

Disposal of Genetics operation for £260m

25 November 2024

Benchmark Holdings has announced the disposal of its Genetics operation to Starfish Bidco AS for an enterprise value (EV) of £260m, comprising an initial consideration of £230m in cash plus an additional contingent consideration of up to £30m. The disposal indicates an EV/EBITDA multiple of 17.9x (£14.5m E). The contingent consideration is based on the performance of the core salmon sub-segment (salmon eggs production) of the Genetics Business from 1st October 2024 to 30th September 2027. Conclusion of the disposal is expected in Q1 25, subject to shareholder approval and regulatory clearance.

Genetics comprise c.45% of (adj.) EBITDA

For the past 3 years Genetics has contributed c.45% of Group total (adj.) EBITDA. In FY23 Genetics delivered revenue of £65.8m (+14.6%YoY) comprising 38.8% of Group total, and (adj.) EBITDA of £14.4m, -9.8%YoY, 40.4% of Group total. Salmon eggs remained the revenue mainstay, +19%YoY (£45.6m) with a record volume (335m) shipped, +15%YoY.

The combined operations of the remaining two Businesses, Advanced Nutrition and Health (Ectosan[®]Vet, Clean Treat[®] and Salmosan[®]Vet sea lice treatments), totalled revenue of £104m (excluding £(0.3)m of intersegment transactions for the Group as a whole) and £24.4m of (adj.) EBITDA (on the same basis).

Disposal enables reduction of debt and operational streamlining

BMK states that the disposal will enable the Group to return capital to shareholders and creates the opportunity to “reduce complexity and streamline the current Group structure to significantly reduce costs”. Net proceeds will be used to return capital to shareholders and repay debt - namely the unsecured floating rate NOK 750m Green bond (at Q2 24 outstanding: £57.6m) and amounts so far drawn from the DNB Bank £27.5m RCF (at Q2 24 drawn: £10.25m) - which we estimate to total £66.0m.

Conclusion of the strategic review

The transaction concludes the formal strategic review Group announced commenced on 22nd January 2024, which included consideration of sale of the Company as a whole or sale of a business unit.

We will review our outlook for the redefined Group and Fair Value with the publication of Group Q4 and full year FY24 earnings which is expected in early December.

Company Data

EPIC	AIM: BMK
Price (last close)	38p
52 weeks Hi/Lo	48p/33p
Market cap	£283m
Proforma net debt / (cash) ¹	£66.9m

Share Price, p



Source: ADVFN

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 is focused on two Business operations: Advanced Nutrition, specific to early stages of animal development; and Health for sea lice treatments.

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

Outlook to FY25

Yr to 30 Sep.(£m)	2020	2021	2022	2023
Revenue	105.6	125.1	157.7	169.5
EBITDA (adj)	14.5	19.4	32.6	35.5
Pre-Tax (adj)	(3.8)	7.0	(4.4)	7.2
EPS (adj, p)	(2.3)	0.5	(2.1)	(3.2)
Net debt/(cash) ¹	27.1	56.9	47.5	45.6
EV/EBITDA	22.7x	16.9x	10.1x	9.3x
EV/Rev	3.1x	2.6x	2.1x	1.9x

Source: Company data, Equity Development estimates.¹ Net debt excludes lease liabilities at Q3 24.

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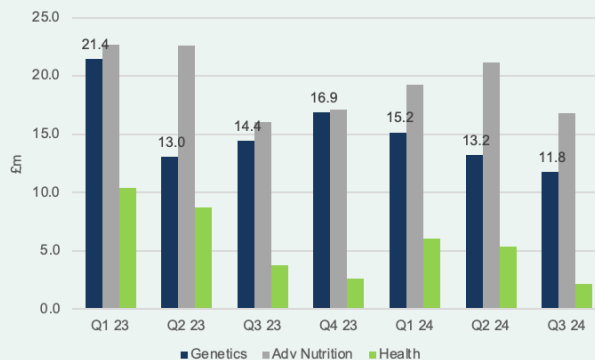
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Performance summary to FY24 Q3

