loss of £(0.61)m. £0.2m of revenue was derived from vessel recharging and fuel costs associated with the deployment of Ectosan®Vet and CleanTreat® services, bringing the year-to-date total to £2.4m. The adjusted EBITDA loss reflected increased revenues and associated costs. Benchmark again reported 99% efficacy for its sea lice treatment, albeit during a period of lighter sea lice presence.



Source: Company data, Equity Development estimates.

Outlook to FY24

As summarised below, Benchmark's 3-5 year Health segment targets are: revenue to reach £50m - £75m, and a target EBITDA margin of 30% with potential to reach 60%. On the basis of revenue reaching £62.5m after 5 years, and achieving the target 60% EBITDA margin, the contribution to EBITDA would be £37.5m, i.e. a leading 40% contribution to total.

Health medium-term company divisional targets

Medium term objectives (3-5 years)			Pathway
Revenue	Adj. EBITDA margin		
GBP 50m-GBP 75m	30% current MA	60% when fully commercialised	<ul style="list-style-type: none"> 60% margin when fully commercialised Expanded MA Technology embedded in customer infrastructure Solution adopted as a primary sea lice tool Geographic expansion

Source: Company data.

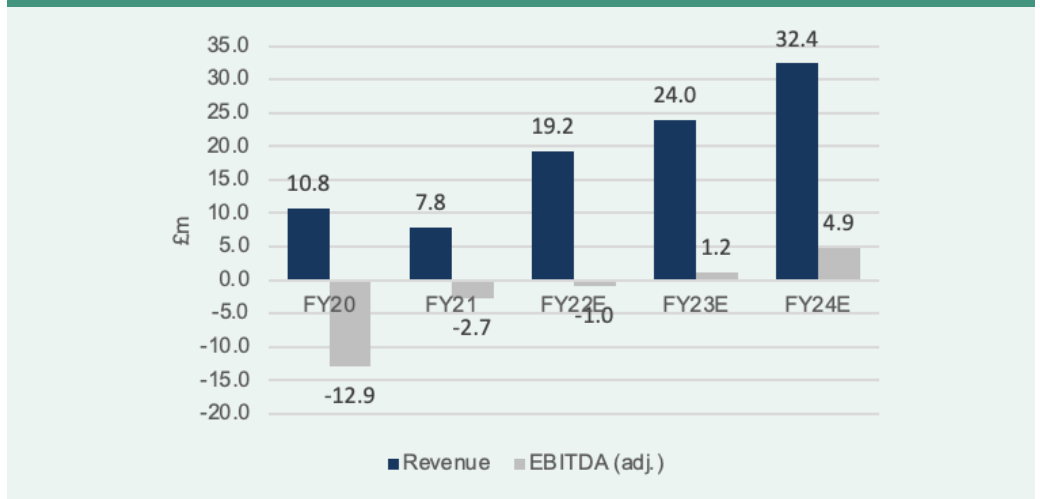
Our Health division estimates to FY24 are summarised as follows.

Divisional revenue, EBITDA (adj.) outlook to FY24

Yr to 30 Sep (£m)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	10.8	7.8	19.2	24.0	32.4
EBITDA (adj.)	-12.9	-2.7	-1.0	1.2	4.9
Mrg	-119%	-34.3%	-5.0%	5.0%	15.0%

Source: Company data, Equity Development estimates.

Divisional revenue, EBITDA (adj.) outlook to FY24



Source: Company data, Equity Development estimates

FY22 Group financial performance and outlook

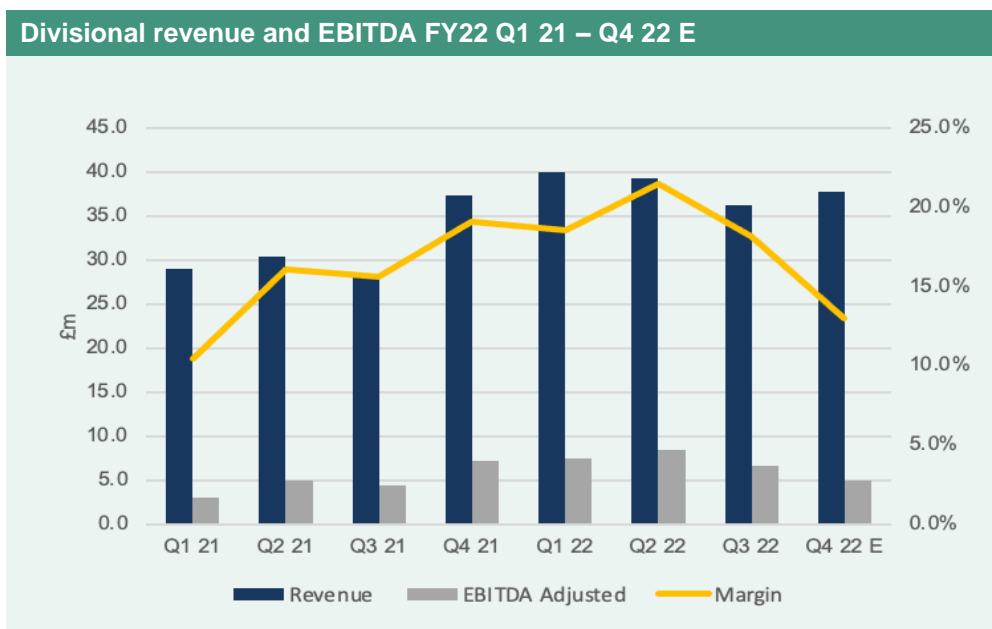
Year-to-date FY22 quarterly performance is summarised below.

