

## FY24 ahead of expectations

In a trading update for the twelve months to end 31 March 2024, ECO Animal Health reports that revenue should be close to £90m; this compares to the March trading update outlook of £88.7m. The Group expects that FY24 (adj.) EBITDA should be in line with the current market consensus expectation of £7.8m (ED estimate was £7.6m). The year-end cash position was approximately £22.0m; we estimated £20.1m.

Our Fair Value range is 137p-146p, reflecting the potential in the pipeline of products under development, which is backed by the rigour of EAH's development-to-distribution process.

The Group highlighted the impact of currency movements during the year, which indicates that, adjusted for exchange rate changes, year-on-year revenue growth would have been over 10%, approximately double that indicated.

In its 21 March Trading Update ([Sustained demand and continuing progress](#)), the Group reported sustained demand for its core Aivlosin® product across its target markets: China, Japan and SE Asia, the Americas and Europe.

### R&D investment maintained

The Group also noted EBITDA delivery against the background of maintained investment in R&D, the wellspring of future product and revenue streams. Our FY24 estimates include provision for £4.2m of R&D spend for the year.

As we have noted, EAH has a detailed programme for next-generation product development, from initial research to manufacture and commercial distribution, with six major projects underway to treat diseases in swine and poultry, e.g. Ecovaxxin® MG and Ecovaxxin® MS for avian mycoplasmosis, and Ecovaxxin® PCV2 / Mhp, a pig vaccine.

### FY24 EBITDA (adj.) outlook: £7.8m

Our prior estimate was for revenue of £87.4m and (adj.) EBITDA of £7.6m; following the Trading Update we have raised our FY24 estimates accordingly, with 5%YoY revenue growth indicating £89.9m for the year. Our (adj.) EBITDA outlook is raised from £7.6m to £7.8m, an 8.6% margin for the year; this compares to 1.9% in H1 and indicates a 13.6% margin in H2.

At this stage we maintain our FY25 outlook unchanged, ahead of full year FY24 results and commentary.

#### Forecasts to FY25

Yr to 31 March (£m)	2021	2022	2023	2024E	2025E
Revenue	105.6	82.2	85.3	89.9	90.4
EBITDA (adj.)	23.5	5.4	7.2	7.8	7.8
Pre-Tax Profit (adj.)	19.4	3.8	4.8	5.0	5.0
EPS (adj. dil. p)	10.85	(1.01)	1.47	1.54	1.54
Net debt (cash)	(18.3)	(12.8)	(18.1)	(21.8)	(18.1)
EV/EBITDA	1.9x	8.2x	6.1x	5.7x	5.7x
EV/Rev	0.4x	0.5x	0.5x	0.5x	0.5x

Source: Company data, Equity Development estimates.

#### Company Data

EPIC	EAH
Price (last close)	96p
52 weeks Hi/Lo	125p/82p
Market cap	£65m
Proforma net debt (cash)	£(20.6)m

#### Share Price, p



Source: ADVFN

#### Description

Founded in 1995, ECO Animal Health specialises in the development, registration and distribution of pharmaceutical products for animal health markets worldwide, notably disease, bacterial infection and parasitic prevention for pigs, cattle, sheep and poultry (also horses and dogs). The Group addresses markets in China and the Far East, SE Asia, North America, Latin America and Europe, and derives c.90% of revenue from its enteric and respiratory antibiotic Aivlosin®, for the treatment of enteric and respiratory diseases in pigs and poultry.

