

Anpario (ANP)

AIM

Anpario, which supplies natural animal feed additives, has reported impressive results for the first half of 2020 with both revenue and profit increasing. Given the disruption caused by Covid-19 this is clearly an excellent performance.

The group operates in a growing market as the rising world population drives increased demand for livestock based products including meat, milk and eggs. Thus improving the performance of that livestock is clearly beneficial to the group's customers.

The company operates on a global basis which provides a degree of diversification, whilst its products are used in animal food for different animals. The introduction of new products also helps to expand the group's markets.

The group has gained new customers during the first half at the expense of competitors and its successful direct and on-line marketing activities which have done well will continue.

The group has a strong balance sheet with net cash of £13.2m and this will help fund future growth.

Activities

Anpario is an international producer and distributor of high performance natural feed additives for animal health, hygiene and nutrition. These are mainly used in animal food for cattle, swine and poultry. The group's expertise is focused on intestinal health and nutrition and utilising this understanding to improve animal performance and producer profitability. The improvement in animal performance can be measured by higher milk yields, daily weight gain, improved fertility and extended egg lay period, whilst increases in the profitability of customers is self-explanatory.

The group's products mainly comprise natural powder and liquid feed additives and these are manufactured at Anpario's UK plant at Manton Wood. The cost of the additives as a proportion of feed costs is normally very low at between 1% - 2% of the total. The majority of the group's products are sold through distributors or merchants with the balance sold directly to the end user. Last year, the group launched Anpario Direct, its internet sales channel, to target smaller customers such as small commercial farmers and this is being expanded as part of the strategy to increase higher margin end user sales.

The company has a global network of offices and exports/imports to over 70 countries. In the first half of 2020, 24% of group revenue was generated in the Americas, with 39% from Asia and Australasia, 28% from Europe and 9% from the Middle East and Africa.

Results and Consensus Forecasts

Year to 31 December	Revenue (£m)	Pre-Tax Profit* (£m)	Earnings per share** (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
2018A	28.3	4.6	17.3	23.1	7.2	1.8
2019A	29.0	4.4	18.6	21.5	8.0	2.0
2020E	30.5	4.4	18.0	22.2	8.5	2.1
2021E	32.0	4.8	19.2	20.8	9.0	2.3

* adjusted ** adjusted diluted



KEY DATA

Share Price:	400p
Prospective p/e ratio:	22.2x
Prospective net yield:	2.1%
Market Capitalisation:	£92.5m
Next Results Due (Finals):	MAR
Net Cash (30 June):	£13.2m
NAV per share (30 June):	158p



2019/20 High/Low: 420p/225p

BULLET POINTS

- Impressive interim results
- The group is coping well with the impact of Covid-19
- The group operates in a growing market
- New business initiatives coming to fruition
- Recovery being seen in Asia after African Swine Fever
- Strong balance sheet with net cash of £13.2m at 30 June
- Share price below the all-time high of 502p

Date of Report: 22 September 2020

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COMPANY DATA

Stockbrokers:

Peel Hunt

Significant Shareholders:

Royal Trust Corp of Canada	11.9%
Unicorn Asset Management	10.5%
Investec Wealth & Inv.	10.0%
Gresham House Asset. Man	6.0%
Downing LLP	4.9%
BlackRock Invest. Man.	4.6%
BGF Invest. Man.	3.5%
BMO Global Asset Man.	3.3%
Hargreaves Lansdown Ass Man	3.3%
Interactive Investor	3.1%

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Information:

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2020 Interim Results

Anpario has produced a strong first half performance with both sales and pre-tax profits increasing over the same period in 2019. This is clearly an impressive performance given the impact of Covid-19 on the global economy which has led to severe disruption including the suspension of travel and industry trade exhibitions., although the latter did lead to some cost savings.

In the six months to 30 June, group revenue rose by 13% to £16.2m (2019: £14.3m) with a strong performance in most geographic regions. Gross profit increased by 20% to £8.5m (2019: £7.1m) helped by an increase in gross margins to 52.5% (2019: 49.7%) which was due to a number of factors including improved operational efficiencies, changes in the sales mix to higher margin products and an increase in direct sales to end users. Pre-tax profits increased to £2.4m (2019: £2.3m) although this includes adverse foreign exchange variances of £0.5m of which less than £0.1m have been realised. Diluted adjusted earnings per share increased by 34% to 11.74p (2019: 8.73p). Net cash at the end of the period was £13.2m (31 Dec 2019: £13.8m) after completing a £1.0m share buyback at a weighted average price of 336p during the period.

Strong sales growth was reported in most regions with revenues in Asia up 28%, those in Europe up 24% and the Americas up 15%. Although sales growth in China was flat, there was strong growth in South East Asia helped by a number of business initiatives, notably in Indonesia. Sales in the Middle East and Africa (MEA) declined by 37% but this is the smallest region for the group. With the exception of MEA, pre-tax profits also rose in each region.

Prospects

Looking ahead, the group is well-placed to benefit from growth in the animal feed additive market as improving the performance of livestock will help to meet the increased demand for livestock based products. The company will also benefit from consumer demand for safe, environmentally friendly food.

The company has gained new customers during lockdown due to some competitors being unable to supply them during this period, and these new relationships will be developed going forward. The company will also continue the on-line and direct marketing tactics that produced the strong first half performance.

In Asia, the group's largest market, the swine industry is now showing signs of recovery as farmers re-stock following the African Swine Fever epidemic whilst the introduction of new products will also provide growth opportunities in all the group's markets.

The group's strong balance sheet provides the funds required to invest in new products and also to expand its sales and marketing activities. It has excellent growth prospects, operating in an expanding market, and it would be no surprise to see profit forecasts increase as visibility improves.

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