Quarterly performance, FY22 Q1 21 to Q3								
£m	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22 E
Revenue								
Genetics	12.6	9.5	8.7	15.9	15.2	11.4	13.1	17.9
Advanced Nutrition	15.1	19.9	18.4	17.1	19.1	23.0	19.4	23.2
Health	1.3	1.0	1.2	4.3	5.8	4.9	3.8	4.7
EBITDA								
Genetics	3.9	2.1	2.2	3.3	3.3	2.4	4.8	6.2
Advanced Nutrition	1.0	5.2	3.9	3.6	4.3	7.2	2.8	8.5
Health	(1.1)	(1.4)	(1.2)	1.1	0.5	(0.5)	(0.6)	0.5
EBITDA Margin (%)								
Genetics	30.7	22.2	25.6	20.8	21.5	21.3	36.8	34.6
Advanced Nutrition	6.6	26.4	21.3	21.3	22.7	31.1	14.6	36.8
Health	(86.4)	(139)	(100)	25.9	9.5	(9.2)	(15.9)	11.1

Source: Company data, Equity Development estimates.

Our outlook to the remainder of FY22 is summarised below.

- Q4 revenue of £37.7m, +1.2%YoY, taking the annual total to £153.2m +22.5%YoY.
- Q4 EBITDA (adj.) of £4.88m, taking the annual total to £27.3m, +40.4%YoY, 17.8% margin (FY21: 15.6%).



Source: Company data, Equity Development estimates.

Divisional revenue, profitability outlook to FY24

The table below summarises our divisional revenue and EBITDA (adj.) outlook to FY24, and comparison with revenue trends estimated to meet a 5-year average of company strategic divisional revenue targets.

Divisional revenue, EBITDA (adj) outlook to FY24							
Yr to 30 Sep (£m)	FY20	FY21	H1 22	H2 22 E	FY22 E	FY23 E	FY24 E
Revenue							
Genetics	41.5	46.8	26.6	28.6	55.2	60.7	65.6
Advanced Nutrition	59.4	70.5	42.0	37.0	79.0	85.3	95.6
Health	10.8	7.8	10.7	8.5	19.2	24.0	32.4
Inter segment	(6.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Revenue	105.6	125.1	79.2	74.0	153.2	169.9	193.4
Year-on-year							
Genetics		12.8%	20.2%	16.0%	18.0%	10.0%	8.0%
Advanced Nutrition		18.8%	20.0%	4.1%	12.0%	8.0%	12.0%
Health		-27.5%	357.6%	54.6%	145.0%	25.0%	35.0%
Pct of total ex internal							
Genetics	37.2%	37.4%	33.5%	38.6%	36.0%	35.7%	33.9%
Advanced Nutrition	53.2%	56.4%	53.0%	49.9%	51.5%	50.2%	49.4%
Health	9.7%	6.3%	13.5%	11.5%	12.5%	14.1%	16.7%
EBITDA (adj.)							
Genetics	14.4	11.5	5.7	7.8	13.5	15.2	16.4
Advanced Nutrition	6.3	13.8	11.5	6.1	17.5	19.6	22.9
Health	(12.9)	(2.7)	0.1	(1.1)	(1.0)	1.2	4.9
EBITDA YoY							
Genetics			-4.9%	41.5%	17.4%	12.2%	8.0%
Advanced Nutrition			83.9%	-19.8%	27.1%	11.9%	16.9%
Health			-104%	762.6%	N.M	N.M.	305.0%
EBITDA mrg							
Genetics	34.8%	24.6%	21.4%	27.4%	24.5%	25.0%	25.0%
Advanced Nutrition	10.6%	19.6%	27.3%	16.4%	22.2%	23.0%	24.0%
Health	-119%	-34.3%	0.9%	-12.4%	-5.0%	5.0%	15.0%
Company target-based ED estimate:							
Revenue							
Genetics					55.2	62.1	69.9
Advanced Nutrition					79.0	88.9	88.9
Health					19.2	27.9	36.5
Sum					153.4	178.8	195.3
ED estimate					153.2	169.9	193.4

Source: Company data, Equity Development estimates.