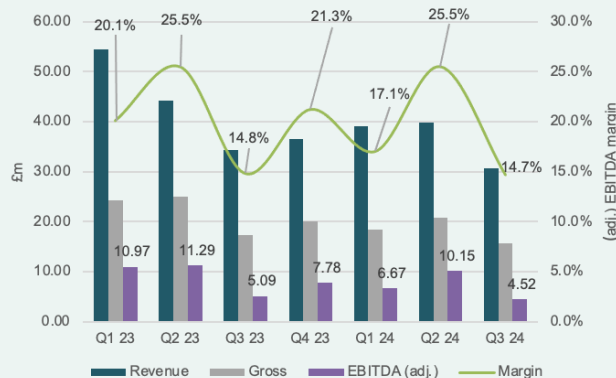
Below summarises Group performance for the seven quarters from Q1 23 to Q3 24.

Quarterly Business Area revenue to Q3 24



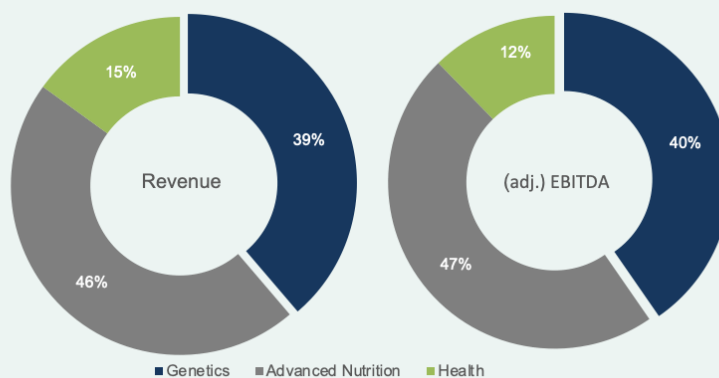
Source: Company data. Genetics Division data highlighted.

Quarterly Revenue, gross, EBITDA (adj.) margin, to Q3 24



Source: Company data. Equity Development estimates.

FY 24 contribution to revenue, (adj.) EBITDA



Source: Company data.

Genetics business area

Background: FY23 summary

Focused primarily on production of salmon eggs for the fish farming industry, in FY24 the Genetics division delivered:

- Shipment of (record volume) 335m salmon eggs (69% business area revenue).
- Business Area gross profitability, typically 50% - 55%, which was 45.5%, due to higher licensed broodstock fees, increased own production costs and non-capitalisation of shrimp production costs.
- Diversification into tilapia ceased with the sale of operations, and slowed shrimp genetic development due to market weakness, incurring a FY23 (adj.) EBITDA loss of £3.6m.

Overall, in FY23 Genetics recorded:

- Revenue of £65.8m, +15%YoY, 38.7% of total (sum excludes centralised costs); adjusted for currency movements, +20%YoY.
- Adjusted EBITDA £14.4m, -9%YoY, 22.0% margin (FY22: 27.5% margin).
- Adjusted EBITDA from continuing operations of £15.7m (FY22 restated: £17.4m), 24.0% margin (FY22: 30.0%); net of fair value movement in biological assets £15.8m (FY22: 15.8m).

