

FY22 results deliver sustainable growth

7 December 2022

For the year to 30 September 2022, Benchmark Holdings reported revenue of £158.3m, +27%YoY¹ and (adj.) EBITDA of £31.2m, +60%YoY¹. The Group highlighted 14%YoY growth in the Advanced Nutrition business area, as shrimp market demand continues to recover, and 24%YoY growth in Genetics as the new Iceland salmon eggs facility came on stream. FY22 EBITDA (adj.) was in line with the upper end of the Trading Update of 24 October; revenue was 3% above our October estimates, EBITDA (adj.) 14% higher. EBITDA (adj.) margin improved from 15.6% in FY21 to 19.7%, maintaining progress from 13.7% in FY20.

Business areas

Comprising 36.6% of FY22 revenue, the **Genetics** business area registered **record sales** of £58.0m, +24%YoY, boosted by the contribution from the new Iceland salmon eggs incubation facility to meet peak annual demand. Benchmark noted progress in commercialisation of specific pathogen resistant (SPR) shrimp - mindful of the strong market presence of the Advanced Nutrition operation. Genetics EBITDA (adj.) of £16.0m grew 39%YoY on margin improvement from 24.6% to 27.5%. **Advanced Nutrition** revenue grew 13.8%YoY to £80.3m (50.7% of total) combining product innovation – the Artemia separation process – with positive market demand. EBITDA of £19.0m rose +38%YoY on margin improvement from 19.6% to 23.7%. The **Health** business area's proprietary Ectosan[®] Vet and Clean Treat[®] (CT) treatment system delivered revenue of £20.1m, +1.6x YoY, 4% ahead of our outlook, with a positive £0.11m EBITDA contribution compared to a £(2.7m) loss in FY21.

Euronext Growth Oslo listing and fund raise

On 6 December, pursuant to proposed admission to Euronext Growth Oslo on c.15 December 2022, Benchmark completed a fund raise of (gross) NOK 158m (£13m), subject only to the company satisfying conditions for admission and completing settlement. The placing was via a Private Placement and Norwegian retail offering of 35.18935m shares (5% of capital) at NOK4.50/share, to be used for general corporate purposes. Listing on the Oslo Børs remains the intention in H1 2023.

Outlook

Following FY22 performance which matched updated guidance – **reiterating Benchmark's 'delivery' strategy** - our FY23 and FY24 outlook is essentially unchanged, with top line and EBITDA growth maintained; LBT is reduced as a result of debt restructuring undertaken in November 2022. **Our outlook equates to a FY24 EV/EBITDA of 9.1x, and Fair Value is still seen at 63p/share.**

Outlook to FY24					
Yr to 30 Sep. (£m)	2020	2021	2022	2023E	2024E
Revenue	105.6	125.1	158.3	173.5	197.1
EBITDA (adj)	14.5	19.4	31.2	33.0	39.4
Pre-Tax (adj)	(20.5)	(9.0)	(23.2)	(13.6)	(6.9)
EPS (adj, p)	(4.9)	(1.9)	(4.6)	(2.9)	(2.1)
Net debt/(cash) ²	37.6	80.9	73.7	61.9	55.6
P/E	N.M	N.M	N.M	N.M	N.M
EV/EBITDA	24.8x	18.5x	11.5x	10.9x	9.1x

Source: Company data, Equity Development estimates. ¹Currency adjusted revenue data: total revenue +21%YoY, Genetics +21%YoY, Advanced Nutrition +7%YoY, Health +1.57x. ¹ (adj.) EBITDA +54%YoY. ² Net debt inclusive of lease liabilities.

Company Data

EPIC	AIM: BMK
Price	39p
52 weeks Hi/Lo	63p/35p
Market cap	£270m
ED Fair Value / share	63p
Proforma net debt / (cash)	£57m

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

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FY 22: key features

Revenue, +27%YoY, 3% ahead of outlook

Benchmark recorded FY 22 revenue of £158.008m (inclusive of £0.512m of intracompany revenue) equating to 27.0%YoY growth (currency-adjusted +21%YoY). Q4 revenue was £42.758m, +14.8%YoY, with H2 +21%YoY compared to H1+33%YoY. Revenue was 3.3% ahead of our estimate of £153.2m (see ED report, 12 October 2022, [Sustainable growth through consistent delivery](#)).

Gross contribution, margin stable

Gross profit was £83.128m, +26.7%YoY, 52.5% margin, in line with FY21 (52.4%) and our outlook (52.0%).

EBITDA, 14% ahead, in line with recent guidance

FY22 EBITDA (adj.) was £31.181m (on a reported basis £31.197m), +60.3%YoY (+54%YoY currency-adjusted); we note **continued margin improvement**: from 13.7% in FY20, and 15.6% in FY21, to 19.7%. EBITDA was 14.2% above our estimate of £27.3m; also at the upper end of company guidance in the 24 October Trading Update (£30m - £31m).

EBIT

The EBIT loss (adj.) was £(7.877)m compared to £(5.193)m a year earlier. Adjusted for acquisition-related exceptional items and amortisation of intangibles, the operating contribution was £9.1m, compared to £10.8m a year earlier.

Business areas performance

- **Genetics** recorded revenue of £58.008m, +24%YoY (currency-adjusted +21%YoY), with (adj.) EBITDA of £15.98m, +38.6%YoY (also +39%YoY currency-adjusted), a 27.5% margin compared to 24.6% a year earlier. Net of changes in the fair value of biological assets – fish stock in the process of development – adjusted EBITDA was £14.4m, +75%YoY (+76%YoY currency-adjusted basis).
- **Advanced Nutrition** revenue was £80.286m, +13.8%YoY (currency-adjusted, +7%YoY), with (adj.) EBITDA of 19.017m, +37.8%YoY (currency-adjusted +29%YoY), and margin improvement from 19.6% to 23.7%.
- **Health** revenue was £20.135m, +1.57x, registering a (adj.) EBITDA contribution of £0.108m for the year; the FY21 loss was £(2.685)m.

P&L summary, quarterly and annual FY21, FY22

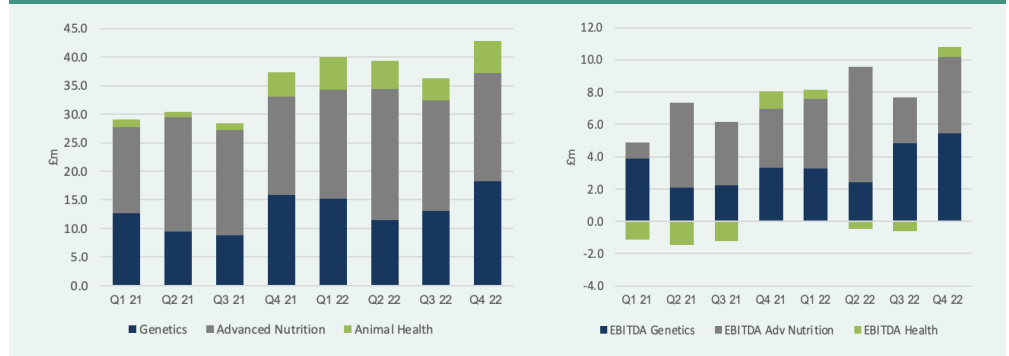
£m	Q1 22	Q2 22	Q3 22	Q4 22	FY21	FY22	YoY
Genetics	15.195	11.408	13.091	18.314	46.797	58.008	24.0%
Adv Nutrition	19.059	22.974	19.381	18.872	70.530	80.286	13.8%
Animal Health	5.777	4.916	3.840	5.602	7.832	20.135	157.1%
Inter segment	(0.017)	(0.065)	(0.040)	(0.030)	(0.097)	(0.152)	
Revenue	40.014	39.233	36.272	42.758	125.062	158.277	26.6%
Gross	19.499	20.023	19.473	24.133	65.585	83.128	26.7%
Margin	48.7%	51.0%	53.7%	56.4%	52.4%	52.5%	
EBITDA Adj	7.425	8.425	6.573	8.758	19.449	31.181	60.3%
Margin	18.6%	21.5%	18.1%	20.5%	15.6%	19.7%	

Source: Company data.

