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Animalcare Group PLC
24 September 2024

Animalcare Group plc
("Animalcare" or the "Group" or the "Company")

Interim Results for the six months ended 30 June 2024

24 September 2024. Animalcare Group plc (AIM: ANCR), the international animal health business, announces its unaudited interim results for the six months ended 30 June 2024.

Animalcare is pleased to report a positive first half performance following strong revenue growth in our operations and improved levels of cash conversion. With our transformed balance sheet following the sale of Identicare and minority interest in STEM, we are focused on utilising this strong financial position in pursuit of opportunities through M&A, licensing, partnerships and investing in our R&D pipeline to accelerate growth and create long-term value for shareholders.

Financial highlights

- Revenues from continuing operations of £36.9m (H1 2023: £35.2m), up 5.0% (+7.1% at constant exchange rates) with increases in both price and volume and growth across all three product categories, notably in Production Animals and Equine
- Underlying* EBITDA grew by 2.5% to £6.6m (H1 2023: £6.5m) reflecting improved gross margins and further targeted SG&A investment
- Statutory profit after tax incorporating non-underlying items and discontinued operations was £18.8m (H1 2023: £1.6m)
- Underlying continuing basic EPS decreased by 4.9% to 5.8 pence (H1 2023: 6.1 pence) predominantly driven by increased taxes with reported basic EPS at 31.2 pence (H1 2023: 2.7 pence)
- Transformational change in the Group's balance sheet following the sale of Identicare and minority stake in STEM, leading to net cash position before accounting for IFRS 16 leases at 30 June 2024 of £32.9m (FY23: £1.7m). Revolving credit facilities renewed to extend the term to 31 March 2029
- Strong improvement in underlying cash conversion to 78.3% (H1 2023: 52.5%), on track to achieve full year improvement vs FY23
- Board declares interim dividend of 2.0 pence per share, in line with prior year period

** The Group presents a number of non-GAAP Alternative Performance Measures (APMs) which exclude non-underlying items as set out in note 3. Underlying figures quoted are also based on continuing operations. Underlying EBITDA is defined as underlying earnings before interest, tax, depreciation and amortisation.*

Strategic and Operational highlights

- **Organic growth:** Both Daxocox and the Plaqtiv+ dental range delivered strong double-digit growth. In connection with the sale of STEM Animal Health Inc, the existing Licence and Distribution Agreement was extended to allow Animalcare access to all sales channels in Europe and the UK. Production Animals has performed strongly in the period across a number of key brands while Equine benefited from continuing momentum in Danilon
- **Inorganic growth:** The Group continues to actively explore external opportunities through acquisition, licensing or partnerships. Divestment of Identicare and sale of STEM equity significantly enhances financial flexibility and firepower to execute our M&A strategy
- **New Product Development:** We continue to develop our pipeline of products across novel, generic and life cycle management projects in multiple species. Our novel VHH antibody product development programme is progressing, as well as life cycle management activities with certain key brands, notably the recent addition of two new tablet strengths to the Daxocox range. Studies to expand the licensed indications for Daxocox are ongoing

Outlook

We are encouraged by our overall first half performance and the positive start to the second half. While mindful of the wider macroeconomic backdrop, the Board is confident that full year results will be in line with market expectations¹.

Animalcare's Chief Executive Officer, Jenny Winter, commented: *"I'm delighted to report that we delivered a positive performance for the first six months of 2024 characterised by increased revenues and profits and improved cash conversion. Production Animals and Equine made notable contributions to sales, underlining the importance of these segments of our markets to our overall business while our Plaqtiv+ dental range and Daxocox osteoarthritis treatment returned strong double-digit revenue growth for Companion Animals.*

"The divestment of Identicare and disposal of our minority stake in STEM Animal Health Inc. in the first half have had a transformative effect on our balance sheet yielding cash of £27.7m net of expenses. The resultant positive cash position equips the Group with significantly increased flexibility and firepower as we maintain our pursuit of organic and inorganic investment opportunities to drive sustainable growth in line with our long-term strategy.

"Looking to the rest of 2024, we are confident that the Group's full year results will be in line with market expectations¹."

- ¹ The company compiled analyst consensus expectation for FY24 immediately prior to this announcement is £74.5m for revenue and £11.7m underlying EBITDA. FY23 comparatives, presented on the same basis as in this announcement for the six months ended 30 June 2023, will be made available in the appendix of the analyst presentation.

Analyst briefing/webcast

A briefing for analysts will be held at 11:30 BST on Tuesday 24 September 2024 via Zoom webcast. Analysts wishing to join should use the following link to register and receive access details.

https://stifel.zoom.us/webinar/register/WN_n86yxuwrS7yInoq92PvA0Q

A copy of the analyst presentation is available on the Group website using the link below:

<https://www.animalcaregroup.com/investors/document-library/results-and-presentations/>

Enquiries

Animalcare Group plc

Jenny Winter, Chief Executive Officer
Chris Brewster, Chief Financial Officer
Media/investor relations

+44 (0)1904 487 687

communications@animalcaregroup.com

Stifel Nicolaus Europe Limited

(Nominated Adviser & Joint Broker)
Ben Maddison
Nicholas Harland
Francis North

+44 (0)20 7710 7600

Panmure Liberum

(Joint Broker)
Corporate Finance
Freddy Crossley/Emma Earl
Corporate Broking
Rupert Dearden

+44 (0)20 7886 2500

About Animalcare

Animalcare Group plc is a UK AIM-listed international veterinary sales and marketing organisation. Animalcare operates in seven countries and exports to approximately 40 countries in Europe and worldwide. The Group is focused on bringing new and innovative products to market through its own development pipeline, partnerships and via acquisition. For more information about Animalcare, please visit www.animalcaregroup.com

Chair's Statement

In what is one of my first public duties since assuming responsibility as Chair of the Board, I have the pleasing task of reflecting on a positive operational performance that further underpins our strong financial position over the first six months of 2024.