Outlook to FY24

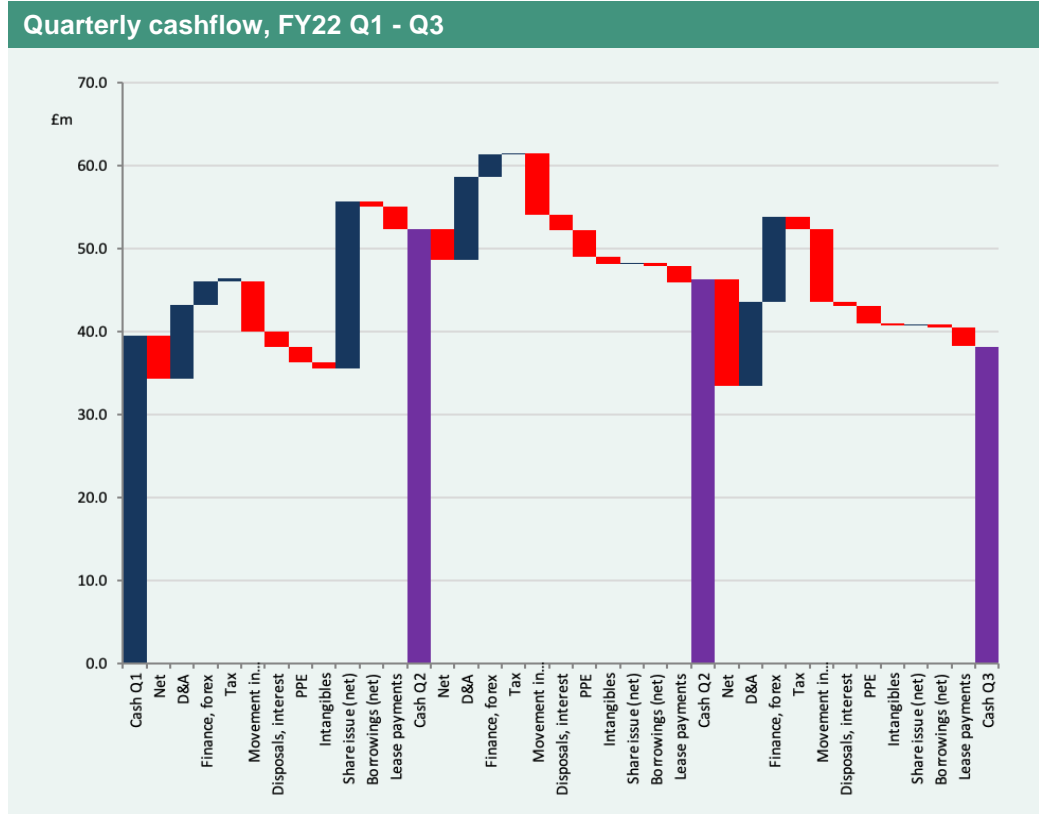
The table below summarises our outlook P&L to FY24.

Earnings outlook to FY24							
P&L	FY20	FY21	FY22E	FY23E	FY24E	CAGR	21-24E
Genetics	41.5	46.8	55.2	60.7	65.6	11.9%	
Advanced Nutrition	59.4	70.5	79.0	85.3	95.6	10.7%	
Health	10.8	7.8	19.2	24.0	32.4	60.5%	
Inter segment	(6.1)	(0.1)	(0.2)	(0.2)	(0.2)		
Revenue	105.6	125.1	153.2	169.9	193.4	15.6%	
Gross	55.0	65.6	78.2	86.6	100.5	15.3%	
<i>Margin</i>	52.1%	52.4%	51.0%	51.0%	52.0%		
COGS	(50.6)	(59.5)	(75.1)	(83.2)	(92.8)	16.0%	
R&D	(7.3)	(7.0)	(7.7)	(8.3)	(9.2)		
Other	(33.3)	(38.2)	(42.1)	(45.3)	(50.3)		
Equity inv.	0.2	(0.9)	(1.0)	(1.1)	(1.2)		
Sum operating costs	(40.5)	(46.1)	(50.8)	(54.6)	(60.8)		
EBIT Reported	(10.9)	(5.4)	(11.5)	(7.2)	0.6		
EBIT Adjusted	(8.8)	(5.2)	(11.9)	(7.2)	0.6		
<i>Margin</i>	N.M.	N.M.	N.M.	N.M.	0.3%		
Amortisation	(16.6)	(16.3)	(18.7)	(18.7)	(18.7)		
Depreciation	(6.6)	(8.4)	(20.5)	(20.5)	(20.5)		
EBITDA Genetics	14.4	11.5	13.5	15.2	16.4	12.5%	
EBITDA Adv Nutrition	6.3	13.8	17.5	19.6	22.9	18.4%	
EBITDA Health	(12.9)	(2.7)	(1.0)	1.2	4.9	N.M.	
Corp	(2.1)	(3.2)	(2.8)	(4.0)	(4.4)		
Div EBITDA (adj.)	5.8	19.4	27.3	32.0	39.8		
+ discontinued operations	14.5						
EBITDA Reported	12.4	19.3	27.7	32.0	39.8	27.4%	
EBITDA Adjusted	14.5	19.4	27.3	32.0	39.8	26.9%	
<i>Margin</i>	13.7%	15.6%	17.8%	18.8%	20.6%		
Financial income	1.1	4.2	2.3	0.5	0.5		
Financial expense	(12.8)	(8.0)	(20.0)	(8.5)	(8.2)		
PBT Reported	(22.6)	(9.2)	(29.2)	(15.2)	(7.1)		
PBT Adjusted	(20.5)	(9.0)	(29.6)	(15.2)	(7.1)		
Tax	(0.2)	(2.4)	(6.9)	(7.4)	(8.8)		
PAT Reported	(22.8)	(11.6)	(36.1)	(22.6)	(16.0)		
PAT Adjusted	(20.7)	(11.4)	(36.5)	(22.6)	(16.0)		
Shs (dil, wtd av) m	626.9	674.1	709.7	709.7	709.7		
EPS (adj dil) (p)	(4.9)	(1.9)	(5.4)	(3.2)	(2.2)		

