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Anpario (ANP) AIM

A recent trading statement has confirmed that the natural animal feed additives group Anpario is coping well with the effects of Covid-19. There has been little disruption in the group's business, helped by the continuity plan which was implemented in early March. This plan, which includes remote working and split shifts, has allowed the group to meet the increase in demand from its customers. As a result, the share price has recovered strongly from the low point of 225p in mid-March. The group has reported a strong first quarter, helped by customers increasing stock levels and also recent business development initiatives coming to fruition. Some new customers have also been gained during the period. The group entered the crisis with a strong balance sheet and at 25 April had a net cash balance of £13.8m and this is after the completion of a share buyback programme costing £1.0m. The company is operating in a growth market and looks well-placed to make further progress going forward .

KEY DATA

Share Price:	345p
Prospective p/e ratio:	19.2x
Prospective net yield:	2.4%
Market Capitalisation:	£79m
Next Results Due (Interims):	SEPT
Net Cash (25 April):	£13.8m
NAV per share (31 Dec.):	155p

2019/20 High/Low: 416p/225p

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 the plan is to expand this going forward.

The company has a global network of offices and trades in over 70 countries. In 2019, 38% of group revenue was generated in Asia, with 24% from Europe, 23% from the Americas and 15% from the Middle East and Africa.

BULLET POINTS

- **Solid results for 2019 followed by strong start to 2020**
- **The group is coping well with the effects of Covid-19**
- **Group operates in a growing market**
- **Considerable scope for future expansion**
- **Strong balance sheet with net cash of £13.8m at 25 April**
- **Share price remains well below its high of 502p in 2018**

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	19.9	7.2	2.1
2019A	29.0	4.4	18.6	18.5	8.0	2.3
2020E	29.1	4.4	18.0	19.2	8.4	2.4
2021E	30.7	4.8	19.1	18.1	9.0	2.6

* adjusted diluted

Date of Report: 22 June 2020

COMPANY DATA

Stockbrokers:

Peel Hunt

Significant Shareholders:

RBC Wealth Management	11.8%
Unicorn Asset Management	10.4%
Investec Wealth & Inv.	10.0%
Gresham House	6.0%
Downing LLP	4.8%
BlackRock Invest. Man.	4.6%
BMO Global Asset Man.	3.3%

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2019 Results

Helped by a strong performance in the second half, group revenue increased by 3% in the year to 31 December to £29.0m (2018: £28.3m). There was strong trading in Latin America and the Middle East, whilst there was also a recovery in sales in Asia. This was a solid performance given the fact that 2019 was a difficult year for global agriculture markets which were challenged by extreme weather conditions, animal disease and political uncertainty. Gross margins for the year increased to 50% (2018: 48%) which resulted in gross profit increasing to £14.5m (2018: £13.5m). Pre-tax profits fell to £4.4m (2018: £4.6m) and adjusted diluted earnings per share on the same basis rose to 18.6p (2018: 17.3p). The dividend for the year was increased by 11% to 8.0p (2018: 7.2p) and net cash at the year end was £13.8m (2018: £12.9m).

Revenues in Asia, the group's largest market, fell by 5% to £11m with sales in China down by 9% due to the impact of African Swine Fever, although this was mitigated to some degree by the increased focus on the poultry market. In Europe, sales declined by 5% to £6.9m due to the withdrawal from low-margin non-core business, although sales in the US and Latin America were up 19% to £6.8m helped by a strong performance from Latin America. Revenues in the Middle East and Africa rose 19% to £4.3m .

During the year, the group completed its automated bottling plant at Manton Wood, and also established Anpario Direct, its internet sales channel. More recently, the group has incorporated a German subsidiary to help establish a direct sales presence there and in other German speaking markets.

Prospects

At the end of April, the group provided a trading update stating that its performance in the first quarter had been strong due to customers increasing stock levels and helped by business development initiatives coming to fruition. It has also gained some new customers who had suffered from disruption in deliveries from their existing suppliers. The group implemented its continuity plan in early March, which included remote working and split shifts and this has allowed it to continue to operate with little disruption in terms of production and delivery to its customers.

The group will benefit from growth in the animal feed additive market as increased demand for livestock based products means that improving the performance of livestock is clearly beneficial. As well as expanding its sales and distribution channels, the group also continues to develop new products.

Anpario entered the pandemic crisis with a strong balance sheet showing net cash of £13.8m at 25 April and this will allow the group to expand both organically and by acquisition if suitable opportunities arise.

Given the excellent growth prospects, the shares stand on an undemanding rating of 19.2x and sport a dividend yield of 2.4%.

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