

# AiM IHT Service Company Spotlight

## Animalcare Group Plc

<b>Share price</b> <sup>1</sup>	253p
<b>Mkt. Cap</b> <sup>1</sup>	£174.5m
<b>Net debt</b> <sup>2</sup>	£10.4m
<b>Forecast P/E ratio</b> <sup>1</sup>	17.2x

<sup>1</sup> Data as at 19 May 2025.

<sup>2</sup> Data as at 31 December 2024. Excludes lease liabilities.

### Tightening the reins

Animalcare Group Plc ('Animalcare' or 'Group') is a UK-based business dedicated to developing and supplying pharmaceutical products and services to support the veterinary profession. Founded in 1988, the company became Animalcare in 2008 following its acquisition by Ritchey Plc through a reverse takeover.

In 2017, the Group underwent a significant transformation through a merger with Ecuphar, a much larger Belgian-based business. This merger effectively placed Ecuphar in control, leading to a rebranding under the Animalcare name. On one hand, this merger provided immediate scale and access to a broader range of markets across Europe, leveraging Ecuphar's extensive supply chain, on the other, the merger also introduced significant complexities and a weakened balance sheet. The business became burdened with too many marginal products, a number of which were unprofitable. Additionally, there was a clear lack strategy and focal point for in-house product development, delaying the cycle of bringing new products to market.

Enter Jennifer Winter, who assumed the role of CEO in 2018, bringing extensive experience from senior positions at AstraZeneca and GlaxoSmithKline. Upon joining, she quickly identified the aforementioned issues and began to streamline the business. Over the last 7 years, the number of brands has reduced from 350 to 150, focusing keenly on specific profitable therapeutic areas such as: odontology (ear care), odontology (dental), dermatology (skin), surgery/anaesthesia, and otology (ear care). More recently, disposals of both Identicare (pet chipping identification) and a minority JV stake in a US business, both at attractive valuations, provided them with a war chest of £32.9m for organic and inorganic investment.

The restructured Group is now much simplified, with services offered to three core animal groups: Companion Animals (dogs, cats, etc.), Production Animals (cows, pigs, etc.), and Equine (horses). Companion and Production Animals comprise c.58% and 20% of Group sales respectively, with Equine at 22%. Headquartered in York, the Group has a direct presence in seven European markets, the Australian market, and uses distribution partners to sell in an additional twenty-five countries.

Diversified revenue base with top **40** brands contributing to **79%** of total group sales.

Recent acquisition (Randlab) scales business and opens up the Australian/Asian Pacific ('APAC') market.

Equine is high margin and forecast to grown at an **8% CAGR**<sup>1</sup> over the next **5** years, vs. Companion Animals' forecast **4% CAGR**<sup>2</sup>.

**£100m** annual revenue target within the next **3** years from **£74.2m**, as at 31 December 2024.

**£20m+** firepower for continued acquisitions.



Source: Company

## Thoroughbred acquisition

With the operating business stabilised, the Group transitioned to a buy-and-build strategy in 2024, leveraging their cash reserves to gain necessary greater scale. This was spearheaded by the £62.2m acquisition of Randlab in December 2024, an Australian-based pharmaceutical provider primarily serving the equine market. Equine is a relatively underserved and overlooked segment of the market, despite its relatively attractive growth and margin profile. This acquisition is crucial for scaling the business towards their £100m revenue target, which should help to reduce revenue volatility, improve profit margins, and drive stronger cashflows. Animalcare’s 22% Equine exposure is significantly higher than larger competitors who typically have de minimis exposure. The deal provides potential for each brand to cross-sell each other’s products into their respective markets, and, longer-term, provides a base in the APAC region to develop a complementary Companion Animal business. This will likely start with a further acquisition.

## Final results (year to 31 December 2024)

Robust results showed revenue growth of 4.9% (7.2% adjusted for currency), cash conversion increasing from 86% to 103%, and adjusted diluted earnings per share rising by 6.9%. These figures do not yet reflect the Randlab acquisition, which is expected to enhance all metrics due to Randlab's stronger operating margin profile, triple that of Animalcare.



Source: Company

### Randlab: Attractive, complementary business

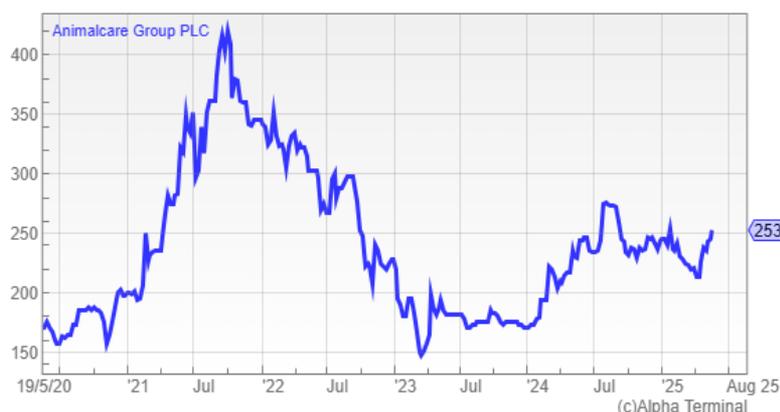


Source: Company

## Looking ahead

Animalcare plans to grow through a combination of new products and acquisitions. Product development spending is set to increase from approximately 2-3% of revenue to 5% in the near-term, with scope to increase to 10% as they scale. The Group has identified 17 acquisition opportunities, with ten at an advanced stage. We anticipate more accretive M&A activity in the next 18 months.

## Share price graph



Source: Alpha Terminal

### Important Information

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