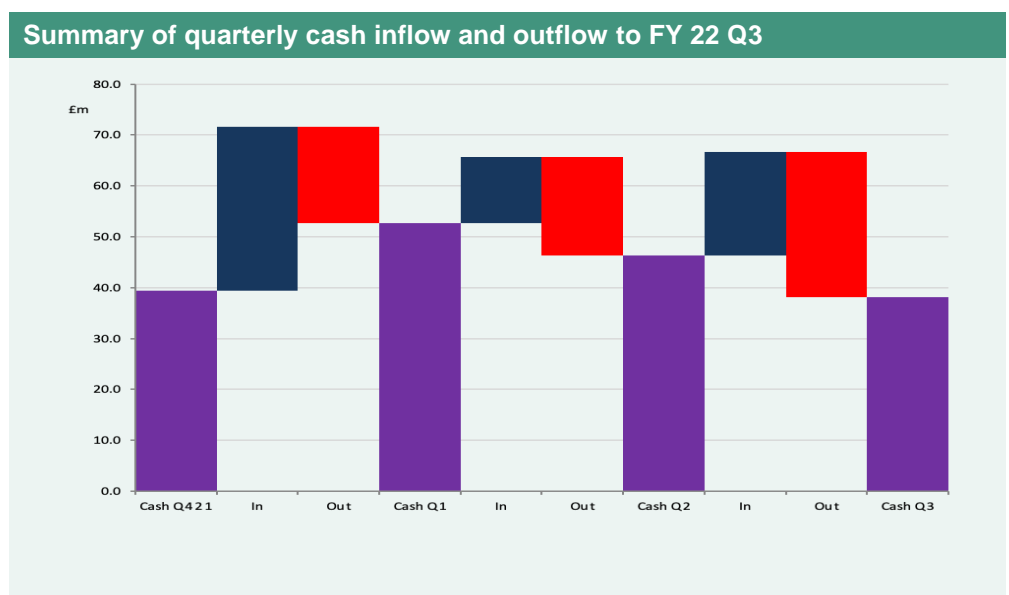
Source: Company data, Equity Development estimates.

FY 22 cashflow

As illustrated, in the current financial year (Q1 to Q3 22) Benchmark has demonstrated **prudent cashflow control**, to maintain respective quarterly cash positions of £53m, £46m and £38m. Our year-end outlook is for cash of £45.4m, with net debt at £63.0m compared to £70.2m at year-end FY21.



Source: Company data.

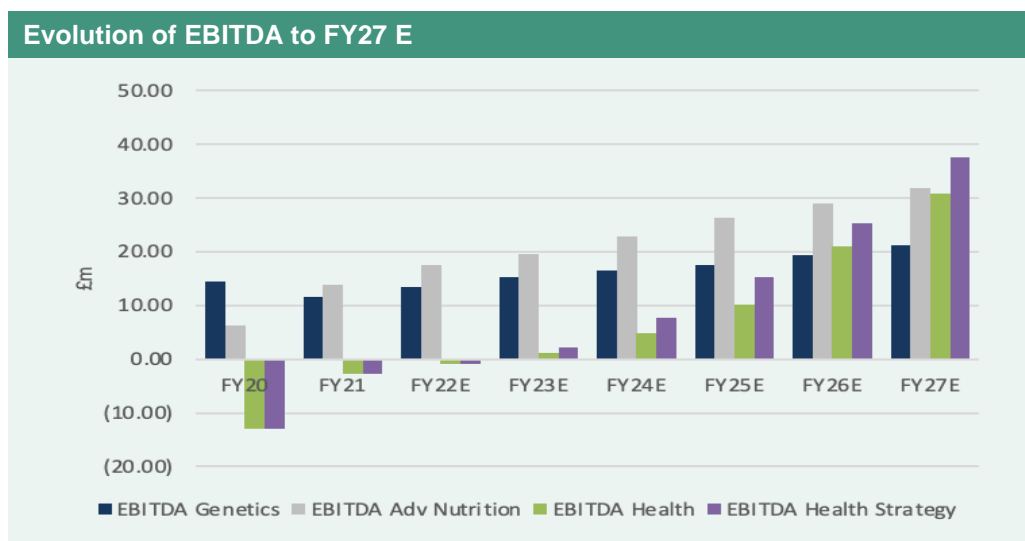


Source: Company data.

Valuation considerations - Health potential

Benchmark has outlined its strategic priorities based around the promotion of sustainable products and services for the growing aquaculture industry, consolidating and expanding its presence in the markets addressed by its Genetics and Advanced Nutrition segments. Over the medium-term, **the change of business model in the Health business area** - from owned and deployed treatment systems to licenced processing on board clients' well boat infrastructure - offers the opportunity for **improved profitability**.

Our medium-term EBITDA (adj.) outlook is shown below, with the addition of estimates for the Health division based on the strategic goals outlined at the Capital Markets Day - illustrating the potential to transform the overall earnings profile.



Source: Company data. Equity Development estimates.