The financial details of our performance can be found elsewhere in this report. Instead, I will focus my comments on the progress we have made during this period which is contributing to the achievement of our longer-term goals.

Revenue growth is a key performance indicator for the Group so it's particularly encouraging to see a marked increase in sales from our continuing operations in the first half, notably from Production Animals and Equine. That provides a reminder, if needed, of the valuable contribution these segments make to our overall business. Across our Companion Animals markets I'm particularly encouraged to see how well our Plaqtiv+ dental range and Daxocox osteoarthritis treatment are responding to refocused commercial leadership backed by investment in sales and marketing excellence.

Underlying EBITDA improved versus the prior period, supported by expanding gross margins, which benefited from a favourable product mix as the Group continues to focus on larger volume, more profitable brands. Targeted investment in overheads continues, chiefly related to people and marketing.

Achieving growth inorganically is an important pillar of the Group's strategy; investing in external opportunities through acquisition, licensing or partnerships is also key to our future success and we continue to assess promising options on a daily basis. Equally, as we demonstrated in the first half, we are able to unlock value in support of our long-term objectives through targeted disposals.

The divestment of Identicare, an excellent though ultimately non-core business, made compelling sense for Animalcare, while the sale of our minority stake in STEM Animal Health Inc. ("STEM") to Dechra Pharmaceuticals not only augmented our business development firepower, we separately secured an enhanced licensing agreement for valuable anti-biofilm products.

The proceeds of these two transactions, alongside a marked improvement in the rate of underlying cash conversion, have genuinely transformed the Group's balance sheet, providing us with a strong net cash balance. This significantly enhanced financial flexibility and resources allow us to seek out a wider range of value-creating opportunities, whether inorganic or organic, that can help grow our portfolio, extend our geographic reach and partner to develop new treatments. A good example of the latter is our ongoing research collaboration with Orthros Medical focused on novel VHH antibody technology.

With an eye on the outlook for the whole of 2024 we are encouraged by our overall first half trading supported by a continuing focus on strategic priorities. While conscious of the macroeconomic pressures that exist in our markets, the Board is confident that full year results will be in line with market expectations. Against that backdrop, the Board has declared an interim dividend of 2.0 pence per share, as we did for the prior year period.

Finally, I'd like to offer my personal thanks to our shareholders for their continuing support while recognising the contribution of the entire Animalcare team for their hard work and commitment that helped deliver the results we see today.

Ed Torr, Non-Executive Chair

Business and Financial review

Overview of underlying financial results

We are pleased with our first half trading performance; positive progress was achieved on sales growth and cash conversion. At the same time, our balance sheet has been significantly strengthened following the disposals of Identicare and our minority interest in STEM and, with this, our financial firepower to accelerate growth in the future.

A summary of the underlying financial results for the first six months of 2024, which the Directors believe offers a clearer picture of business and trading performance, is shown below. Following the divestment of Identicare announced on 28 February 2024, both the 2024 and 2023 income statements have been presented to show the remaining pharmaceuticals business as continuing operations separately from Identicare, which has been classified as discontinued.

Six months to 30 June	2024	2023	Change at
	£'000	£'000	AER
			%
Revenue	36,915	35,170	5.0%
Gross Profit	20,871	19,684	6.0%
Gross Margin %	56.5%	56.0%	0.5%
Underlying Operating Profit	5,096	5,088	0.2%
Underlying EBITDA	6,627	6,466	2.5%
Underlying EBITDA margin %	18.0%	18.4%	(0.4%)
Basic Underlying Continuing EPS (p)	5.8p	6.1p	(4.9%)

Group pharmaceutical revenues for the period improved to £36.9m, an increase of 5.0% (7.1% at CER) with the key contributors being strong growth in Daxocox and Plaqtiv+ together with double digit growth in our Production Animals and Equine portfolios. Gross margins improved by 50 bps to 56.5% predominantly reflecting sales mix. The 2.5% increase in underlying EBITDA to £6.6m reflects continuing investment in SG&A costs, notably related to our people.

Revenue performance by product category is shown in the table below:

Six months to 30 June	2024 £'000	2023 £'000	Change at AER %
Companion Animals	24,437	24,411	0.1%
Production Animals	8,841	7,736	14.3%
Equine & other	3,637	3,023	20.3%
Total	36,915	35,170	5.0%

Overall, Companion Animals revenue was in line with the prior period at £24.4m. This included strong double-digit growth in Daxocox (+41%) and Plaqtiv+ (+36%) which benefited from the organisational changes made in H2 2023 and associated ongoing focus and investment to drive sales and marketing excellence. This very positive performance has been offset by a combination of sales phasing within our International Partner (export) network, delayed new product launches and some continuing disruption in the supply of certain brands, the effects of which we expect to ease, and revenue growth accelerate, as a result, during the second half.

During the period the existing Licence and Distribution Agreement with STEM, which covers veterinary markets worldwide excluding the Americas, was amended to allow Animalcare access to all channels in Europe and the UK. This means the Group has the opportunity to maximise the value of the dental franchise through both veterinary and retail channels including through e-commerce.

Production Animal revenues increased by 14.3% versus the prior period to £8.8m. This strong performance was driven by growth in certain larger-selling brands, phasing of orders and benefit of a one-off competitor out of stock. As a result, we expect growth to moderate to mid-single digit for the full year. The Group's Production Animal expertise is focused in our Southern Europe markets and we are exploring opportunities to build on this expertise and existing sales footprint to grow this important part of our business.