FY 22 operational overview

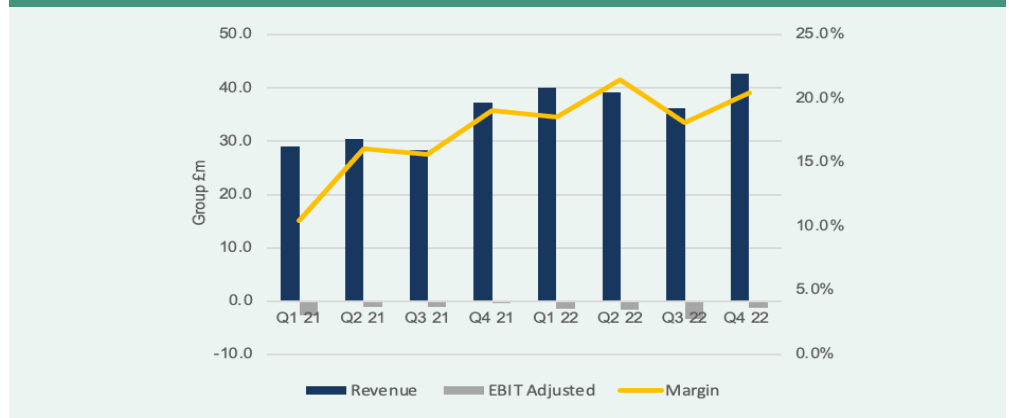
As illustrated, quarterly performance from Q1 21 shows gathering momentum of divisional revenue and EBITDA improvement and profitability consistent with the strategy outlined at the September Capital Markets Day - “Restructured, Repositioned and Delivering”.

Business area revenue, EBITDA (adj.), Q1 21 – Q4 22



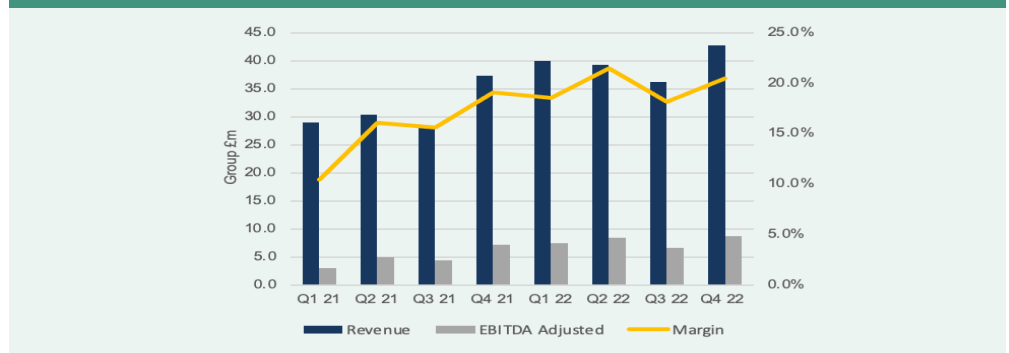
Source: Company data.

Group revenue, EBIT (adj.) Q1 21 – Q4 22



Source: Company data.

Group revenue, EBITDA (adj.) Q1 21 – Q4 22



Source: Company data.

Genetics business area

Genetics recorded revenue of £58.008m, +24%YoY (currency-adjusted,+21%YoY), a gross contribution of £32.0m on stable margins, and (adj.) EBITDA of £15.98m, +38.6%YoY, a 27.5% margin compared to 24.6% a year earlier. Gross margin stability resulted from improved margin on salmon operations partially offset by costs associated with the development of SPR shrimp and Tilapia capabilities, which at EBITDA level lost £(3.1)m. The non-cash fair value of biological assets was reduced from £3.3m to £1.6m.

The revenue contribution from salmon eggs was £38.3m, +24%YoY, 66% of segment total, with 291.1m salmon eggs delivered, +20%YoY (FY21, 242.0m). An increase of 23%YoY in demand in Norway was met by production from the new Iceland facility (opened in August 2022), whilst revenue from harvested salmon of £8.5m (FY21, £6.2m) was supported by increased prices. The components of business area revenue were as follows:

Genetics, components of revenue, FY21, FY22

£m	FY21	FY22	YoY	Pct of FY22
Salmon eggs	30.9	38.3	23.9%	66.0%
Harvested fish	6.2	8.5	37.1%	14.7%
Other	7.4	9.1	23.0%	15.7%
Services	1.3	1.3	0.0%	2.2%
IP	1.0	0.8	-20.0%	1.4%
Sum	46.8	58.0	23.9%	100.0%

Source: Company data.

The contribution to gross profit rose 24%YoY to £32.0m (38.5% of total) on a 55% (unchanged) gross margin, although the underlying profitability of salmon operations improved, offset by costs incurred in the development of SPR shrimp and Tilapia development, amounting to £(3.1)m at (adj.) EBITDA level (FY21, £(1.4)m). Benchmark aims to leverage its market position in Advanced Nutrition as the basis for developing this attractive new market. The following table illustrates the impact of SPR shrimp and Tilapia development costs on segment (adj.) EBITDA, and the recalibration caused by the non-cash fair value of biological assets. This indicates an underlying (adj.) EBITDA margin of 33.2% (FY21, 27.6%) if development costs are excluded, and 30.5% inclusive of the fair value adjustment.

Genetics: quarterly revenue/EBITDA & revenue annual comparison

£m	FY21	FY22	YoY
Revenue	46.8	58.0	23.9%
Segment EBITDA (adj.)	11.5	16.0	38.6%
Mrg	24.6%	27.6%	
Fair value adj.	(3.3)	(1.6)	-51.5%
EBITDA net of fair value	8.2	14.4	74.8%
Mrg	17.6%	24.8%	
EBITDA SPR, Tilapia	(1.4)	(3.3)	
Resulting EBITDA	12.9	19.3	49.1%
Mrg	27.6%	33.2%	
Net of fair value	9.6	17.7	83.6%
Mrg adj rpt	20.6%	30.5%	

Source: Company data. Equity Development estimates. Data excludes currency effects.

Genetics FY22 P&L: well-managed growth

As illustrated, gross profit margin remained stable, operating costs increased in proportion to revenue growth (+24.6%YoY and 24.0%YoY respectively), and R&D spend remained stable, with the result that (adj.) operating profit increased 49%YoY and (adj.) EBITDA rose 39%YoY.