Our indicative fair value is based on a five-year DCF appraisal of Benchmark's strategic plan (note this does not include the **full potential** upside of company aspirations for the Health division), and also includes the impact of recent interest rate movements in the UK with implications for discount rates.

The indicated fair value per share is 63.4p/share.

DCF-based valuation							
Year to 30 Sep (£m)	FY23E	FY24E	FY25E	FY26E	FY27E		
Revenue	169.9	193.4	215.6	239.2	263.1	WACC	8.2%
OCF	32.3	38.5	48.1	62.5	76.5	Terminal multiple	9.0x
Cash tax	(6.9)	(7.4)	(8.8)	(11.7)	(2.7)	Terminal value	343.2
Capex, investments	(12.5)	(13.8)	(14.4)	(14.7)	(14.8)	PV of DCF	102.8
FCF	10.5	14.9	22.5	33.7	56.6	Net debt / (cash)	63.0
DCF	9.6	12.8	17.8	24.6	38.1	EV (£m)	509.1
Cash	38.7	36.3	41.5	57.9	97.2	PV of equity	446.0
EV/EBITDA	15.9x	12.8x	10.4x	8.0x	6.5x		
EBITDA	32.0	39.8	49.1	63.8	77.9		
EBITDA margin	18.8%	20.6%	22.8%	26.7%	29.6%	Price per share (p)	63.4

Source: Company data. Equity Development estimates.

Appendix I: Target aquaculture species

Atlantic farmed salmon

Atlantic farmed salmon is an established market with estimated global production of c.27m tons p.a. (2019: source Kotali), valued at c.US\$37bn. Growth is estimated at 5.0% p.a. (2021: Kontali, FAO GLOBEFISH 2020). By 2040 production is expected to have reached 32.8m – 33.3m tons p.a., worth US\$85bn by 2030, CAGR 2022-30 9.5%

Atlantic farmed salmon producer regions



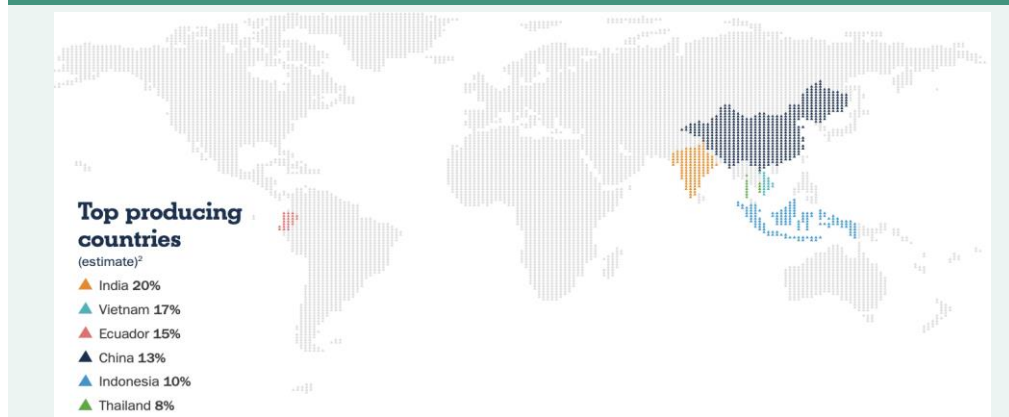
Source: Company data.

Shrimp

Although sizeable, this is still a nascent market with total 2022 production estimated at c.5.0m tons p.a., (<https://www.seafoodsource.com>) valued at c.US\$28.5 bn in 2020, see (<https://www.fortunebusinessinsights.com/shrimp-market-106303>).

Growth is estimated at c.6.0% p.a. (source: Benchmark 2021 AR) although recent growth rates have been affected by the impact of Covid-19. Benchmark notes: “Shrimp farming systems are very diverse in their management, size and ownership structure from small family-operated farms to significant industrial producers; some adopting indoor production systems and increased environmental control”, whilst “Disease continues to be main concern for producers: production and productivity continue to be impacted by disease outbreaks.”

Farmed shrimp producer regions



Source: Company data.

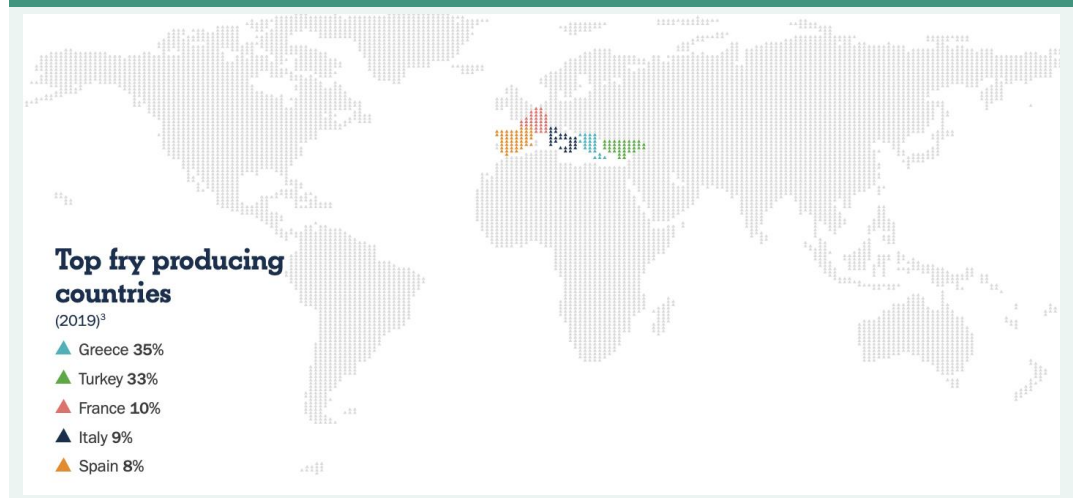
Mediterranean sea bass & sea bream

Sea bass and sea bream aquaculture is at a medium level of maturity. Production is estimated at:

- Sea bass 194,000 tons p.a.
- Sea bream: 223,000 tons p.a.
- Total value: US\$2.5bn.

Benchmark notes (2020 AR): “Production processes and standards are developing quickly in the Mediterranean sea bass and bream sectors, with more farms adopting certification schemes, such as Aquaculture Stewardship Council (‘ASC’) standards and increased awareness of health management and biosecurity”. Growth is estimated at c.2.0% annually (source: Benchmark 2021 AR).

Sea bass / bream fry producer regions



Source: Company data.

Appendix II: debt profile

As of Q3 22 Group debt totalled £114m, comprising:

- £82m in long-term debt liabilities.
- £16m in long-term lease liabilities.
- £16m in short-term liabilities and borrowings (£2.0m).

Three debt facilities totalled (Q3 22) £99.5m: the NOK750m bond; Salten £20.0m facility; and, being refinanced, a US\$15.0m revolving credit facility.

NOK 750m bond

Benchmark's September 2025 NOK750m bond equates, at current rates (NOK0.086:GB£1.00), £64.5m. The bond pays 6.50% above 3-month NIBOR which has risen sharply from 1.00% in January 2002 to 2.87% currently (illustrated below). Consequently, we estimate that the interest profile at the start of 2022, of £4.84m has increased to an annualised £6.04m, +25%. At 3.5% NIBOR, with an annualised combined rate of 10.0%, interest payments would be 33% above 2022 levels at £6.45m.

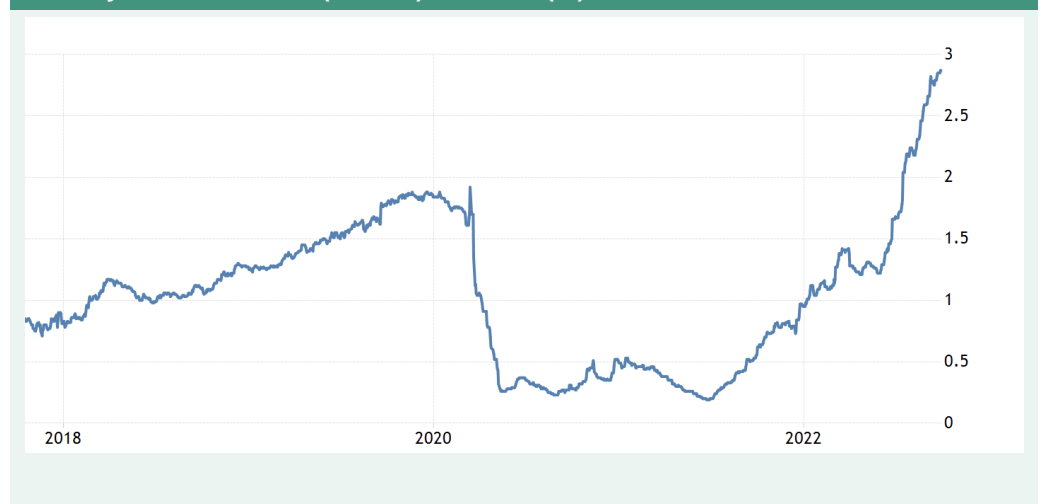
Benchmark Genetics Salten AS £20.0m facility

This facility carries interest of between 2.5% and 4.2% above 3-month NIBOR. We estimate a blended rate of 4.52% at the start of 2022, equating to £0.90m in interest, rising to 6.39% currently (£1.28m), +41%.

US\$15.0m revolving credit facility

The RCF carries interest of between 3.0% and 3.75% above SONIA, the BoE risk-free sterling rate, currently at 2.189%. We estimate a blended rate of 3.64% at the start of 2022, therefore currently at 5.64% (E).

Norway Interbank Rate (NIBOR) 3-month (%)



Source: Trading Economics.com, Norske Finansielle Referanser AS.

Appendix III: EU stance on neonicotinoids

Impact on bee populations

In May 2013 the European Commission *Implementing Regulation 485/2013*, considering evidence of the impact on bee populations, banned the use of three neonicotinoids - imidacloprid, thiamethoxam and clothianidin - on pollinated crops and cereals, stating:

- “In the light of the new scientific and technical knowledge, the Commission considered that there are indications that the approved uses of clothianidin, thiamethoxam and imidacloprid no longer satisfy the approval criteria provided for in Article 4 of Regulation (EC) No 1107/2009 with respect to their impact on bees and that the high risk for bees could not be excluded except by imposing further restrictions.”