Equine and other sales increased by 20.3% to £3.6m, benefiting from continuing momentum in Danilon within the UK and growth across other equine products. During the first half and shortly after we received approval for a number of territory expansions for Danilon, including France, with commercial launches expected during 2025.

Underlying EBITDA for the Group improved by 2.5% to £6.6m, with EBITDA margin reducing slightly to 18.0%. Gross margins improved by 50 bps to 56.5% predominantly reflecting sales mix. Carefully implemented pricing action has helped to mitigate input cost inflation in cost of goods. We remain alert and continue to be agile in responding to a dynamic inflationary environment. Underlying overheads, defined as gross profit less underlying EBITDA, increased during the first half to £14.2m (H1 2023: £13.2m), an increase of 7.8% principally driven by people and marketing costs. People costs include the impact of inflationary and salary increases across the Group and investment in additional headcount, notably in commercial, R&D and supply chain roles.

Basic underlying continuing EPS decreased by 4.9% to 5.8 pence (H1 2023: 6.1 pence) chiefly due to an increase in the underlying effective tax rate to 27.0% (H1 2023: 21.5%; FY23: 26.6%) driven primarily by an increase in the UK tax rate to 25% and reduced R&D and innovation relief.

Reported results and non-underlying items

Reported Group profit for the period after accounting for the non-underlying items noted below was £18.8m (H1 2023: £1.6m), with reported basic earnings per share at 31.2 pence (H1 2023: 2.7 pence).

Non-underlying items totalling £15.2m (H1 2023: £2.3m loss) relating to profit after tax have been incurred in the period, as set out in note 3. These principally comprise:

- Gain on disposal of Identicare of £13.7m and profit on sale of our minority interest (33.34%) in STEM of £3.4m. See notes 3 and 5 for further details
- Amortisation and impairment of acquisition-related intangibles of £2.1m (H1 2023: £2.1m) relating to the reverse acquisition of Ecuphar NV and previous acquisitions made by Ecuphar NV.

Dividend

The Board is pleased to declare an interim dividend of 2.0 pence per share, in line with the prior period. The interim dividend will be paid on 15 November 2024 to shareholders whose names are on the Register of Members at close of business on 18 October 2024. The ordinary shares will become ex-dividend on 17 October 2024.

Cash flow and funding position

During the first half of the year, the proceeds from the divestment of Identicare and the sale of our minority stake in STEM, alongside a marked improvement in the rate of underlying cash conversion, have transformed the Group's balance sheet. Net cash balances at 30 June 2024, pre IFRS 16 leases, were £32.9m, significantly enhancing our financial flexibility and resources to accelerate growth. Our capital allocation is closely aligned to our three strategic priorities: investment in organic growth,

carefully selected and value-enhancing acquisitions and increasing the number of novel products in development.

Underlying net cash flow generated by our operations increased to £5.4m (H1 2023: £3.8m) as shown in the table below:

Six months to 30 June	2024 £'000	2023 £'000
Underlying EBITDA - continuing operations	6,627	6,466
Underlying EBITDA - discontinued operations	249	691
Total Underlying EBITDA	6,876	7,157
Change in net working capital	(1,231)	(3,401)
Taxation	(490)	(553)
Non-cash and other adjusting items	397	279
Net cash flow from operations	5,552	3,482
Non-underlying cash items	(169)	277
Underlying net cash flow from operations	5,383	3,759
Underlying cash conversion %	78.3%	52.5%

Net working capital increased by £1.2m during the period, the movement chiefly attributable to a £1.7m increase in inventories as the higher than expected inventory reduction during FY23 normalised in the first half.

We are on track to deliver our targeted cash conversion in the range of 85-90%, the achievement of which will be largely dependent on trading patterns towards the end of the second half and any decisions the Group may take in connection with strategic stock cover to support surety of supply, hence sales, for 2025.

As noted above, our balance sheet and cash position have been significantly strengthened during the period as summarised below:

	£'000
Net debt at 1 January 2024	(1,234)
Net cash flow from operations	5,552
Net capital expenditure	(1,296)
Proceeds from sale of subsidiary and joint venture, net of cash disposed	27,668
Net finance income	261
Exercise of share options	53
Other movements	(786)
Foreign exchange on cash and borrowings	(242)
Movement in IFRS 16 lease liabilities	524
Net cash at 30 June 2024	30,500
<i>Comprising:</i>	
Net cash at bank	32,919
IFRS 16 lease liability	(2,419)

Net capital expenditure of £1.3m was in line with the prior period and largely comprised investment in our product development pipeline of £0.8m and £0.4m in IT infrastructure.

We continue to invest in new product development to strengthen our pipeline through a balance of early and later-stage opportunities. Our development pipeline is spread across novel, generic and lifecycle management projects in multiple species. Continued progress has been made with our novel VHH antibody products in collaboration with Orthros Medical. Lifecycle management activities of our key brands are ongoing. We have recently added two new tablet strengths to the Daxocox range as well as submitting regulatory filings to extend the geographic reach into new territories.

As at 31 December 2023 and 30 June 2024, the Group had total facilities of €51.5m, which are due to expire on 31 March 2025, comprising a committed revolving credit facility (RCF) of €41.5m and a €10.0m acquisition line. Post period end, we have increased our existing RCF from €41.5m to €44.0m with an extension of the maturity date to 31 March 2029. The acquisition line has been fully repaid and not extended given the significant cash on balance sheet.

The Group's facilities are, and will remain subject to, the following covenants which are in operation at all times:

- Net debt to underlying EBITDA ratio of 3.5 times;
- Underlying EBITDA to interest ratio of minimum 4 times; and
- Solvency (total assets less goodwill/total equity less goodwill) greater than 25%.

Throughout the period, all covenant requirements were met with significant headroom across all three measures.