FY 23 components of revenue and (adj.) EBITDA

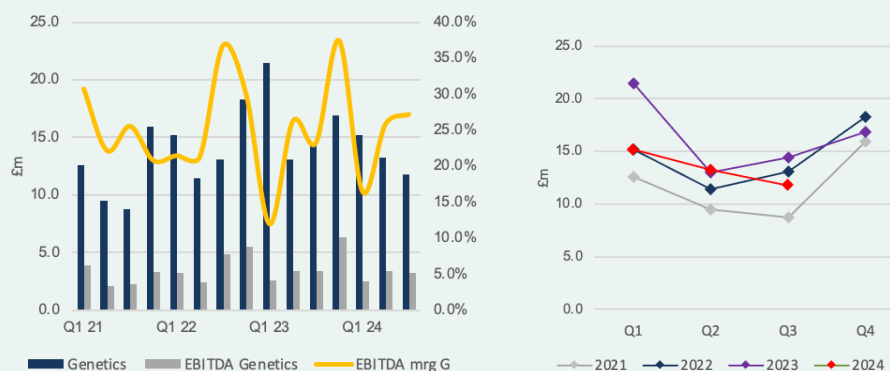
£m	FY22	FY23	YoY	% of
Salmon eggs (m)	291.0	335.0	14.8%	
Salmon eggs	38.3	45.6	19.1%	69.3%
Harvested fish	8.5	11.1	30.6%	16.9%
Other	9.1	7.4	-18.8%	11.2%
Services	1.3	1.2	-7.7%	1.8%
IP	0.8	0.5	-37.5%	0.8%
Revenue	58.0	65.8	13.4%	
Gross	32.0	29.9	-6.6%	
R&D	(4.3)	(3.8)	-12.7%	
Other op-ex	(11.1)	(11.7)	5.1%	
Equity in earnings	(0.6)	0.0		
EBITDA (adj)	16.0	14.5	-9.4%	
Dep	(5.3)	(4.7)		
Amort	(1.7)	(1.9)		
Op (adj)	9.0	7.9	-12.1%	
Exceptional items	0.0	(3.9)		
Op reported	9.0	4.0	-55.8%	
EBITDA reported	16.0	10.6	-33.9%	
Gross margin	55.2%	45.5%		
R&D % of revenue	7.5%	5.7%		
Op-ex % of revenue	19.2%	17.8%		
EBITDA (adj.) margin	27.5%	22.0%		
Operating (adj.) margin	15.5%	12.0%		

Source: Company data.

Summary of business are quarterly performance to Q3 FY24

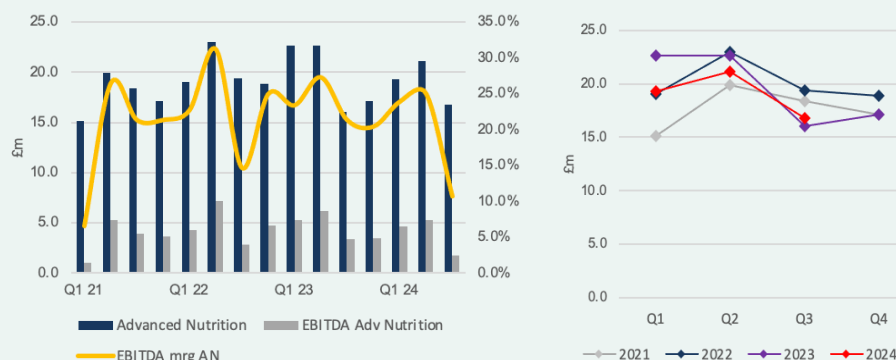
Below summarises Business Area performance for Q1 21 to Q3 24, showing comparable quarter results for FY21-24 Q3.

Genetics



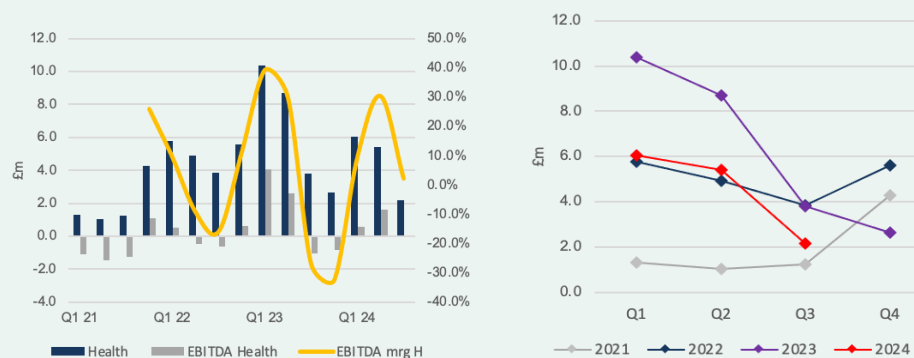
Source: Company data. Equity Development estimates. Data excludes currency effects.