This was followed in May 2018, by a ban on all outdoor uses of the three substances, and in February 2020 the Commission denied renewal of approval of the neonicotinoid, thiacloprid, amounting to a ban on the use of all neonicotinoids. There remained, however, provision for ‘emergency derogation’ allowing, under specific circumstances, limited use neonicotinoids.

200 derogations

To date over 200 derogations have been granted. In 2020, for example, there were 17 emergency authorisations for plant protection products containing clothianidin, imidacloprid, thiamethoxam and thiacloprid granted by Belgium, Croatia, Denmark, Finland, France, Germany, Lithuania, Poland, Romania, Slovakia and Spain for application on sugar beet (see: <https://www.efsa.europa.eu/en/news/neonicotinoids-efsa-assesses-emergency-uses-sugar-beet>). The basis for the EU stance is that neonicotinoids suffuse the entire plant structure and can even, through exposure of seeds, engender “neonicotinoid-infused” new growth, and also reside in soil and the water table. As a result, it is argued, their effects can persist beyond the intended pest threat - for example from aphids - and have as a result impacted on bee populations and other pollinators.

FINANCIAL SUMMARY

Summary P&L: FY20 – FY24E					
P&L	FY20	FY21	FY22E	FY23E	FY24E
Revenue	105.6	125.1	153.2	169.9	193.4
Gross	55.0	65.6	78.2	86.6	100.5
<i>Margin</i>	<i>52.1%</i>	<i>52.4%</i>	<i>51.0%</i>	<i>51.0%</i>	<i>52.0%</i>
COGS	(50.6)	(59.5)	(75.1)	(83.2)	(92.8)
R&D	(7.3)	(7.0)	(7.7)	(8.3)	(9.2)
Other	(33.3)	(38.2)	(42.1)	(45.3)	(50.3)
Equity inv.	0.2	(0.9)	(1.0)	(1.1)	(1.2)
Sum operating costs	(40.5)	(46.1)	(50.8)	(54.6)	(60.8)
One-off costs	(2.1)	(0.2)	0.4	0.0	0.0
EBIT Reported	(10.9)	(5.4)	(11.5)	(7.2)	0.6
EBIT Adjusted	(8.8)	(5.2)	(11.9)	(7.2)	0.6
<i>Margin</i>	<i>N.M.</i>	<i>N.M.</i>	<i>N.M.</i>	<i>N.M.</i>	<i>0.3%</i>
Amortisation	(16.6)	(16.3)	(18.7)	(18.7)	(18.7)
Depreciation	(6.6)	(8.4)	(20.5)	(20.5)	(20.5)
EBITDA Reported	12.4	19.3	27.7	32.0	39.8
EBITDA Adjusted	14.5	19.4	27.3	32.0	39.8
<i>Margin</i>	<i>13.7%</i>	<i>15.6%</i>	<i>17.8%</i>	<i>18.8%</i>	<i>20.6%</i>
Financial income	1.1	4.2	2.3	0.5	0.5
Financial expense	(12.8)	(8.0)	(20.0)	(8.5)	(8.2)
PBT Reported	(22.6)	(9.2)	(29.2)	(15.2)	(7.1)
PBT Adjusted	(20.5)	(9.0)	(29.6)	(15.2)	(7.1)
Tax	(0.2)	(2.4)	(6.9)	(7.4)	(8.8)
PAT Reported	(22.8)	(11.6)	(36.1)	(22.6)	(16.0)
PAT Adjusted	(20.7)	(11.4)	(36.5)	(22.6)	(16.0)
Basic wtd. Av. shares (m)	625.5	669.5	704.0	704.0	704.0
Diluted wtd. av. shares (m)	626.9	674.1	709.7	709.7	709.7
EPS Reported Basic (p)	(5.3)	(1.9)	(5.3)	(3.2)	(2.3)
EPS Reported Diluted (p)	(5.3)	(1.9)	(5.3)	(3.2)	(2.2)
EPS Adjusted Basic (p)	(4.9)	(1.9)	(5.4)	(3.2)	(2.3)
EPS Adjusted Diluted (p)	(4.9)	(1.9)	(5.4)	(3.2)	(2.2)

Source: Company data, Equity Development estimates.