#### Mike Jeremy (Analyst)

0207 065 2690  
[mike.jeremy@equitydevelopment.co.uk](mailto:mike.jeremy@equitydevelopment.co.uk)

#### Hannah Crowe

0207 065 2692  
[hannah@equitydevelopment.co.uk](mailto:hannah@equitydevelopment.co.uk)

## Summary financial data

P&L					
Year to 31 March (£m)	FY21	FY22	FY23	FY24E	FY25E
China & Japan	58.9	28.4	26.4	27.4	27.8
N America	13.9	16.4	15.2	16.0	16.2
S & SE Asia	9.1	11.8	16.8	18.5	18.7
LatAm	14.3	15.8	18.1	18.5	18.7
Europe	6.6	6.4	6.1	6.5	6.6
RoW/UK	2.9	3.4	2.8	3.0	2.4
<b>Revenue</b>	<b>105.6</b>	<b>82.2</b>	<b>85.3</b>	<b>89.9</b>	<b>90.4</b>
<b>Gross</b>	<b>52.7</b>	<b>35.1</b>	<b>38.4</b>	<b>37.8</b>	<b>39.4</b>
<i>Margin</i>	49.9%	42.7%	45.0%	42.0%	43.6%
COGS	(52.9)	(47.1)	(46.9)	(52.1)	(51.0)
Other income	0.3	0.1	0.4	0.0	0.0
R&D	(8.1)	(7.6)	(5.9)	(4.2)	(4.6)
Admin	(25.5)	(24.1)	(27.9)	(28.5)	(29.6)
Impairment	0.0	(2.1)	0.0	0.0	0.0
Sum Op-ex	(33.3)	(33.7)	(33.4)	(32.7)	(34.3)
Share-based payments	(0.1)	(0.3)	(0.4)	(0.4)	(0.4)
Forex	2.2	(1.0)	(0.5)	0.0	0.0
EBIT (rptd.)	19.4	1.4	4.9	5.1	5.1
<b>EBIT (adj.)</b>	<b>19.6</b>	<b>3.9</b>	<b>5.4</b>	<b>5.4</b>	<b>5.5</b>
<i>Margin</i>	18.5%	4.7%	6.3%	6.0%	6.0%
Amortisation	(0.9)	(1.1)	(1.1)	(1.1)	(1.1)
Amortisation RoU	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)
Depreciation	(0.4)	(0.5)	(0.8)	(0.8)	(0.8)
EBITDA (rptd.)	23.4	2.4	6.8	7.4	7.5
<b>EBITDA (adj.)</b>	<b>23.5</b>	<b>5.4</b>	<b>7.2</b>	<b>7.8</b>	<b>7.8</b>
<i>Margin</i>	22.3%	6.6%	8.5%	8.6%	8.6%
Financial income	0.1	0.2	0.1	0.1	0.1
Financial expense	(0.3)	(0.3)	(0.7)	(0.6)	(0.6)
Associate	0.0	0.0	0.0	0.1	0.1
PBT (rptd.)	19.3	1.4	4.4	4.6	4.7
<b>PBT (adj.)</b>	<b>19.4</b>	<b>3.8</b>	<b>4.8</b>	<b>5.0</b>	<b>5.0</b>
Tax	(3.5)	(2.1)	(1.3)	(1.4)	(1.4)
PAT (rptd.)	15.8	(0.7)	3.1	3.2	3.3
<b>PAT (adj.)</b>	<b>16.0</b>	<b>1.7</b>	<b>3.5</b>	<b>3.6</b>	<b>3.6</b>
Basic wtd. Av. shares (m)	67.6	67.7	67.7	67.7	67.7
Diluted wtd. av. shares (m)	67.6	67.7	68.6	68.6	68.6
EPS rptd. basic (p)	10.86	(1.01)	1.49	1.56	1.56
EPS rptd. dil. (p)	10.85	(1.01)	1.47	1.54	1.54
EPS adj. basic (p)	10.86	(1.01)	1.49	1.56	1.56
<b>EPS adj. dil. (p)</b>	<b>10.85</b>	<b>(1.01)</b>	<b>1.47</b>	<b>1.54</b>	<b>1.54</b>

Source: Company data, Equity Development estimates.