Advanced Nutrition



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

Health



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

FINANCIAL SUMMARY

P&L								
£m	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	FY21	FY22	FY23
Genetics	14.4	16.9	15.2	13.2	11.8	46.8	58.0	65.8
Advanced Nutrition	16.1	17.1	19.3	21.1	16.8	70.5	80.3	78.5
Health	3.8	2.6	6.1	5.4	2.2	7.8	20.1	25.5
Inter segment	(0.0)	(0.0)	(1.4)	(0.0)	(0.0)	(0.1)	(0.7)	-0.3
Revenue	34.3	36.6	39.1	39.8	30.7	125.1	157.7	169.5
Gross	17.3	20.2	18.4	20.9	15.6	65.6	83.9	86.8
<i>Margin</i>	<i>50.4%</i>	<i>55.0%</i>	<i>46.9%</i>	<i>52.5%</i>	<i>50.9%</i>	<i>52.4%</i>	<i>53.2%</i>	<i>51.2%</i>
COGS	(17.0)	(16.5)	(20.8)	(18.9)	(15.1)	(59.5)	(73.8)	(82.7)
R&D	(1.5)	(1.6)	(1.5)	(1.5)	(1.4)	(7.0)	(6.6)	(6.1)
Admin & Other	(10.6)	(10.7)	(10.5)	(9.9)	(9.9)	(38.2)	(44.1)	(45.2)
Equity inv.	(0.1)	(0.0)	0.3	0.7	0.2	(0.9)	(0.6)	(0.0)
Sum operating costs	(12.2)	(12.4)	(11.7)	(10.7)	(11.1)	(46.1)	(51.3)	(51.3)
One-off costs	(0.5)	0.0	(0.5)	(2.0)	(2.6)	(0.2)	0.0	(3.9)
EBIT Reported	(4.4)	(1.6)	(4.4)	0.6	(6.5)	(5.4)	(6.2)	(5.3)
EBIT Adjusted	(0.1)	2.4	0.1	5.3	0.0	10.8	10.7	14.6
<i>Margin</i>	<i>N.M.</i>	<i>6.5%</i>	<i>0.3%</i>	<i>13.2%</i>	<i>0.1%</i>	<i>8.6%</i>	<i>6.8%</i>	<i>8.6%</i>
Amortisation	(4.3)	(4.3)	(4.3)	(3.3)	(4.1)	(16.3)	(19.2)	(18.5)
Depreciation	(4.6)	(4.8)	(6.2)	(4.2)	(4.3)	(8.4)	(19.7)	(18.4)
EBITDA Reported	4.6	7.5	6.2	8.2	1.9	19.3	32.6	31.6
EBITDA Adjusted	5.1	7.8	6.7	10.1	4.5	19.4	32.6	35.5
<i>Margin</i>	<i>14.8%</i>	<i>21.3%</i>	<i>17.1%</i>	<i>25.5%</i>	<i>14.7%</i>	<i>15.6%</i>	<i>20.7%</i>	<i>20.9%</i>
Financial income	2.7	(3.2)	2.6	1.9	0.6	4.2	4.7	7.7
Financial expense	(3.0)	(1.7)	(5.4)	(3.2)	(3.5)	(8.0)	(19.9)	(15.0)
PBT Reported	(4.6)	(6.4)	(7.2)	(0.7)	(9.4)	(9.2)	(21.4)	(12.7)
PBT Adjusted	(0.4)	(2.6)	(2.7)	3.9	(2.9)	7.0	(4.4)	7.2
Tax	0.1	(2.0)	(0.4)	(0.5)	(0.5)	(2.4)	(7.3)	(3.4)
Profit/Loss after tax rptd.	(4.5)	(8.4)	(7.6)	(1.1)	(9.9)	(11.6)	(28.7)	(16.1)
Profit/Loss after tax adj.	(0.3)	(4.5)	(3.2)	3.5	(3.4)	4.6	(11.7)	3.9
Basic wtd. Av. shares (m)	739.3	739.3	739.4	739.5	739.8	669.5	698.2	731.9
Diluted wtd. av. shares (m)	745.3	740.9	753.9	743.8	753.5	674.1	704.5	740.9
EPS rptd basic (p)	(1.01)	(1.56)	(1.03)	(0.18)	(1.30)	(1.93)	(4.60)	(3.16)
EPS adj basic (p)	(0.44)	(0.98)	(1.03)	0.45	(0.41)	0.49	(2.16)	(3.16)

Source: Company data, Equity Development estimates.