Genetics: P&L FY21 and FY22

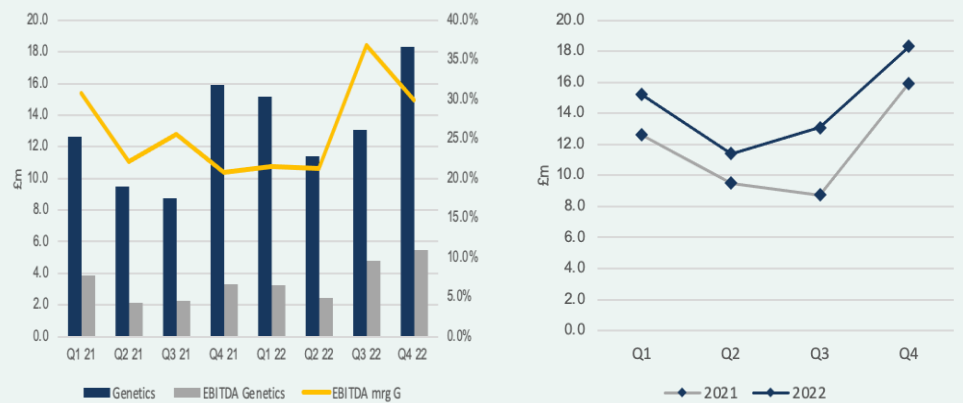
£m	FY21	FY22	YoY
Revenue	46.797	58.008	24.0%
Gross	25.931	32.037	23.5%
R&D	(4.865)	(4.329)	-11.0%
Other op-ex	(8.933)	(11.133)	24.6%
Equity in earnings	(0.605)	(0.595)	
EBITDA (adj)	11.528	15.980	38.6%
Dep	(4.166)	(5.322)	
Amort	(1.338)	(1.695)	
Op (adj)	6.024	8.963	48.8%
Exceptional items	0.850	0.000	
Op reported	6.874	8.963	30.4%
EBITDA reported	12.378	15.980	29.1%
Gross margin	55.4%	55.2%	-0.2%
R&D % of revenue	10.4%	7.5%	-2.9%
Op-ex % of revenue	19.1%	19.2%	0.1%
EBITDA (adj.) margin	24.6%	27.5%	2.9%
Operating (adj.) margin	12.9%	15.5%	2.6%

Source: Company data. Equity Development estimates.

Q4 performance: “sold out”

Q4 revenue grew 15%YoY to £18.314m; as shown, FY23 quarterly revenue was consistently above FY22 levels. Benchmark reported all its salmon eggs capacity in Norway and Iceland was “sold out” in Q4, whilst harvested salmon revenues increased and SPR shrimp (Asia, LatAm) registered initial commercial sales.

Genetics: quarterly revenue, EBITDA & revenue annual comparison

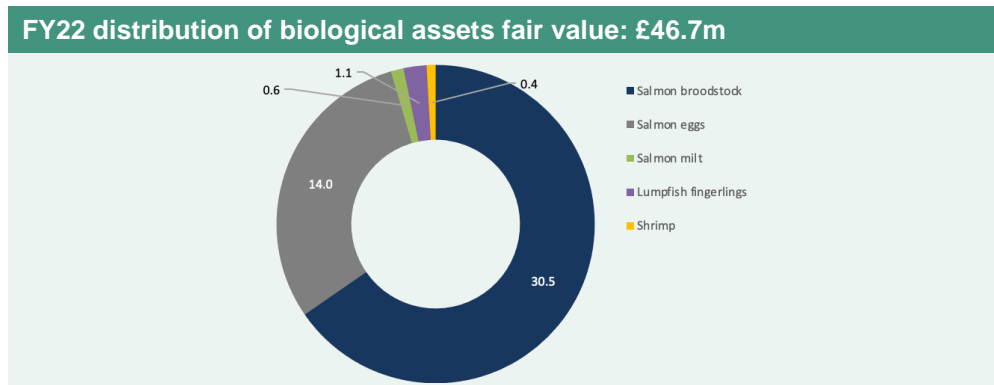


Source: Company data.

Capital spending of £5.6m included £2.3m for completion of the Iceland incubation facility and the addition of capacity in Norway at Salten to raise salmon egg production towards 150m p.a., continuing (£1.2m) into FY23, with further investment in SPR shrimp and Tilapia in the US.

Genetics: Q4 EBITDA +65%YoY

Segment profitability supported the picture of a strong fourth quarter. Q4 gross profitability was well above Q4 21, at 55% compared to 42% and EBITDA (adj.) of £5.473m, rose +65.4%YoY with a 29.9% margin in line with the full year (27.5%). Excluding the fair value biological asset adjustment³ Q4 (adj.) EBITDA was £6.3m, i.e. 1.7x Q4 21 levels, a 34% margin compared to 14% a year earlier. Below shows Group biological assets fair value at FY22, divided amongst salmon (103.9m eggs; broodstock 1,737tonnes; lumpfish, 0.7m fingerlings; and shrimp).



Source: Company data, Equity Development estimates. ³Fair value (IFRS 13) of salmon eggs is based on seasonally-adjusted market price minus incubation and transport costs. This also forms the basis for valuation of broodstock - although the value of genetic improvements in fish cannot be independently calibrated - adjusted for age and fish biomass. The valuation process involves a number of assumptions which are subject to external factors; Benchmark reports that a 1% variation in sales price has a £0.445m potential impact on fair value.

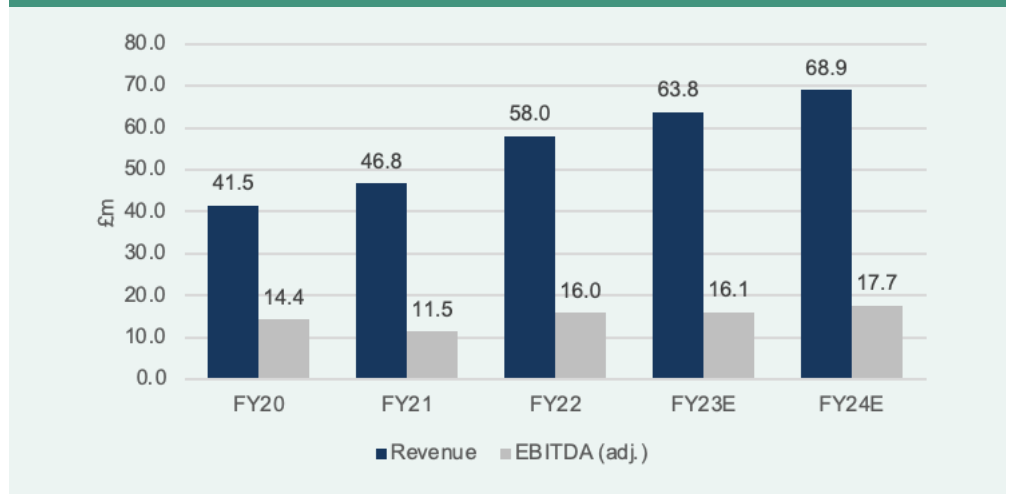
Genetics outlook to FY24

At the 20 September Capital Markets Day, Benchmark outlined its 3-5 year Genetics business area targets: a focus on organic growth and development of markets for salmon, shrimp and Tilapia; revenue growth of 10% - 15% p.a.; and a target EBITDA (adj.) margin of 22% - 27%. Based on FY22 results, growth at 12.5% points to FY27 revenue of £105m and, at a 27% margin, EBITDA (adj.) of £28.0m. Our revised FY23 and FY24 estimates are as follows:

Divisional revenue, EBITDA (adj.) outlook to FY24					
Yr to 30 Sep (£m)	FY20	FY21	FY22	FY23E	FY24E
Revenue	41.5	46.8	58.0	63.8	68.9
YoY		12.8%	24.0%	10.0%	8.0%
EBITDA (adj.)	14.4	11.5	16.0	16.1	17.7
Mrg	34.8%	24.6%	27.5%	25.2%	25.7%
YoY				0.6%	10.1%
Prior E		Revenue	55.2	60.7	65.6
		beta	5.1%	5.1%	5.1%
		EBITDA	13.5	15.2	16.4
		beta	18.4%	5.8%	8.0%

Source: Company data, Equity Development estimates.