Summary Cashflow FY20 – FY24E

Cashflow	FY20	FY21	FY22E	FY23E	FY24E
Net reported	(31.9)	(11.6)	(36.1)	(22.6)	(16.0)
PPE depreciation	7.0	5.0	8.5	8.5	8.5
RoUA depreciation	2.1	3.3	12.0	12.0	12.0
Amortisation	19.4	16.3	18.7	18.7	18.7
Disposals net	(15.3)	0.0	0.0	0.0	0.0
Finance (net)	9.6	6.5	17.7	8.0	7.7
Forex, other	(0.1)	(0.9)	5.0	5.0	5.0
Share-based payments	1.7	0.8	1.2	1.2	1.2
Tax	0.3	2.4	6.9	7.4	8.8
Operating Cash Flow	(7.2)	22.0	33.9	38.2	46.0
Working capital	0.0	0.0	0.0	0.0	0.0
(Increase)/Decrease inventories	3.7	(3.6)	(0.0)	(2.3)	(3.2)
(Increase)/Decrease in receivables	4.2	(8.2)	0.3	(5.0)	(7.1)
Increase/(Decrease) in payables	5.0	5.5	(15.2)	3.4	4.8
Increase/(Decrease) in bio/agri assets	(7.5)	(5.4)	(2.0)	(2.0)	(2.0)
Provisions	(0.3)	(0.0)	(0.0)	0.0	0.0
Movement in working capital	5.2	(11.6)	(16.9)	(5.9)	(7.5)
Cash generated by operations	(2.0)	10.4	17.0	32.3	38.5
Tax (paid)/received	(2.1)	(4.6)	(4.6)	(6.9)	(7.4)
Net cash from operations	(4.1)	5.8	12.4	25.4	31.1
Investing activities	0.0	0.3	0.0	0.0	0.0
Disposals, invsts	41.4	(0.5)	1.0	0.0	0.0
PPE	(5.9)	(17.7)	(10.0)	(12.5)	(13.8)
Intangibles	(5.3)	(5.0)	(2.4)	(2.4)	(2.4)
Interest	0.1	0.1	0.1	0.0	0.0
Net cash used in investing	30.4	(23.1)	(11.4)	(14.9)	(16.2)
Net OpFCF	26.3	(17.3)	1.1	10.5	14.9
Financing activities					
Share issue (net)	41.7	0.8	20.2	0.0	0.0
Borrowings (net)	(1.8)	(3.1)	(1.3)	(1.3)	(1.3)
Interest paid	(7.7)	(7.7)	(7.0)	(7.0)	(7.0)
Lease payments	(2.1)	(4.6)	(9.0)	(9.0)	(9.0)
Other	0.0	(0.0)	0.0	0.0	0.0
Net cash from financing	30.1	(14.7)	2.9	(17.3)	(17.3)
Net increase in cash / equivalents	56.5	(32.0)	4.0	(6.8)	(2.4)
Cash start	16.1	71.6	39.5	45.4	38.7
Forex	(0.9)	(0.2)	2.0	0.0	0.0
Cash end	71.6	39.5	45.4	38.7	36.3

Source: Company data, Equity Development estimates.

Summary Balance sheet: FY20 – FY24E

Balance Sheet Year to 31 Dec (£m)	FY20	FY21	FY22E	FY23E	FY24E
Fixed Assets					
Intangible assets	247.0	229.0	212.7	196.4	180.1
PPE net	65.6	78.8	68.3	60.3	53.5
RoU assets	10.3	25.5	25.5	25.5	25.5
Equity investees	3.7	3.4	3.4	3.4	3.4
Other invsts	0.0	0.0	0.0	0.0	0.0
Bio/agri assets	16.6	21.2	21.2	21.2	21.2
Sum Fixed Assets	343.3	358.0	331.2	306.9	283.8
Current Assets					
Inventories	18.9	20.9	21.0	23.3	26.5
Trade receivables	39.4	46.5	46.2	51.2	58.3
Bio/agri assets	15.8	17.1	17.1	17.1	17.1
Cash, Equivalents	71.6	39.5	45.4	38.7	36.3
Sum Current Assets	145.8	124.0	129.7	130.2	138.2
Total Assets	489.0	482.0	460.9	437.1	422.0
Current Liabilities					
Trade payables	(45.7)	(46.7)	(31.5)	(34.9)	(39.7)
Loans	(5.3)	(10.7)	(10.7)	(10.7)	(10.7)
Tax	(4.3)	(5.6)	(5.6)	(5.6)	(5.6)
Provisions	0.0	(0.6)	0.0	0.0	0.0
Sum Current Liabilities	(55.4)	(63.5)	(47.8)	(51.2)	(56.0)
Total Assets less Current Liabilities	433.7	418.5	413.1	385.9	366.0
Long-term Liabilities					
Borrowings	(103.8)	(109.7)	(108.4)	(107.1)	(105.8)
Other	(1.8)	(0.9)	0.0	0.0	0.0
Tax	(32.6)	(28.2)	(6.8)	(6.8)	(6.8)
Sum Long-term liabilities	(138.2)	(138.9)	(115.2)	(113.9)	(112.6)
Total liabilities	(193.6)	(202.4)	(163.0)	(165.1)	(168.7)
Net Assets	295.4	279.6	297.9	272.0	253.3
Capital & Reserves					
Share Capital	0.7	0.7	0.7	0.7	0.7
Additional paid-in capital	399.6	400.7	400.7	400.7	400.7
Capital Reserve	0.0	0.0	0.0	0.0	0.0
Retained earnings	(142.2)	(154.2)	(191.8)	(214.4)	(230.4)
Hedge reserve	(9.7)	(5.9)	(5.0)	(5.0)	(5.0)
Forex reserve	40.7	30.5	30.0	30.0	30.0
Non-controlling interest	6.3	7.9	7.9	7.9	7.9
Equity	295.4	279.6	209.6	186.9	171.0
Net debt / (cash)	32.2	70.3	63.0	68.5	69.5

Source: Company data, Equity Development estimates.



Contacts

Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

andy@equitydevelopment.co.uk

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

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More information is available on our website www.equitydevelopment.co.uk

Equity Development, 2nd Floor, Park House, 16-18 Finsbury Circus, London, EC2M 7EB

Contact: info@equitydevelopment.co.uk | 020 7065 2690