## Summary financial data

Cashflow					
Year to 31 March (£m)	FY21	FY22	FY23	FY24E	FY25E
PBT (rptd.)	19.3	1.4	4.4	4.6	4.7
Finance (net)	0.2	0.1	0.6	0.5	0.5
Forex	0.6	(1.0)	(0.5)	0.0	0.0
Amortisation	0.9	1.1	1.1	1.1	1.1
Amortisation RoU	0.4	0.4	0.5	0.5	0.5
Depreciation	0.4	0.5	0.8	0.8	0.8
Impairment	0.0	2.1	0.0	0.0	0.0
Associate	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)
Share-based payments	0.1	0.3	0.4	0.4	0.4
Other	0.0	0.1	(0.0)	0.0	0.0
<b>Operating Cash Flow</b>	<b>21.9</b>	<b>4.9</b>	<b>7.2</b>	<b>7.8</b>	<b>7.8</b>
Working capital					
(Increase)/Decrease inventories	(3.7)	(8.6)	7.8	(1.2)	0.1
(Increase)/Decrease in receivables	(4.0)	7.6	(0.7)	1.0	(1.4)
Increase/(Decrease) in payables	0.8	(2.9)	2.7	2.7	0.1
Provisions	0.9	1.4	1.4	1.5	1.5
Movement in working capital	(6.0)	(2.4)	11.2	4.0	0.4
<b>Cash generated by operations</b>	<b>15.8</b>	<b>2.5</b>	<b>18.4</b>	<b>11.7</b>	<b>8.2</b>
Interest paid	(0.1)	(0.1)	(0.5)	(0.5)	(0.5)
Tax (paid)/received	(3.8)	(3.0)	(2.1)	(1.3)	(1.4)
Net cash from operations	12.0	(0.5)	15.9	9.9	6.3
Investing activities					
PPE	(0.2)	(1.6)	(3.6)	(2.5)	(2.6)
Sale of PPE	0.0	0.0	0.0	0.4	0.0
Capitalised R&D	(0.9)	(1.3)	(2.4)	(4.5)	(4.0)
Finance	0.1	0.2	0.1	0.1	0.1
Net cash used in investing	(0.9)	(2.7)	(5.9)	(6.5)	(6.5)
<b>Net OpFCF</b>	<b>11.0</b>	<b>(3.2)</b>	<b>10.0</b>	<b>3.4</b>	<b>(0.1)</b>
Financing activities					
Shares issued	0.4	0.1	0.0	0.0	0.0
Interest on leases	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)
Leases	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Dividends	(0.6)	(2.9)	(1.8)	(2.8)	(3.0)
Net cash from financing	(0.7)	(3.3)	(2.4)	(3.3)	(3.5)
<b>Net increase in cash / equivalents</b>	<b>10.4</b>	<b>(6.5)</b>	<b>7.6</b>	<b>0.1</b>	<b>(3.6)</b>
Cash at beginning of year	9.8	19.5	14.3	21.7	21.8
Forex	(0.7)	1.3	(0.3)	0.0	0.0
<b>Cash at year end</b>	<b>19.5</b>	<b>14.3</b>	<b>21.7</b>	<b>21.8</b>	<b>18.1</b>
Net debt / (cash)	(18.3)	(12.8)	(18.1)	(21.8)	(18.1)

Source: Company data, Equity Development estimates.