Genetics revenue and EBITDA (adj.) outlook to FY24



Source: Company data, Equity Development estimates..

Advanced Nutrition

Advanced Nutrition revenue was £80.286m, +13.8%YoY (currency-adjusted, +7%YoY), with (adj.) EBITDA of 19.017m, +37.8%YoY (currency-adjusted +29%YoY), and margin improvement from 19.6% to 23.7%. Of total revenue, 73% was derived from shrimp and 27% from Mediterranean sea bass and sea bream. By product segment (CER: currency-adjusted data):

- Artemia (brine shrimp) revenue rose +7%YoY (CER) to £37.1m. The 2021-22 harvest under licence from the Artemia Great Lakes cooperative was to 1,104 metric tonnes, a level regarded as 'normal' compared to 1,168mt in 2020-21 and a harvest in 2019-20 regarded as exceptionally high. Benchmark has developed a magnetic process (SEP-Art) to replace the labour-intensive separation of Artemia cysts (dormant eggs) and shells from the live nauplii (head segments), reducing waste and damage and raising yields.
- Diets revenue rose +7%YoY (CER) to £35.1m.
- Health-related probiotic and pond management revenue rose +6%YoY (CER) to £8.1m.

Benchmark SEP-Art process



Source: Company data.

Advanced Nutrition FY22 P&L

As illustrated:

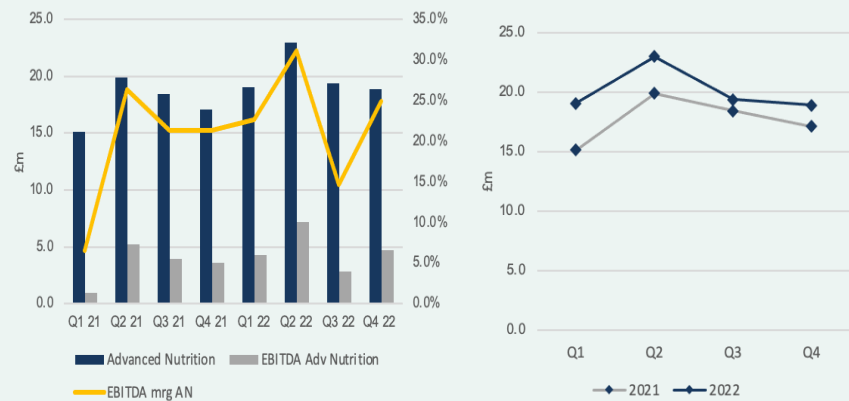
- Gross profit margin improved 200 bps to 53.0%.
- Operating costs grew 8.2%YoY compared to 14% growth in revenue.
- R&D spend remained stable, with the result that (adj.) EBITDA increased 38%YoY.

Advanced Nutrition: P&L FY21 and FY22

£m	FY21	FY22	YoY
Revenue	70.530	80.286	13.8%
Gross	35.968	42.553	18.3%
R&D	(1.948)	(1.990)	2.2%
Op-ex	(19.918)	(21.546)	8.2%
Equity in earnings	(0.300)	0.000	
EBITDA (adj)	13.802	19.017	37.8%
Dep	(2.154)	(2.236)	
Amort	(13.896)	(15.000)	
Op (adj)	(2.248)	1.781	
Exceptional items	(0.356)	(0.220)	
Op reported	(2.604)	1.561	
EBITDA reported	13.446	18.797	
Gross margin	51.0%	53.0%	2.0%
R&D % of revenue	2.8%	2.5%	-0.3%
Op-ex % of revenue	28.2%	26.8%	-1.4%
EBITDA (adj.) margin	19.6%	23.7%	4.1%
Operating (adj.) margin	-3.2%	2.2%	5.4%

Source: Company data, Equity Development estimates.

Advanced Nutrition: quarterly revenue and EBITDA; revenue annual comparison



Source: Company data, Equity Development estimates.

Advanced Nutrition outlook to FY24

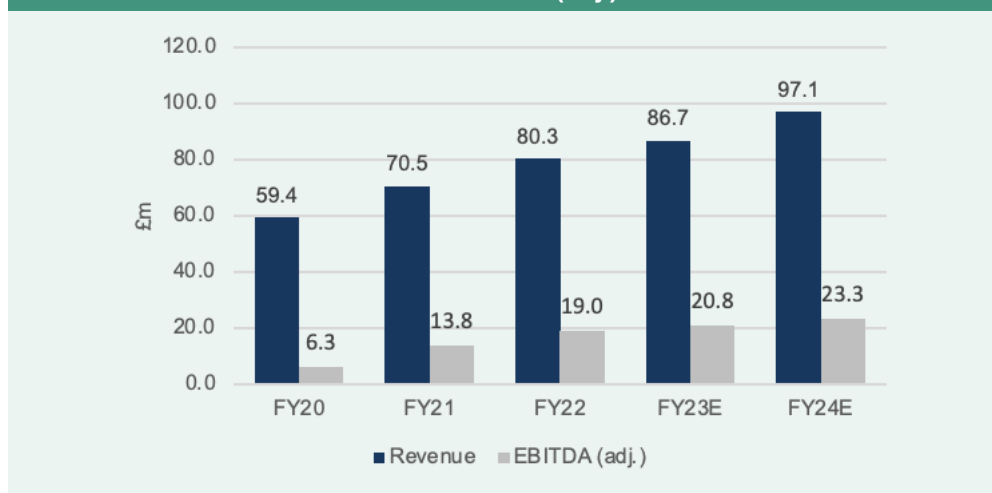
Benchmark's 3-5 year outlook targets annual revenue growth of 7% - 10% and an EBITDA (adj.) margin of 20% - 25%. Based on FY22 performance 7.5% revenue CAGR and an EBITDA (adj.) margin rising towards 25% indicates FY27 revenue of £115m and EBITDA (adj.) of £29.0m.

Our FY23 and FY24 estimates are as follows, with prior estimates shown:

Divisional revenue, EBITDA (adj.) outlook to FY24					
Yr to 30 Sep (£m)	FY20	FY21	FY22	FY23E	FY24E
Revenue	59.4	70.5	80.3	86.7	97.1
YoY		18.8%	13.8%	8.0%	12.0%
EBITDA (adj.)	6.3	13.8	19.0	20.8	23.3
Mrg	10.6%	19.6%	23.7%	24.0%	24.0%
Prior E		Revenue	79.0	85.3	95.6
		beta	1.6%	1.7%	1.6%
		EBITDA	17.5	19.6	22.9
		beta	8.7%	6.2%	1.8%

Source: Company data, Equity Development estimates.

Advanced Nutrition: revenue and EBITDA (adj.) outlook to FY24



Source: Company data, Equity Development estimates.

Health

The **Health** business area delivered revenue of £20.135m, an increase of 1.6x (FY21, £7.832m), and (adj.) EBITDA of £0.108m compared to a FY21 loss of £(2.685)m. The most notable development was the change in business model from the ownership and provision of vessels for the provision of Ectosan[®]Vet and Clean Treat[®] services to sale of units to customers. Benchmark currently operates three vessels.