Net cash as at 30 June 2024, pre IFRS 16 leases, was £32.9m with the RCF unutilised. Including the net cash balance, total headroom on the Group's facilities (excluding the undrawn acquisition line) was approximately £70.0m at the date of the statement of financial position.

Summary and outlook

Encouraged by the strong performance of our operations over the period and a positive start to trading in the second half, we anticipate a continuation of sales growth for the full year in line with market expectations featuring an accelerated top line contribution from our Companion Animals segment.

Looking further ahead, and while watchful of the macroeconomic pressures that affect our markets, we remain confident in the attractive fundamentals of the animal health sector as we pursue value-enhancing opportunities to invest in our growth strategy, backed by a stronger than ever balance sheet transformed by the divestment of Identicare and the sale of our minority stake in STEM.

Jenny Winter
Chief Executive Officer

Chris Brewster
Chief Financial Officer

Condensed consolidated income statement

(unaudited)

		For the six months ended 30 June					
Notes	Underlying	Non-Underlying		Underlying	Non-Underlying		
		(note 3)	Total		(note 3)	Total	
		2024	2024	2024	2023	2023	2023
		£'000	£'000	£'000	£'000	£'000	£'000
Revenue	4	36,915	-	36,915	35,170	-	35,170
Cost of sales		(16,044)	-	(16,044)	(15,486)	-	(15,486)
Gross profit		20,871	-	20,871	19,684	-	19,684
Research and development expenses		(1,197)	(320)	(1,517)	(1,099)	(304)	(1,403)
Selling and marketing expenses		(6,240)	-	(6,240)	(6,314)	-	(6,314)
General and administrative expenses		(8,356)	(1,760)	(10,116)	(7,181)	(1,769)	(8,950)
Net other operating income / (expenses)		18	3,290	3,308	(2)	(242)	(244)
Operating profit/(loss)		5,096	1,210	6,306	5,088	(2,315)	2,773
Finance expenses		(1,051)	-	(1,051)	(648)	-	(648)
Finance income		737	-	737	379	-	379
Finance cost net		(314)	-	(314)	(269)	-	(269)
Share of net profit/(loss) of joint venture accounted for using the equity method		31	-	31	(107)	-	(107)
Profit/(loss) before tax		4,813	1,210	6,023	4,712	(2,315)	2,397
Income tax (expense)/income		(1,301)	379	(922)	(1,056)	333	(723)
Net profit/(loss) for the period from continuing operations		3,512	1,589	5,101	3,656	(1,982)	1,674

Profit/(loss) for the period from discontinued operations	5	48	13,629	13,677	239	(307)	(68)
Profit/(loss) for the period		3,560	15,218	18,778	3,895	(2,289)	1,606

Earnings per share for profit attributable to the ordinary equity holders of the company:

Total profit for the period

Basic earnings per share	6	5.9p	31.2p	6.5p	2.7p
Diluted earnings per share	6	5.9p	31.0p	6.4p	2.6p

Continuing underlying profit for the period

Basic earnings per share	6	5.8p	8.5p	6.1p	2.8p
Diluted earnings per share	6	5.8p	8.4p	6.0p	2.8p

In order to aid understanding of underlying business performance, the Directors have presented underlying results before the effect of exceptional and other items. These exceptional and other items are categorised as 'non-underlying' and are analysed in note 3.

Condensed consolidated statement of comprehensive income

(unaudited)	For the six months ended 30 June	
	2024 £'000	2023 £'000
Net profit for the period	18,778	1,606
Other comprehensive expense		
Exchange differences on translation of foreign operations *	(276)	(429)
Other comprehensive expense, net of tax	(276)	(429)
Total comprehensive income for the period, net of tax	18,502	1,177

Total comprehensive income attributable to:

The owners of the parent	<u>18,502</u>	<u>1,177</u>
Total continuing other comprehensive income for the period, net of tax	4,825	1,245
Total discontinued other comprehensive income/(expense) for the period, net of tax	<u>13,677</u>	<u>(68)</u>
	<u>18,502</u>	<u>1,177</u>

* May be reclassified subsequently to profit & loss

Condensed consolidated statement of financial position

	At 30 June <u>(unaudited)</u>	At 30 June <u>(unaudited)</u>	At 31 December
	<u>2024</u>	<u>2023</u>	<u>2023</u>
	£'000	£'000	£'000
Assets			
Non-current assets			
Goodwill	39,550	50,537	50,656
Intangible assets	18,072	22,384	20,584
Property, plant and equipment	227	747	403
Right-of-use-assets	2,311	2,989	2,819
Investments in joint ventures	–	1,158	1,119
Deferred tax assets	1,693	2,389	1,726
Other financial assets	68	69	70
Total non-current assets	<u>61,921</u>	<u>80,273</u>	<u>77,377</u>
Current assets			
Inventories	11,241	11,579	10,062
Trade receivables	12,628	13,857	13,294
Other current assets	2,788	1,468	1,417
Cash and cash equivalents	34,823	6,609	4,642
Total current assets	<u>61,480</u>	<u>33,513</u>	<u>29,415</u>
Total assets	<u>123,401</u>	<u>113,786</u>	<u>106,792</u>
Liabilities			

Current liabilities

Lease liabilities	(884)	(856)	(914)
Trade payables	(11,734)	(12,265)	(10,808)
Current tax liabilities	(644)	(1,018)	(125)
Accrued charges and contract liabilities	(321)	(1,339)	(1,159)
Other current liabilities	(5,246)	(3,567)	(5,412)
Total current liabilities	(18,829)	(19,045)	(18,418)

Non-current liabilities

Borrowings	(1,904)	(8,138)	(2,933)
Lease liabilities	(1,535)	(2,231)	(2,029)
Deferred tax liabilities	(3,604)	(3,516)	(4,015)
Contract liabilities	-	-	(293)
Provisions	(140)	(326)	(160)
Other non-current liabilities	-	-	(1,049)
Total non-current liabilities	(7,183)	(14,211)	(10,479)