## Summary financial data

Balance sheet					
Year to 31 March (£m)	FY21	FY22	FY23	FY24E	FY25E
<b>Fixed Assets</b>					
Intangible Assets Net	36.1	34.3	35.6	39.0	42.0
PPE net	2.2	3.5	6.1	7.8	9.5
RoU Assets Net	1.4	1.8	4.3	7.2	10.2
Property Investments	0.3	0.2	0.0	0.0	0.0
Investments	0.2	0.2	0.3	0.3	0.3
Deferred Tax	0.3	0.5	0.6	0.6	0.5
<b>Sum Fixed Assets</b>	<b>40.4</b>	<b>40.5</b>	<b>46.8</b>	<b>54.8</b>	<b>62.5</b>
<b>Current Assets</b>					
Inventories	20.5	30.1	22.4	23.6	23.5
Trade receivables	32.5	26.0	26.9	25.9	27.2
Tax assets, other	4.0	2.7	3.6	0.0	0.0
Cash, Equivalents	19.5	14.3	21.7	21.8	18.1
<b>Sum Current Assets</b>	<b>76.5</b>	<b>73.1</b>	<b>74.5</b>	<b>71.3</b>	<b>68.9</b>
Total Assets	116.9	113.6	121.3	126.1	131.4
<b>Current Liabilities</b>					
Trade payables	(14.5)	(13.0)	(14.5)	(17.2)	(17.3)
Provisions	(1.8)	(3.9)	(5.2)	(5.2)	(5.2)
Tax, Other	(3.8)	(0.9)	(2.4)	(2.4)	(2.4)
Dividends	(0.1)	(0.1)	(0.1)	0.0	0.0
<b>Sum Current Liabilities</b>	<b>(20.2)</b>	<b>(17.7)</b>	<b>(22.2)</b>	<b>(24.8)</b>	<b>(24.9)</b>
Total Assets less Current Liabilities	96.7	95.9	99.1	101.3	106.5
<b>Long-term Liabilities</b>					
Deferred tax	(0.2)	0.0	0.0	0.0	0.0
Leases	(1.2)	(1.5)	(3.6)	0.0	0.0
<b>Sum Long-term liabilities</b>	<b>(1.4)</b>	<b>(1.5)</b>	<b>(3.6)</b>	<b>0.0</b>	<b>0.0</b>
Total liabilities	(21.6)	(19.3)	(25.8)	(24.8)	(24.9)
Net Assets	95.3	94.3	95.6	101.3	106.5
<b>Capital &amp; Reserves</b>					
Share Capital	3.4	3.4	3.4	3.4	3.4
Share Premium	63.3	63.3	63.3	65.8	67.8
Reserves	1.9	3.0	2.6	2.6	2.6
Retained earnings	13.4	12.4	13.9	17.1	20.4
Non-controlling interests	13.4	12.3	12.3	12.3	12.3
<b>Equity</b>	<b>95.3</b>	<b>94.3</b>	<b>95.6</b>	<b>101.3</b>	<b>106.5</b>
Net debt / (cash)	(18.3)	(12.8)	(18.1)	(21.8)	(18.1)

Source: Company data, Equity Development estimates.



## Contacts

### **Andy Edmond**

Direct: 020 7065 2691

Tel: 020 7065 2690

[andy@equitydevelopment.co.uk](mailto:andy@equitydevelopment.co.uk)

### **Hannah Crowe**

Direct: 0207 065 2692

Tel: 0207 065 2690

[hannah@equitydevelopment.co.uk](mailto:hannah@equitydevelopment.co.uk)

**Equity Development Limited is regulated by the Financial Conduct Authority**

## Disclaimer

Equity Development Limited ('ED') is retained to act as financial adviser for its corporate clients, some or all of whom may now or in the future have an interest in the contents of this document. ED produces and distributes research for these corporate clients to persons who are not clients of ED. In the preparation of this report ED has taken professional efforts to ensure that the facts stated herein are clear, fair and not misleading, but makes no guarantee as to the accuracy or completeness of the information or opinions contained herein.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom ('FSMA'). Any reader of this research should not act or rely on this document or any of its contents. This report is being provided by ED to provide background information about the subject of the research to relevant persons, as defined by the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

Research produced and distributed by ED on its client companies is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent as defined by the FCA, but is 'objective' in that the authors are stating their own opinions. This document is prepared for clients under UK law. In the UK, companies quoted on AIM are subject to lighter due diligence than shares quoted on the main market and are therefore more likely to carry a higher degree of risk than main market companies.

ED may in the future provide, or may have in the past provided, investment banking services to the subject of this report. ED, its Directors or persons connected may at some time in the future have, or have had in the past, a material investment in the Company. ED, its affiliates, officers, directors and employees, will not be liable for any loss or damage arising from any use of this document, to the maximum extent that the law permits.

More information is available on our website [www.equitydevelopment.co.uk](http://www.equitydevelopment.co.uk)

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

Contact: [info@equitydevelopment.co.uk](mailto:info@equitydevelopment.co.uk) | 020 7065 2690