Health: FY21 and FY22 P&L

£m	FY21	FY22	YoY
Revenue	7.832	20.135	157.1%
Gross	3.714	8.591	131.3%
R&D	(0.197)	(0.372)	88.8%
Op-ex	(6.202)	(8.111)	30.8%
Equity in earnings	0.000	0.000	
EBITDA (adj)	(2.685)	0.108	
Dep	(1.871)	(12.251)	
Amort	(1.047)	(2.463)	
Op (adj)	(5.603)	(14.606)	
Exceptional items	(0.515)	0.018	
Op reported	(6.118)	(14.588)	
EBITDA reported	(3.200)	0.126	
Gross margin	47.4%	42.7%	-4.8%
R&D % of revenue	2.5%	1.8%	-0.7%
Op-ex % of revenue	79.2%	40.3%	-38.9%
EBITDA (adj.) margin	-34.3%	0.5%	34.8%
Operating (adj.) margin	-71.5%	-72.5%	-1.0%

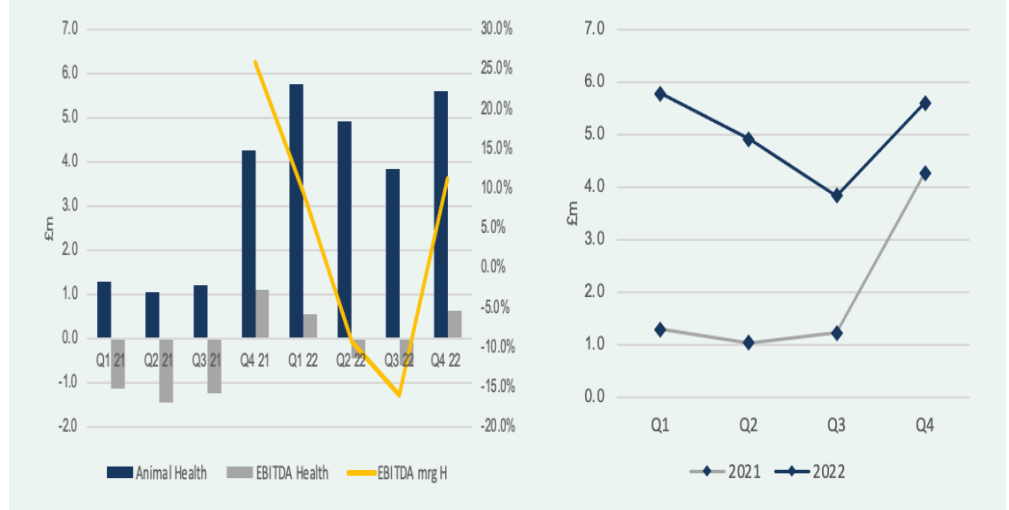
Source: Company data, Equity Development estimates.

Health business area capital spending of £2.6m included investment in a third Clean Treat[®] unit and completion of the second vessel housing CT. Reflecting the change in business model, the third unit is classified as inventory, i.e. as an item for sale to customers.

Q4 revenue +30%YoY

In Q4 Health business area:

- Revenue rose 30%YoY to £5.602m.
- EBITDA (adj.) was £0.625m, an 11.2% margin, but below Q421 (£1.104m) due to the costs of £1.8m incurred in maintaining two CT vessels in operation compared to a single unit a year earlier.

Health: quarterly revenue/EBITDA; revenue annual comparison to Q4 22


Source: Company data, Equity Development estimates.

Outlook to FY24

As outlined on 20 September, on a 3-5 year view Benchmark targets revenue of £50m - £75m, with an EBITDA margin of 30% - with potential to reach 60%. This indicates a median revenue outlook of £62.5m: achieving a 60% EBITDA margin, the contribution to EBITDA would be £37.5m or 40% of Group total.

Our FY23 and FY24 estimates are as follows. Our near-term EBITDA outlook is scaled back reflecting the reduction in depreciation associated with the change in business model.

Divisional revenue, EBITDA (adj.) outlook to FY24

Yr to 30 Sep (£m)	FY20	FY21	FY22	FY23E	FY24E
Revenue	10.8	7.8	20.1	23.2	31.3
YoY		-27.5%	157.1%	15.0%	35.0%
EBITDA (adj.)	-12.9	-2.7	0.1	0.5	3.1
Mrg	-119.3%	-34.3%	0.5%	2.0%	10.0%
Prior E		Revenue	19.2	24.0	32.4
		beta	4.9%	-3.5%	-3.5%
		EBITDA	-1.0	1.2	4.9

Source: Company data, Equity Development estimates.

FY22 quarterly financial performance

FY22 quarterly performance is summarised below.

Quarterly performance Q1 21 to Q4 22								
£m	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22
Genetics	12.616	9.514	8.735	15.932	15.195	11.408	13.091	18.314
Advanced Nutrition	15.132	19.895	18.410	17.093	19.059	22.974	19.381	18.872
Animal Health	1.293	1.044	1.226	4.269	5.777	4.916	3.840	5.602
Inter segment	(0.011)	(0.018)	(0.035)	(0.033)	(0.017)	(0.065)	(0.040)	(0.030)
Revenue	29.030	30.435	28.336	37.261	40.014	39.233	36.272	42.758
Gross	14.671	16.172	15.312	19.430	19.499	20.023	19.473	24.133
<i>Margin</i>	50.5%	53.1%	54.0%	52.1%	48.7%	51.0%	53.7%	56.4%
Sum Op-ex	(11.641)	(11.278)	(10.884)	(12.333)	(12.074)	(11.598)	(12.900)	(15.375)
One-off costs	(0.593)	(0.275)	(0.187)	0.871	0.000	0.908	(0.469)	(0.423)
EBIT Reported	(3.252)	(1.364)	(1.245)	0.484	(1.458)	(0.708)	(3.951)	(1.744)
EBIT Adjusted	(2.659)	(1.089)	(1.058)	(0.387)	(1.458)	(1.616)	(3.482)	(1.321)
<i>Margin</i>	<i>N.M.</i>	<i>N.M.</i>	<i>N.M.</i>	<i>N.M.</i>	<i>N.M.</i>	<i>N.M.</i>	<i>N.M.</i>	<i>0.0%</i>
Amortisation	(3.918)	(4.260)	(3.931)	(4.174)	(4.388)	(4.484)	(4.849)	(5.440)
Depreciation	(1.771)	(1.723)	(1.555)	(3.310)	(4.495)	(5.557)	(5.206)	(4.639)
EBITDA Genetics	3.879	2.108	2.232	3.309	3.263	2.428	4.816	5.473
EBITDA Adv Nutrition	0.993	5.247	3.919	3.643	4.320	7.154	2.837	4.706
EBITDA Health	(1.117)	(1.446)	(1.226)	1.104	0.547	(0.454)	(0.610)	0.625
Corp. expenses	(0.725)	(1.015)	(0.497)	(0.959)	(0.705)	(0.703)	(0.470)	(2.046)
EBITDA Reported	2.437	4.619	4.241	7.968	7.425	9.333	6.104	8.335
EBITDA Adjusted	3.030	4.894	4.428	7.097	7.425	8.425	6.573	8.758
<i>Margin</i>	10.4%	16.1%	15.6%	19.0%	18.6%	21.5%	18.1%	20.5%
Financial income	4.886	1.092	0.674	(2.467)	0.119	1.930	0.122	2.570
Financial expense	(2.149)	(2.466)	(2.110)	(1.262)	(2.343)	(2.684)	(7.409)	(7.621)
PBT Reported	(0.515)	(2.738)	(2.681)	(3.245)	(3.682)	(1.462)	(11.238)	(6.795)
PBT Adjusted	0.078	(2.463)	(2.494)	(4.116)	(3.682)	(2.370)	(10.769)	(6.372)
Tax	0.290	(0.104)	(0.128)	(2.455)	(1.427)	(2.189)	(1.584)	(2.074)
PAT Reported	(0.225)	(2.842)	(2.809)	(5.700)	(5.109)	(3.651)	(12.822)	(8.869)
PAT Adjusted	0.368	(2.567)	(2.622)	(6.571)	(5.109)	(4.559)	(12.353)	(8.446)
Net rptd	(0.225)	(2.842)	(2.809)	(5.700)	(5.109)	(3.651)	(12.822)	(8.869)
Net adj	0.368	(2.567)	(2.622)	(6.571)	(5.109)	(4.559)	(12.353)	(8.446)
EPS rptd basic (p)	(0.11)	(0.46)	(0.44)	(1.03)	(0.79)	(0.55)	(1.97)	(1.37)
EPS rptd dil (p)	(0.11)	(0.46)	(0.44)	(1.02)	(0.78)	(0.55)	(1.95)	(1.36)
EPS adj basic (p)	(0.02)	(0.42)	(0.42)	(1.16)	(0.79)	(0.69)	(1.90)	(1.31)
EPS adj dil (p)	(0.02)	(0.42)	(0.41)	(1.15)	(0.78)	(0.68)	(1.88)	(1.30)