Cashflow								
£m	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	FY21	FY22	FY23
Net reported	(4.6)	(13.5)	(7.6)	(1.1)	(9.9)	(11.6)	(30.5)	(21.6)
PPE depreciation	2.1	2.1	3.0	2.1	2.9	5.0	8.6	8.5
RoU depreciation	2.6	2.8	3.3	1.2	1.4	3.3	11.3	10.3
Amortisation	4.3	4.3	4.3	4.2	4.1	16.3	19.2	18.5
Disposals net	0.0	3.7	(0.0)	(0.2)	(0.1)	0.0	(0.0)	3.7
Finance (net)	1.6	4.8	2.5	2.6	2.9	6.5	18.1	7.7
Forex, other	(1.3)	0.6	0.4	(1.8)	0.2	(0.9)	(4.9)	(1.8)
Share-based payments	0.4	0.2	0.3	0.6	0.7	0.8	1.2	1.0
Tax	(0.1)	2.0	0.4	0.5	0.5	2.4	7.3	3.4
Operating Cash Flow	5.0	6.8	6.4	8.1	2.6	22.0	30.3	29.6
Working capital								
(Increase)/Decrease inventories	(0.3)	0.6	0.6	1.2	(1.5)	(3.6)	(5.4)	2.9
(Increase)/Decrease in receivables	(2.3)	(10.3)	1.2	1.2	3.8	(8.2)	(8.5)	(6.6)
Increase/(Decrease) in payables	2.8	14.8	(13.4)	(2.6)	(2.4)	5.5	6.9	3.9
Increase/(Decrease) in bio/agri assets	(1.3)	(1.3)	0.8	(0.7)	(1.3)	(5.4)	(6.1)	(1.7)
Provisions	(0.0)	0.4	0.0	(1.0)	0.2	(0.0)	1.1	0.4
Change, working capital	(1.1)	4.2	(10.8)	(1.9)	(1.3)	(11.6)	(12.0)	(1.0)
Cash generated by operations	3.9	11.0	(4.4)	6.1	1.2	10.4	18.3	28.6
Tax (paid)/received	(2.2)	(2.2)	(1.2)	(2.5)	(2.1)	(4.6)	(7.4)	(8.6)
Net cash from operations	1.7	8.8	(5.6)	3.6	(0.9)	5.8	10.8	20.0
Investing activities	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0
Disposals, invsts	0.9	8.3	0.0	0.1	(0.1)	(0.5)	1.4	0.9
PPE	(0.9)	(1.8)	(0.9)	(0.8)	(0.6)	(17.7)	(10.8)	(6.0)
Intangibles	0.2	(0.7)	(0.1)	(0.0)	(0.1)	(5.0)	(1.9)	(0.8)
Interest / Other	0.1	0.2	0.2	0.0	0.2	0.1	0.1	0.6
Net cash used in investing	0.2	6.0	(0.8)	(0.7)	(0.6)	(23.1)	(11.2)	(5.3)
Net OpFCF	1.9	14.8	(6.3)	2.9	(1.5)	(17.3)	(0.4)	14.7
Financing activities								
Share issue (net)	(0.5)	0.0	0.0	0.0	0.1	0.8	20.2	10.9
Borrowings (net)	(1.5)	0.1	(0.4)	(1.1)	2.1	(3.1)	(6.9)	3.4
Interest paid	(2.7)	(2.4)	(2.3)	(2.3)	(2.4)	(7.7)	(9.6)	(9.1)
Lease payments	(2.7)	(2.1)	(2.9)	(2.5)	(1.8)	(4.6)	(10.5)	(9.4)
Other	0.6	(8.0)	0.0	0.0	0.0	(0.0)	0.0	(8.0)
Net cash from financing	(6.8)	(12.4)	(5.5)	(5.9)	(2.1)	(14.7)	(6.9)	(12.3)
Net increase in cash / equivalents	(4.8)	2.4	(11.8)	(3.0)	(3.6)	(32.0)	(7.3)	2.4
Cash start	38.6	32.9	36.5	24.2	20.8	71.6	39.5	36.4
Forex	(0.9)	1.3	(0.5)	(0.4)	(0.2)	(0.2)	4.3	(2.3)
Cash end	32.9	36.5	24.2	20.8	17.0	39.5	36.4	36.5

Source: Company data, Equity Development estimates.