Total liabilities

(26,012) (33,256) (28,897)

Net assets

97,389 80,530 77,895

Equity

Share capital	12,075	12,019	12,022
Share premium	132,798	132,798	132,798
Reverse acquisition reserve	(56,762)	(56,762)	(56,762)
Accumulated profits/(losses)	6,936	(10,004)	(12,781)
Other reserves	2,342	2,479	2,618
Equity attributable to the owners of the parent	97,389	80,530	77,895
Total equity	97,389	80,530	77,895

Condensed consolidated statement of changes in equity

Unaudited

Notes	Attributable to the owners of the parents					
	Share capital	Share premium	Accumulated (losses)/ profits	Reverse acquisition reserve	Other reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2024	12,022	132,798	(12,781)	(56,762)	2,618	77,895
Net profit	-	-	18,778	-	-	18,778
Other comprehensive expense	-	-	-	-	(276)	(276)
Total comprehensive income	-	-	18,778	-	(276)	18,502
Exercise of share options	53	-	-	-	-	53
Share based payments	-	-	939	-	-	939
At 30 June 2024	12,075	132,798	6,936	(56,762)	2,342	97,389

	Attributable to the owners of the parents					
	Share capital	Share premium	Accumulated (losses)/ profits	Reverse acquisition reserve	Other reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2023	12,019	132,798	(11,977)	(56,762)	2,908	78,986
Net profit	-	-	1,606	-	-	1,606
Other comprehensive expense	-	-	-	-	(429)	(429)
Total comprehensive income	-	-	1,606	-	(429)	1,177
Share based payments	-	-	367	-	-	367
At 30 June 2023	12,019	132,798	(10,004)	(56,762)	2,479	80,530

Reverse acquisition reserve

Reverse acquisition reserve represents the reserve that has been created upon the reverse acquisition of Animalcare Group plc.

Other reserve

Other reserve principally relates to currency translation differences. These exchange differences arise on the translation of subsidiaries with a functional currency other than sterling.

Condensed consolidated cash flow statements

Unaudited

	For the six months ended 30 June	
	2024	2023
	£'000	£'000
Operating activities		
Profit before tax from continuing operations	6,023	2,397
Profit/(loss) before tax from discontinued operations	5 13,685	(16)
Profit before tax	19,708	2,381
<i>Non-cash and operational adjustments:</i>		
Share in net result of joint venture	(31)	107
Depreciation of property, plant and equipment	564	541
Amortisation of intangible assets	3,207	3,210
Share-based payment expense	410	558
Non-cash movement in provisions	11	(8)
Gain on sale of discontinued operation, net of tax	5 (13,723)	–
Movement in allowance for bad debt and inventories	155	339
Finance income	(744)	(235)
Finance expense	484	654
Impact of foreign currencies	605	(88)
Gain from sale of joint venture and release of associated liabilities, net of tax	3 (3,375)	–
Other	2	(23)
Movements in working capital		
Increase in trade receivables	(284)	(1,003)
(Increase)/decrease in inventories	(1,723)	1,212
Decrease/(increase) in payables	776	(3,610)
Income tax paid	(490)	(553)
Net cash flow from operating activities	5,552	3,482

Investing activities

Purchase of property, plant and equipment	(58)	(225)
Purchase of intangible assets	(1,238)	(1,090)
Proceeds from the sale of property, plant and equipment (net)	-	11
Proceeds from the sale of joint venture	3 3,780	-
Loans given	(300)	-
Proceeds from sale of subsidiary, net of cash disposed	5 23,888	-

Net cash flow used in investing activities

26,072 (1,304)

Financing activities

Repayment of loans and borrowings	(958)	(863)
Repayment IFRS 16 lease liability	(486)	(477)
Exercise of share options	53	-
Interest paid	(235)	(297)
Other finance income/(expense)	496	(123)

Net cash flow used in financing activities

(1,130) (1,760)

Net increase in cash and cash equivalents

30,494 418

Cash and cash equivalents at beginning of period	4,642	6,035
Exchange rate differences on cash and cash equivalents	(313)	156
Cash and cash equivalents at end of period	<u>34,823</u>	<u>6,609</u>

Reconciliation of net cash flow to movement in net funds/(debt)

Net increase in cash and cash equivalents in the period	30,494	418
Cash flow from decrease in debt financing	958	863
Foreign exchange differences on cash and borrowings	(242)	416

Movement in net funds/(debt) in the period

31,210 1,697

Net funds/(debt) at the start of the period	(1,234)	(5,402)
Movement in lease liabilities during the period	524	(76)

Net funds/(debt) at the end of the period

30,500 (3,781)

Notes to the consolidated interim report

Animalcare Group plc ("the Company") is a public company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is domiciled in the United Kingdom. The address of its registered office is Moorside, Monks Cross, York, YO32 9LB. The condensed set of financial statements as at, and for, the six months ended 30 June 2024 comprises the Company and its subsidiaries (together referred to as the "Group"). The nature of the Group's operations and its principal activities are set out in the latest Annual Report.

2 Basis of preparation and material accounting policies

This interim financial information for each of the six month periods ended 30 June 2024 and 30 June 2023 has not been audited nor reviewed and does not constitute statutory accounts as defined in Section 434s of the Companies Act 2006. The comparative information for the year ended 31 December 2023 does not constitute statutory accounts however is based on the statutory accounts for that year, on which the Group's former auditor, PricewaterhouseCoopers LLP, issued an unqualified report and which have been filed with the Register of Companies.