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 the revenue trends which we estimate would to meet the 5-year average of company strategic targets.

Divisional revenue, EBITDA (adj.) outlook to FY24							
Yr to 30 Sep (£m)	FY20	FY21	H1 22	H2 22	FY22	FY23E	FY24E
Revenue							
Genetics	41.5	46.8	26.6	31.4	58.0	63.8	68.9
Advanced Nutrition	59.4	70.5	42.0	38.3	80.3	86.7	97.1
Animal Health	10.8	7.8	10.7	9.4	20.1	23.2	31.3
Inter segment	(6.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Revenue	105.6	125.1	79.2	79.0	158.3	173.5	197.1
Year-on-year							
Genetics		12.8%	20.2%	27.3%	24.0%	10.0%	8.0%
Advanced Nutrition		18.8%	20.0%	7.7%	13.8%	8.0%	12.0%
Animal Health		-27.5%	357.6%	71.8%	157.1%	15.0%	35.0%
Pct of total ex internal							
Genetics	37.2%	37.4%	33.5%	39.7%	36.6%	36.7%	34.9%
Advanced Nutrition	53.2%	56.4%	53.0%	48.4%	50.7%	49.9%	49.2%
Animal Health	9.7%	6.3%	13.5%	11.9%	12.7%	13.3%	15.8%
EBITDA (adj.)							
Genetics	14.4	11.5	5.7	10.3	16.0	16.1	17.7
Advanced Nutrition	6.3	13.8	11.5	7.5	19.0	20.8	23.3
Animal Health	(12.9)	(2.7)	0.1	0.0	0.1	0.5	3.1
EBITDA YoY							
Genetics			-4.9%	85.7%	38.6%	0.6%	10.1%
Advanced Nutrition			83.9%	-0.3%	37.8%	9.4%	12.0%
Animal Health			-104%	-112.3%	N.M	N.M.	575.0%
EBITDA mrg							
Genetics	34.8%	24.6%	21.4%	32.8%	27.5%	25.2%	25.7%
Advanced Nutrition	10.6%	19.6%	27.3%	19.7%	23.7%	24.0%	24.0%
Animal Health	-119%	-34.3%	0.9%	0.2%	0.5%	2.0%	10.0%
<i>Company target-based:</i>							
Revenue							
Genetics					58.0	65.3	73.4
Advanced Nutrition					80.3	86.3	92.8
Animal Health					20.1	28.6	37.1
Sum					158.4	180.2	203.3
ED estimate					158.3	173.5	197.1

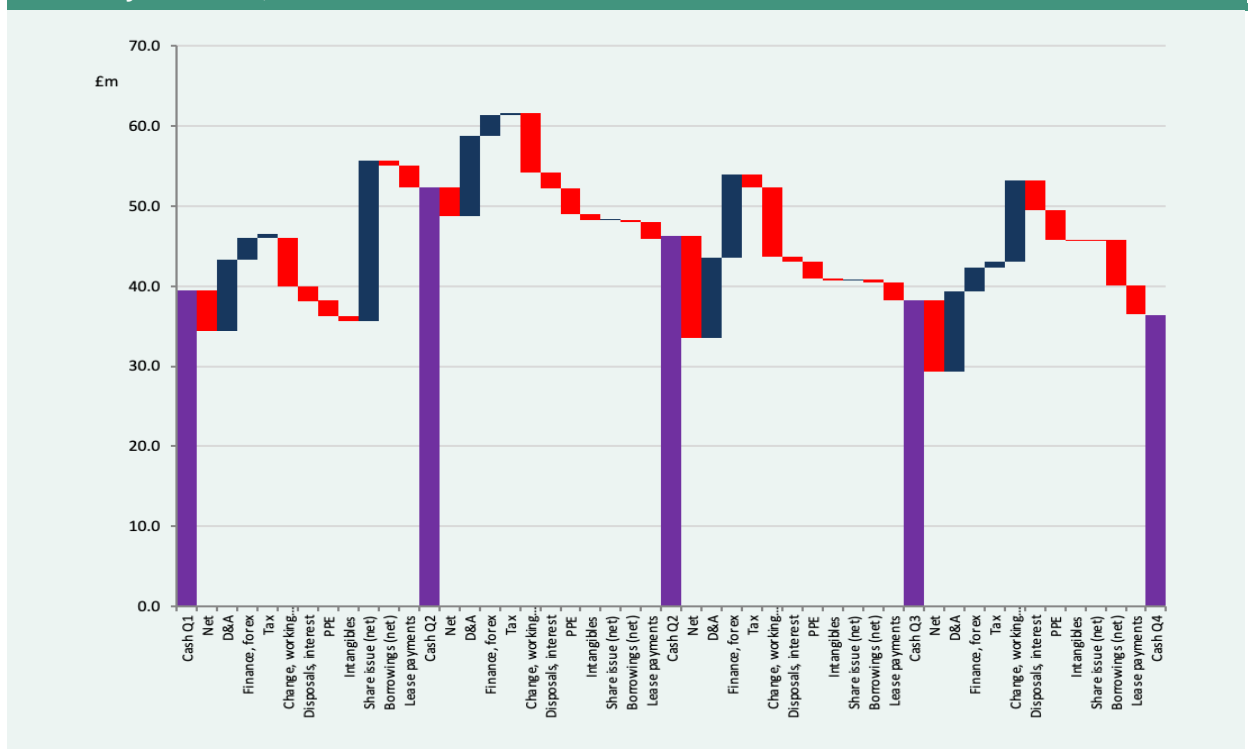
Source: Company data, Equity Development estimates.