Balance sheet

£m	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	FY21	FY22	FY23
Fixed Assets								
Intangible assets	205.3	206.1	195.0	190.9	186.8	229.0	245.3	206.1
PPE net	71.9	73.4	71.7	68.5	66.5	78.8	81.9	73.4
RoUse assets	21.8	19.8	16.5	16.7	12.3	25.5	27.0	19.8
Equity investees	3.0	3.6	3.8	4.5	4.8	3.4	3.1	3.6
Other invsts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bio/agri assets	21.7	18.4	23.8	18.5	2.7	21.2	20.9	18.4
Sum Fixed Assets	323.7	321.3	310.7	299.2	273.2	358.0	378.2	321.3
Current Assets								
Inventories	26.2	25.3	24.5	22.8	24.1	20.9	29.8	25.3
Trade receivables	47.9	59.8	56.4	54.6	50.6	46.5	56.4	59.8
Bio/agri assets	21.3	28.4	20.4	25.1	42.5	17.1	25.8	28.4
Cash, Equivalents	32.9	36.5	24.2	20.8	17.0	39.5	36.4	36.5
Sum Current Assets	128.3	150.0	125.5	123.3	134.2	124.0	148.4	150.0
Total Assets	451.9	471.3	436.2	422.5	407.4	482.0	526.6	471.3
Current Liabilities								
Trade payables	(32.0)	(47.3)	(33.5)	(30.3)	(27.8)	(46.7)	(44.3)	(47.3)
Loans	(21.8)	(20.0)	(18.7)	(17.3)	(15.6)	(10.7)	(17.1)	(20.0)
Tax	(6.8)	(6.4)	(5.9)	(4.6)	(4.1)	(5.6)	(10.2)	(6.4)
Provisions	(1.6)	(1.3)	(2.4)	(1.8)	(2.0)	(0.6)	(1.6)	(1.3)
Sum Current Liabilities	(62.1)	(75.1)	(60.5)	(54.0)	(49.5)	(63.5)	(73.3)	(75.1)
Total Assets less Current Liabilities	389.8	396.2	375.6	368.4	357.9	418.5	453.3	396.2
Long-term Liabilities								
Borrowings	(78.0)	(82.0)	(80.0)	(76.2)	(79.5)	(109.7)	(93.0)	(82.0)
Other	(4.9)	(7.5)	(5.9)	(8.0)	(7.7)	(0.9)	(9.0)	(7.5)
Tax	(22.8)	(24.1)	(22.6)	(21.3)	(20.2)	(28.2)	(28.0)	(24.1)
Sum Long-term liabilities	(105.6)	(113.6)	(108.6)	(105.5)	(107.4)	(138.9)	(130.0)	(113.6)
Total liabilities	(167.8)	(188.7)	(169.1)	(159.5)	(157.0)	(202.4)	(203.3)	(188.7)
Net Assets	284.2	282.6	267.1	262.9	250.4	279.6	323.3	282.6
Capital & Reserves								
Share Capital	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Additional paid-in capital	37.4	37.4	37.4	37.4	37.4	400.7	420.8	37.4
Capital Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earnings	197.2	183.5	176.1	175.3	176.1	(154.2)	(185.1)	183.5
Hedging reserve	0.5	(0.2)	(1.0)	(0.9)	(1.0)	(5.9)	(0.7)	(0.2)
Forex reserve	43.5	54.9	47.6	44.3	47.6	30.5	77.7	54.9
Non-controlling interest	10.0	6.2	6.1	6.1	6.1	7.9	9.9	6.2
Equity	289.4	282.6	267.1	262.9	267.1	279.6	323.3	282.6
Net debt / (cash), excl. leases	45.7	45.6	55.7	44.5	66.9	56.9	47.5	45.6

Source: Company data, Equity Development estimates.



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