As presented in note 5, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the income statement and related notes have been presented to show the disposed Identicare Limited subsidiary as discontinued and the remaining pharmaceuticals business as continuing. Comparative information has been represented to align with this format. In assessing the value of the net assets disposed, the Group was required to allocate a portion of goodwill to the Identicare Limited business. Goodwill allocated to the pharmaceuticals cash-generating unit ("CGU"), of which Identicare Limited formed a part, includes goodwill recognised as a result of past business combinations. In assessing the portion of this goodwill that should be disposed as part of the sale of the Identicare business, the transaction value was taken as a percentage of the total Group's market capitalisation at the point of disposal.

The consolidated financial statements are presented in thousands of pound sterling (£k or thousands of £) and all "currency" values are rounded to the nearest thousand (£000), except when otherwise indicated.

The Interim Report for the six months ended 30 June 2024 was approved by the Board of Directors and authorised for issue on 24 September 2024.

The condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared using UK adopted international accounting standards and accounting policies consistent with those of the Company's annual accounts for the year ended 31 December 2023.

The accounts have been prepared on a going concern basis, the justification for which is set out in the Going Concern section below.

New standards, interpretations and amendments adopted by the Group

The following new Standards, Interpretations and Amendments issued by the IASB and the IFRIC as adopted by the European Union are effective for the financial period:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as current or non-current
- Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures': Supplier Finance Arrangements
- Amendments to IFRS 16 'Leases': Lease Liability in a Sale and Leaseback

The adoption of these new standards and amendments has not led to major changes in the Group's accounting policies.

New and revised standards not yet adopted

The Group elected not to early adopt the following new Standards, Interpretations and Amendments, which have been issued by the IASB and the IFRIC but are not yet effective as of June 30, 2024, and/or not yet adopted by the European Union as of June 30, 2024. Standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability' (effective 1 January 2025).
- Amendments to IFRS 9 and to IFRS 7: the Classification and Measurement of Financial Instruments (effective on 1 January 2026).
- IFRS 18 Presentation and Disclosure in Financial Statements (effective on 1 January 2027).
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective on 1 January 2027).

Going Concern

Banking Facilities and Covenants

As at 30 June 2024, the Group had total facilities of €51.5m, due to expire 31 March 2025, provided by a syndicate of four banks, comprising a committed revolving credit facility (RCF) of €41.5m and a €10.0m acquisition line, the latter of which cannot be utilised to fund operations. The loans have a variable, Euribor-based interest rate, with a margin of 1.50% (RCF) or 1.75% (acquisition line). The revolving credit facilities and the acquisition financing had a bullet maturity in March 2025.

As from September 2024 we have increased our existing RCF from €41.5m to €44.0m with an extension of the maturity date to 31 March 2029. The acquisition line, which was drawn down by €2.3m as at 30 June 2024, has been settled. The covenant requirements in the RCF remain unchanged from the current RCF agreement, details of which are provided below. The Group manages its banking arrangements centrally through cross-currency cash pooling. Funds are swept daily from its various bank accounts into central bank accounts to optimise the Group's net interest payable position.

The facilities remain subject to the following covenants which are in operation at all times:

- Net debt to underlying EBITDA ratio of 3.5 times;
- Underlying EBITDA to interest ratio of minimum 4 times; and
- Solvency (total assets less goodwill/total equity less goodwill) greater than 25%.

Net cash as at 30 June 2024, pre IFRS 16 leases, was £32.9m with the RCF unutilised. Including the net cash balance, total headroom on the Group's facilities (excluding the undrawn acquisition line) was approximately £70.0m at the date of the statement of financial position. As at 30 June 2024 and throughout the financial period, all covenant requirements were met with significant headroom across all three measures.

3 Non-underlying items

	For the six months ended 30 June	
	2024	2023
	£'000	£'000
Amortisation and impairment of acquisition related intangibles		
Classified within Research and development expenses	320	304
Classified within General and administrative expenses	1,760	1,769
Classified within Net other operating expenses	-	11
Total amortisation and impairment of acquisition related intangibles	2,080	2,084
Acquisition and integration costs	43	34
Divestments and business disposals	21	11
Gain on sale of joint venture and release of associated liabilities	(3,375)	-
Other non-underlying items	21	186

	For the six months ended 30 June	
	(3,290)	231
Total non-underlying items before taxes from continuing operations	(1,210)	2,315
Tax impact	(379)	(333)
Total non-underlying items after taxes from continuing operations	(1,589)	1,982
Other non-underlying items from discontinued operations (note 5)	94	307
Gain on disposal of discontinued operation, net of tax (note 5)	(13,723)	–
Total non-underlying items after taxes	(15,218)	2,289

The amortisation and impairment of acquisition-related intangibles charge totalling £2,080k (2023: £2,084k) largely relates to the historic Esteve acquisition of £565k (2023: £577k) and the reverse acquisition of Animalcare Group plc of £1,515k (2022: £1,497k).

On 12 April 2024 the Group sold its minority interest (33.34%) in STEM Animal Health Inc. for a cash payment of US\$4.7m (£3,780k). In total, a gain of £3,375k was realised resulting from two distinct agreements. The sale of the Group's equity holding generated a profit on disposal of £2,654k. In addition, the Group's requirement to pay a capital contribution of CAD\$0.5m (£289k) in September 2024 was terminated. As part of a separate agreement, future milestone commitments totalling CAD\$748k (£432k) were renounced.

On 28 February 2024 the Group disposed of its subsidiary Identicare Ltd, resulting in a gain on disposal of £13,723k (note 5).

Other non-underlying items from discontinued operations primarily relates to share-based payment arrangements in respect of growth shares in the disposed subsidiary (net of tax). The fair value of this long-term incentive plan was connected to the future value of the subsidiary and not trading; hence it has been treated as non-underlying since inception on 1 January 2022.