FY 22 cashflow: well managed

As illustrated, Benchmark has consistently demonstrated prudent cashflow control, to maintain respective quarterly cash positions of £53m, £46m, £38m and, at year-end, £36.4m. FY22 cashflow from operations was a healthy £30.269m, compared to £21.989 in FY21 and in FY20, £(7.184)m. The principal features were:

- Net operating free cashflow of £10.81m (FY21, 5.789m).
- Reduced cap-ex, at £10.808m (FY21, £17.683m), with projects such as the Iceland incubation facility nearing completion.
- A positive contribution from working capital of £12.012m, albeit abetted by US\$ strength. Accounts payable were 3.4% of revenue compared to 2.8% in FY21, whilst payables remained at 4.4% of revenue in each year.
- Finance costs of £20.057m (net £15.316m) including interest of £9.7m, a £1.6m early redemption penalty on refinancing of the NOK bond, and £1.9m amortised deferred finance costs); see Appendix I.
- Exceptional costs of £0.8m related to the proposed listing on the Oslo Exchange and restructuring-related costs of £0.4m were offset by credit of £1.2m relating to the disposal of Aquaculture UK and Improve International in 2020.

Quarterly cashflow, FY22 Q1 – Q4



Source: Company data, Equity Development estimates.

Appendix I: Debt refinancing

As of 30 September 2022 Group debt totalled £110.136m (FY21, £120.391m), comprising:

- £61.054m in long-term debt liabilities.
- £14.765m in long-term lease liabilities.
- £17.091m in short-term liabilities and borrowings (£5.569m).

Post year-end refinanced facilities

Towards the year-end and post-September Benchmark undertook a series of debt refinancing measures:

- On 27 September Benchmark secured a **NOK750m** floating rate green unsecured (2025) bond which replaced the 2019 NOK850 bond, equating to (NOK0.084272:GB£1.00) £63.2m. The bond pays 6.50% above 3-month NIBOR, currently at 3.55% (illustrated below), equating to 9.86%, an estimated £6.23m p.a.
- On 1 November a new **NOK179.5m** facility (15.01.2028) was agreed to replace a NOK165m term loan, and a NOK17.5m overdraft facility, in respect of Benchmark Genetics Salten AS.
- On 21 November the US\$15m RCF facility (US\$4.0m drawn down) was replaced by a secured **£20.0m RCF** (27 06 2025) at a margin of 2.75% to 3.25%.

We estimate that refinanced facilities total NOK990m (£103.4m), and carry annual interest of £7.83m.

Summary of refinanced debt, November 2022

Debt	NOKm	Rate £	£m	NIBOR	Plus	Rate	Interest £m
Bond	750	0.0843	63.2	3.36%	6.50%	9.86%	6.23
Salten	179.5	0.0843	15.1	3.36%	2.50%	5.86%	0.89
Salten	20.0	0.0843	1.7	undrawn			
Salten	40.1	0.0843	3.4		4.95%	4.95%	0.17
RCF			20.0	2.75%			0.55
Sum	989.6		103.4				7.83

Source: Company data, Equity Development estimates..

Appendix II: Proposed Norwegian salmon ‘resource tax’ Impact of the proposed 40% ‘resource tax’ on salmon and trout farming

In early September 2022, the Norwegian government issued proposals for a new ‘resource tax’ to be levied on producers of salmon, trout and rainbow trout in Norway. The tax would be set at 40%, to be implemented from 1 January 2023. Currently, Norway levies a similar tax on the hydropower and oil and gas sectors, in addition to corporate tax, amounting to an overall 62% tax rate (22%+40%) after agreed allowables.

The tax is expected to raise NOK3.65bn - NOK3.8bn (US\$347m – US\$361m) with half to be allocated to the c.€1.2tr sovereign wealth fund, to counter inflation, and impacted the share prices of the leading Norwegian salmon producers - Mowi, Lerøy Seafood and SalMar. The basis for the government’s decision is its assessment of the value of the sector’s ‘resource rent’ (net profit), which is estimated at NOK11.8bn (€1.9bn) in 2021; the government expects a share of the profits engendered through access to Norway’s fjords. The Norwegian Finance Ministry commented:

- “The rules are formulated in such a way that only the largest operators will pay resource rent tax. This is done by granting a tax-free allowance of between 4,000 and 5,000 metric tons. A key element of the proposal is that the local communities which make natural resources available should be guaranteed a share of the resource rent.”

The tax-free tonnage range proposed is thought to exclude 65% - 70% of the aquaculture producers in Norway; however, this segment constitutes <17% of biomass produced.

The debate - setting the price

Norwegian producers of farmed salmon and trout have sought clarification on the method of calculation for the proposed tax. The government has proposed a calculation based on tonnage sold at the standard price in the NASDAQ Salmon Index (NQSALMON)⁴. It is argued that this tends to reflect the spot market price for the best quality, and therefore highest-priced, salmon. This approach is thought to place at risk long-term contracts for salmon of lower quality, making such agreements potentially loss-making against a (40%) tax rate which has been tied to higher-priced contracts. The NASDAQ Salmon Index is priced in nine weight range classes, from 1-2kg to >9kg, ranging between NOK46.92/kg and NOK86.85/kg. Overall, the NASDAQ SI 3-6kg class accounts for 95% of the *Fish Pool Index Settlement Price* – based on a basket comprising 30% at 3-4kg, 40% at 4-5kg, and 30% at 5-6kg – which is currently at NOK66.20/kg. The lowest-priced (1-2kg) fish are therefore 29% cheaper.

Potential impact on investment

There are indications that the proposed tax means that producers are not entering into long-term contracts until there is clarity on the new tax terms, could reduce investment proportional to estimated proceeds, or prompt a boycott of government auctions for permits to develop additional biomass. The tax proposal is also blamed for recent redundancies. It is reported that, on November 15th, SalMar dismissed 851 workers saying that the decision was “mainly because the government’s proposal for a new salmon tax has destroyed the market for long-term fixed-price contracts”.

⁴ The NASDAQ Salmon Index (NQSALMON) is the weighted average of weekly reported sales prices and corresponding volumes in fresh Atlantic Superior Salmon, head on gutted (HOG), reported to Nasdaq Copenhagen, BMR Administrator by a panel of Norwegian salmon exporters and salmon producers with export license. The panel is representative for the total export out of Norway. <https://salmonprice.nasdaqomxtrader.com>

FINANCIAL SUMMARY

Summary P&L: FY20 – FY24E					
£m	FY20	FY21	FY22	FY23E	FY24E
Revenue	105.6	125.1	158.3	173.5	197.1
Gross	55.0	65.6	83.1	88.5	102.5
<i>Margin</i>	<i>52.1%</i>	<i>52.4%</i>	<i>52.5%</i>	<i>51.0%</i>	<i>52.0%</i>
COGS	(50.6)	(59.5)	(75.1)	(85.0)	(94.6)
R&D	(7.3)	(7.0)	(6.7)	(7.1)	(8.1)
Other	(33.3)	(38.2)	(44.7)	(47.7)	(54.3)
Equity inv.	0.2	(0.9)	(0.6)	(0.6)	(0.7)
Sum operating costs	(40.5)	(46.1)	(51.9)	(55.5)	(63.1)
One-off costs	(2.1)	(0.2)	0.0	0.0	0.0
EBIT Reported	(10.9)	(5.4)	(7.9)	(6.1)	0.3
EBIT Adjusted	(8.8)	(5.2)	(7.9)	(6.1)	0.3
<i>Margin</i>	<i>N.M.</i>	<i>N.M.</i>	<i>N.M.</i>	<i>N.M.</i>	<i>0.1%</i>
Amortisation	(16.6)	(16.3)	(19.2)	(19.2)	(19.2)
Depreciation	(6.6)	(8.4)	(19.9)	(19.9)	(19.9)
EBITDA Reported	12.4	19.3	31.2	33.0	39.4
EBITDA Adjusted	14.5	19.4	31.2	33.0	39.4
<i>Margin</i>	<i>13.7%</i>	<i>15.6%</i>	<i>19.7%</i>	<i>19.0%</i>	<i>20.0%</i>
Financial income	1.1	4.2	4.7	0.5	0.5
Financial expense	(12.8)	(8.0)	(20.1)	(8.0)	(7.7)
PBT Reported	(22.6)	(9.2)	(23.2)	(13.6)	(6.9)
PBT Adjusted	(20.5)	(9.0)	(23.2)	(13.6)	(6.9)
Tax	(0.2)	(2.4)	(7.3)	(7.7)	(8.7)
PAT Reported	(22.8)	(11.6)	(30.5)	(21.3)	(15.6)
PAT Adjusted	(20.7)	(11.4)	(30.5)	(21.3)	(15.6)
Basic wtd. Av. shares (m)	625.5	669.5	698.2	733.4	733.4
Diluted wtd. av. shares (m)	626.9	674.1	704.5	739.7	739.7
EPS rptd basic (p)	(5.3)	(1.9)	(4.6)	(2.9)	(2.1)
EPS rptd dil (p)	(5.3)	(1.9)	(4.6)	(2.9)	(2.1)
EPS adj basic (p)	(4.9)	(1.9)	(4.6)	(2.9)	(2.1)
EPS adj dil (p)	(4.9)	(1.9)	(4.6)	(2.9)	(2.1)