4 Segment information - from continuing operations

The Pharmaceutical segment is active in the development and marketing of innovative pharmaceutical products that provide significant benefits to animal health.

The measurement principles used by the Group in preparing this segment reporting are also the basis for segment performance assessment. The Board of Directors of the Group acts as the Chief

Operating Decision Maker. As a performance indicator, the Chief Operating Decision Maker controls performance by the Group's revenue, gross margin, Underlying EBITDA and EBITDA. EBITDA is defined by the Group as net profit plus finance expenses, less financial income, plus income taxes and deferred taxes, plus depreciation, amortisation and impairment and is an alternative performance measure. Underlying EBITDA equals EBITDA plus non-underlying items and is an alternative performance measure. EBITDA and underlying EBITDA are reconciled to statutory measures below.

The following table summarises the segment reporting from continuing operations for 2024 and 2023. As management's controlling instrument is principally revenue and profit-based, the reporting information does not include assets and liabilities by segment and is as such not presented per segment.

	For the six months ended 30 June	
	2024	2023
	Pharma £'000	Pharma £'000
From continuing operations		
Revenues	36,915	35,170
Gross Margin	20,871	19,684
Gross Margin %	56.5%	56.0%
Segment underlying EBITDA	6,627	6,466
Segment underlying EBITDA %	18.0%	18.4%
Segment EBITDA	9,916	6,235
Segment EBITDA %	26.9%	17.7%

The segment EBITDA is reconciled with the consolidated net profit of the year as follows:

	For the six months ended 30 June	
	2024	2023
	£'000	£'000
From continuing operations		
Segment EBITDA	9,916	6,235
Depreciation, amortisation and impairment	(3,610)	(3,462)

Operating profit	6,306	2,773
Finance expenses	(1,051)	(648)
Finance income	737	379
Share in net result of joint ventures	31	(107)
Income taxes	(1,277)	(826)
Deferred taxes	355	103
Net profit	5,101	1,674

Revenue by product category:

	For the six months ended 30 June	
	2024	2023
	£'000	£'000
Companion Animals	24,437	24,411
Production Animals	8,841	7,736
Equine and Other	3,637	3,023
Total	36,915	35,170

Revenue by geographical area:

	For the six months ended 30 June	
	2024	2023
	£'000	£'000
Belgium	1,606	1,505
The Netherlands	1,140	938
United Kingdom	6,703	6,113
Germany	5,009	4,731
Spain	10,952	11,846
Italy	5,198	4,409

Portugal	1,998	1,784
European Union - other	4,002	3,543
Asia	232	268
Other	75	33
Total	36,915	35,170

Continuing revenue relates to product sales and is recognised when the performance obligation is satisfied at a point in time.

5 Discontinued operations

On 28 February 2024, the Group sold its entire interest in its majority stake in its subsidiary Identicare Ltd. Identicare Ltd was not previously classified as held-for sale or as discontinued operation based on the investment not meeting the requirements of IFRS 5 as at 31 December 2023. The comparative condensed consolidated income statement and statement of other comprehensive income have been represented to show the discontinued operation separately from continuing operations.

The Group recognised a gain in relation to the sale of £13,723k. This is based on the total consideration (net of associated costs) of £24,228k and a net asset value of £10,505k.

In accordance with IFRS 5, the income statement for the 6 months ended 30 June 2024 and 30 June 2023 have been restated to show continuing operations separately from discontinued operations. Restatements have been performed in relation to transactions between Identicare Ltd and the other entities.

	For the six months ended 30 June					
	Underlying	Non- Underlying (note 3)	Total	Underlying	Non- Underlying (note 3)	Total
	2024	2024	2024	2023	2023	2023
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	610	-	610	1,542	-	1,542
Cost of sales	(91)	-	(91)	(119)	-	(119)
Gross profit	519	-	519	1,423	-	1,423

Research and development expenses	-	-	-	-	-	-
Selling and marketing expenses	(66)	-	(66)	(156)	-	(156)
General and administrative expenses	(365)	-	(365)	(876)	-	(876)
Net other operating expenses	-	(94)	(94)	-	(344)	(344)
Operating profit/(loss)	88	(94)	(6)	391	(344)	47
Finance expenses	(35)	-	(35)	(63)	-	(63)
Finance income	3	-	3	-	-	-
Finance costs net	(32)	-	(32)	(63)	-	(63)
Profit/(loss) before tax	56	(94)	(38)	328	(344)	(16)
Income tax expense	(8)	-	(8)	(89)	37	(52)
Gain on sale of discontinued operations	-	13,723	13,723	-	-	-
Net profit/(loss) for the period from discontinued operations	48	13,629	13,677	239	(307)	(68)
Net profit/(loss) attributable to:						
The owners of the parent	48	13,629	13,677	239	(307)	(68)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company:						
Basic earnings per share	0.1p		22.7p	0.4p		-0.1p
Diluted earnings per share	0.1p		22.6p	0.4p		-0.1p

There are no discontinued gains and losses in the current or prior period other than those presented in the income statement.

The net cash flow by discontinued operations can be found below:

	For the six months ended 30 June	
	2024	2023
	£'000	£'000
Operating	432	461
Investing	24,364	(256)
Financing	(59)	(205)
Net increase in cash generated by the discontinued operations	24,737	-

The major classes of assets and liabilities of Identicare Ltd. at the disposal date can be found below:

	28 February
	2024
	£'000
Consideration received in cash	24,862
Associated transaction costs	(634)
Net proceeds	24,228
Net book value of assets disposed of:	
Goodwill	(10,855)
Intangible assets	(390)
Property, plant and equipment	(72)
Right-of-use assets	(361)
Inventories	(144)
Trade receivables	(342)
Other receivables	(20)
Cash and cash equivalents	(340)
Provisions	7
Deferred tax liabilities	10
Lease liabilities	297
Trade payables	197

Current tax liabilities	232
Other payables	(5)
Accrued charges and contract liabilities	<u>1,281</u>
Net assets disposed of	<u>(10,505)</u>
Profit on disposal	<u>13,723</u>

Net cash inflow arising on disposal:

Consideration received in cash	24,862
Associated transaction costs	(634)
Cash and cash equivalents disposed of	<u>(340)</u>
Net cash inflow	<u>23,888</u>

Goodwill allocated to the pharmaceuticals cash-generating unit ("CGU"), of which Identicare Limited formed a part, includes goodwill recognised as a result of past business combinations. In assessing the portion of this goodwill that should be disposed as part of the sale of the Identicare business, the transaction value was taken as a percentage of the total Group's market capitalisation at the point of disposal.

Within the consolidated statement of changes in equity, a net credit of £860k is recognised within the £939k share based payments movement in the accumulated profits reserve. This relates to the crystallisation of the fair value of the long term incentive plan ("LTIP") scheme as a result of the disposal of Identicare Limited. £802k of the £860k represents the release of the previous cash settled liability held within the statement of financial position. The remainder is taken as a credit to non-operating income in the non-underlying, discontinued profit or loss. The ownership of the shares required ongoing employment and carried value to the holder on either the sale of Identicare, or after five years the holder could obligate the Group to repurchase the shares at market value via a put option. The Group could also obligate the holder to sell the shares to the Group at market value via a call option. The shares carried preferential rights to return upon the sale of Identicare with an increasing ratchet depending on the equity value of Identicare.

In line with IFRS 2 Share Based Payments, the accounting immediately prior to the disposal was updated to reflect the position that the revised form of settlement had always been expected.

6 Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holder of the parent company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all potential dilutive ordinary shares.

The following income and share data were used in the earnings per share computations:

	For the six months ended 30 June			
	Underlying	Underlying	Total	Total
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Net profit	3,560	3,895	18,778	1,606
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	3,560	3,895	18,778	1,606

Net continuing profit	3,512	3,656	5,101	1,674
Net continuing profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	3,512	3,656	5,101	1,674

Average number of shares (basic and diluted):

	For the six months ended 30 June			
	Underlying	Underlying	Total	Total
	2024	2023	2024	2023
	Number	Number	Number	Number
Weighted average number of ordinary shares for basic earnings per share	60,204,118	60,237,694	60,204,118	60,237,694
Dilutive potential ordinary shares	360,005	569,632	360,005	569,632
Weighted average number of ordinary shares adjusted for effect of dilution	60,564,123	60,807,326	60,564,123	60,807,326

Basic earnings per share:

For the six months ended 30 June			
Underlying	Underlying	Total	Total

	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	Pence	Pence	Pence	Pence
From total operations attributable to the ordinary equity holders of the company	5.9	6.5	31.2	2.7
Total basic earnings per share attributable to the ordinary equity holders of the company	5.9	6.5	31.2	2.7
From continuing operations attributable to the ordinary equity holders of the company	5.8	6.1	8.5	2.8
Total continuing basic earnings per share attributable to the ordinary equity holders of the company	5.8	6.1	8.5	2.8

Diluted earnings per share:

	<u>For the six months ended 30 June</u>			
	<u>Underlying</u>	<u>Underlying</u>	<u>Total</u>	<u>Total</u>
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	Pence	Pence	Pence	Pence
From total operations attributable to the ordinary equity holders of the company	5.9	6.4	31.0	2.6
Total diluted earnings per share attributable to the ordinary equity holders of the company	5.9	6.4	31.0	2.6
From continuing operations attributable to the ordinary equity holders of the company	5.8	6.0	8.4	2.8
Total continuing diluted earnings per share attributable to the ordinary equity holders of the company	5.8	6.0	8.4	2.8

Earnings per share for discontinued operations are presented in note 5.

7 Dividends

The final dividend for the year ended 31 December 2023 of 3.0 pence per share was paid to shareholders on 19 July 2024.

The directors have declared an interim dividend of 2.0 pence per share. The interim dividend will be paid on 15 November 2024 to shareholders whose names are on the Register of Members at close of business on 18 October 2024. The ordinary shares will become ex-dividend on 17 October 2024.

As the dividend was declared after the end of the period being reported, it has not been included as a liability as at 30 June 2024 in accordance with IAS 10 'Events after the Balance Sheet date'.

8 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, are eliminated in the Consolidated Financial Statements and no information is provided thereon in this section. The Group carried an investment in a joint venture (STEM Animal Health Inc.) which was accounted for using the equity method up to 12 April 2024 when the interest in the joint venture was sold. In addition, a separate agreement regarding future milestone payments was reached. As a result of these two agreements, the Group realised a gain of £3,375k comprising profit on disposal of the equity of £2,654k and a release of license and capital contribution liabilities of £721k (for further details see note 3). This gain is included in Net other operating income / (expenses).

9 Events after the reporting period

There are no events after the reporting period further to those described in note 7 and the refinance described in note 2.

10 Cautionary statement

This Interim Management Report ("IMR") consists of the Chairman's Statement and the Business and Financial Review, which have been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied upon by any other party or for any other purpose.

The IMR contains a number of forward-looking statements. These statements are made by the Directors in good faith based upon the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information.

This IMR has been prepared for the Group as a whole and therefore emphasises those matters which are significant to Animalcare Group plc and its subsidiaries when viewed as a whole.

11 Interim report

The Group's Interim Report for the six months ended 30 June 2024 was approved and authorised for issue on 24 September 2024. Copies will be available to download on the Company's website at: www.animalcaregroup.com.

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