Source: Company data, Equity Development estimates.

Summary Cashflow FY20 – FY24E

£m	FY20	FY21	FY22	FY23E	FY24E
Net reported	(31.9)	(11.6)	(30.5)	(21.3)	(15.6)
PPE depreciation	7.0	5.0	8.6	8.6	8.6
RoU depreciation	2.1	3.3	11.3	11.3	11.3
Amortisation	19.4	16.3	19.2	19.2	19.2
Disposals net	(15.3)	0.0	(0.0)	0.0	0.0
Finance (net)	9.6	6.5	18.1	7.5	7.2
Forex, other	(0.1)	(0.9)	(4.9)	0.6	0.7
Share-based payments	1.7	0.8	1.2	1.2	1.2
Tax	0.3	2.4	7.3	7.7	8.7
Operating Cash Flow	(7.2)	22.0	30.3	34.8	41.3
Working capital	0.0	0.0	0.0	0.0	0.0
(Increase)/Decrease inventories	3.7	(3.6)	(5.4)	(1.1)	(4.2)
(Increase)/Decrease in receivables	4.2	(8.2)	(8.5)	(3.0)	0.0
Increase/(Decrease) in payables	5.0	5.5	6.9	3.2	6.5
Increase/(Decrease) in bio/agri assets	(7.5)	(5.4)	(6.1)	(2.0)	(2.0)
Provisions	(0.3)	(0.0)	1.1	0.0	0.0
Change, working capital	5.2	(11.6)	(12.0)	(2.9)	0.3
Cash generated by operations	(2.0)	10.4	18.3	31.9	41.5
Tax (paid)/received	(2.1)	(4.6)	(7.4)	(7.3)	(7.7)
Net cash from operations	(4.1)	5.8	10.8	24.6	33.8
Investing activities	0.0	0.3	0.0	0.0	0.0
Disposals, invsts	41.4	(0.5)	1.4	0.0	0.0
PPE	(5.9)	(17.7)	(10.8)	(7.0)	(7.4)
Intangibles	(5.3)	(5.0)	(1.9)	(1.9)	(1.9)
Interest	0.1	0.1	0.1	0.0	0.0
Net cash used in investing	30.4	(23.1)	(11.2)	(8.9)	(9.3)
Net OpFCF	26.3	(17.3)	(0.4)	15.7	24.5
Financing activities					
Share issue (net)	41.7	0.8	20.2	12.5	0.0
Borrowings (net)	(1.8)	(3.1)	(6.9)	(1.6)	(1.6)
Interest paid	(7.7)	(7.7)	(9.6)	(8.0)	(7.7)
Lease payments	(2.1)	(4.6)	(10.5)	(10.5)	(10.5)
Other	0.0	(0.0)	0.0	0.0	0.0
Net cash from financing	30.1	(14.7)	(6.9)	(7.6)	(19.8)
Net increase in cash / equivalents	56.5	(32.0)	(7.3)	8.1	4.7
Cash start	16.1	71.6	39.5	36.4	44.5
Forex	(0.9)	(0.2)	4.3	0.0	0.0
Cash end	71.6	39.5	36.4	44.5	49.2

Source: Company data, Equity Development estimates.

Summary Balance sheet: FY20 – FY24E

£m	FY20	FY21	FY22	FY23E	FY24E
Fixed Assets					
Intangible assets	247.0	229.0	245.3	228.0	210.8
PPE net	65.6	78.8	81.9	69.0	56.5
RoUse assets	10.3	25.5	27.0	27.0	27.0
Equity investees	3.7	3.4	3.1	3.1	3.1
Other invsts	0.0	0.0	0.0	0.0	0.0
Bio/agri assets	16.6	21.2	20.9	20.9	20.9
Sum Fixed Assets	343.3	358.0	378.2	348.1	318.3
Current Assets					
Inventories	18.9	20.9	29.8	30.9	35.1
Trade receivables	39.4	46.5	56.4	59.4	59.4
Bio/agri assets	15.8	17.1	25.8	25.8	25.8
Cash, Equivalents	71.6	39.5	36.4	44.5	49.2
Sum Current Assets	145.8	124.0	148.4	160.6	169.5
Total Assets	489.0	482.0	526.6	508.7	487.8
Current Liabilities					
Trade payables	(45.7)	(46.7)	(44.3)	(47.5)	(54.0)
Loans	(5.3)	(10.7)	(17.1)	(17.1)	(17.1)
Tax	(4.3)	(5.6)	(10.2)	(10.2)	(10.2)
Provisions	0.0	(0.6)	(1.6)	0.0	0.0
Sum Current Liabilities	(55.4)	(63.5)	(73.3)	(74.8)	(81.3)
Total Assets less Current Liabilities	433.7	418.5	453.3	433.8	406.5
Long-term Liabilities					
Borrowings	(103.8)	(109.7)	(93.0)	(91.4)	(89.8)
Other	(1.8)	(0.9)	(9.0)	0.0	0.0
Tax	(32.6)	(28.2)	(28.0)	(6.8)	(6.8)
Sum Long-term liabilities	(138.2)	(138.9)	(130.0)	(98.2)	(96.6)
Total liabilities	(193.6)	(202.4)	(203.3)	(173.1)	(178.0)
Net Assets	295.4	279.6	323.3	335.6	309.8
Capital & Reserves					
Share Capital	0.7	0.7	0.7	0.7	0.7
Additional paid-in capital	399.6	400.7	420.8	420.8	420.8
Capital Reserve	0.0	0.0	0.0	0.0	0.0
Retained earnings	(142.2)	(154.2)	(185.1)	(206.4)	(222.1)
Hedge reserve	(9.7)	(5.9)	(0.7)	(0.7)	(0.7)
Forex reserve	40.7	30.5	77.7	77.7	77.7
Non-controlling interest	6.3	7.9	9.9	9.9	9.9
Equity	295.4	279.6	323.3	215.1	199.5
Net debt / (cash), incl leases	37.6	80.9	73.7	61.9	55.6

Source: Company data, Equity Development estimates.



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