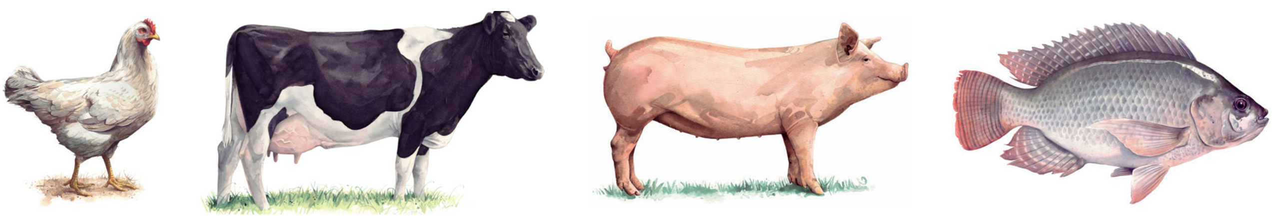
Nature's Answer

Anpario plc
Interim Report 2017



19 September 2017

Anpario plc (AIM: ANP)

Anpario plc, the international producer and distributor of natural animal feed additives for animal health, nutrition and biosecurity is pleased to announce its interim results for the six months to 30 June 2017.

Financial and operational highlights

Financial highlights

- 39% increase in revenue to £14.8m (2016: £10.7m)
- 42% rise in gross profits to £7.3m (2016: £5.1m)
- 31% improvement in adjusted ebitda[1] to £2.6m (2016: £2.0)
- 22% enhancement in adjusted earnings per share to 9.1p (2016: 7.5p)
- Introduction of interim dividend of 2.0p per share (2016: nil)
- Cash balances of £12.6m at 30 June 2017 (31 December 2016: £11.1m)

Operational highlights

- Sales growth achieved reflects strong performances in Asia, the Americas and Middle East
- Implementation of our strategy starting to deliver planned benefits
- Anpario global branding raising the international profile of the company
- New subsidiaries set-up in Thailand and Indonesia
- Acquisition of Australian distributor completed in February 2017 and integration progressing well

Peter Lawrence, Chairman, commented:

"We are delighted by the first half performance driven by the implementation of our strategy to build strong commercial relationships with end users. The second half of the year has started well. Our strong balance sheet and positive cash generation give Anpario a sound platform from which to make selective earnings enhancing acquisitions and to further invest in recruitment and infrastructure to accelerate the profitable growth of the business".

1. Adjusted EBITDA represents operating profit £1.860m (2016: £1.480m) adjusted for: share based payments £0.161m (2016: £0.047m); depreciation, amortisation and impairment charges of £0.347m (2016: £0.254m) and closure and restructuring costs £0.269m (2016: £0.235m).

Chairman's statement

In my first statement as Chairman, I would like to thank my predecessor, Richard Rose, for his 12 years of service to Anpario and his leadership and guidance of the Board, during which time significant shareholder value has been created.

Anpario has delivered an excellent performance for the six months to 30 June 2017. The Board is pleased to declare a maiden interim dividend of 2.0p per ordinary share payable on 1 December 2017 to shareholders on the register at close of business on 17 November 2017. The introduction of an interim dividend reflects the Board's confidence in the growth prospects of the Company.

These results reflect the enhanced focus on the implementation of our strategy. The recruitment of regional commercial teams and the decision to rebrand under the Anpario name have raised the company's international profile. These factors, along with improved product technology and service capabilities, have been of great benefit to end user customers.

The transformation of our sales and distribution channels is still in its early stages, but getting closer to our production customers and working with key partner distributors has clearly helped to drive sales growth during the period. Distribution has been further extended during the period through the acquisition of Cobbett, our Australian distributor, and the formation of subsidiaries in Thailand and Indonesia.

Financial review

Revenue in the first half of the year increased by 39% to £14.8m (2016: £10.7m). Gross profit advanced by over 42% to £7.3m (2016: £5.1m). Increased volumes and a higher proportion of end customer sales have enabled us to maintain our overall gross margins and helped offset some raw material price inflation.

Administrative expenses in the period rose 51% to £5.1m (2016: £3.4m). Foreign exchange losses, included in administrative expenses, were £0.4m in the period compared to gains of £0.3m in 2016. As such, the underlying increase in administrative expenses was £1.0m, the majority of which relates to investment in new appointments and the associated costs. This increase is a result of internal restructuring and the set-up of new operations. This process is still underway and is expected to continue through 2017, as evidenced by some further exceptional items of £0.3m (2016: £0.2m). This investment is already contributing to the increase in revenue but it will take time for the full impact to be felt.

Adjusted ebitda[1] was ahead by 31% to £2.6m (2016: £2.0m). The growth in profit after tax of 21% to £1.6m (2016: £1.3m) was achieved after increases to the depreciation and amortisation charges resulting from recent capital expenditure and higher share-based payments and income tax charges.

Basic earnings per share increased by 19% to 7.80p (2016: 6.55p) and adjusted earnings per share grew by 22% to 9.13p (2016: 7.49p).

The balance sheet is strong and debt free with further positive cash generation of £1.5m. The cash balance at the period end was £12.6m (31 December 2016: £11.1m) after expending £0.5m on the purchase of Cobbett, our Australian distributor, in February 2017.

Operations

Our key target regions delivered exceptionally strong performances during the period with increases of 58%, 56% and 46% from Asia, the Americas and the Middle East, respectively over the equivalent period last year. This overall strong organic sales growth totalling £3.13m results directly from the strategic initiatives implemented in 2016. In addition, favourable currency movements contributed just under £1m to like for like sales. In Asia, there were strong performances from Bangladesh, Malaysia, Philippines, South Korea, and Thailand. China delivered sales growth of 42% helped by the successful relaunch of Orego-Stim, which is now branded as Meriden-Stim.

In Australia, Cobbett contributed to the region's sales performance. A new regional manager for Australasia has been recruited, responsible for our business in Australia, New Zealand and the South Pacific territories. In Asia, territory managers were recruited for Thailand, Indonesia, and the Philippines. Employing local commercial teams, who are closer to our end user customers, gives us better insight into opportunities, including local pricing and also keeps the Anpario brand at the forefront of customers' minds.

The standout performer in the Americas region was the United States, which accounted for 7% of total group revenue and where sales have accelerated in the dairy sector, organic egg layers and supplying poultry integrators for both conventional and antibiotic free production. It is anticipated that sales will expand across the United States, reflecting increasing recognition of our natural feed additives.

Brazil and Mexico, our two key markets in Latin America, also saw good sales growth. New distributors were appointed in Chile and Peru to strengthen our presence in these areas.

Despite the ongoing geopolitical events in the region, the Middle East returned to growth with strong performances from Israel, Lebanon and Turkey. The outturn in Turkey contrasts with the first half of 2016 when reduced stockholdings began at the start of last year. A new technical sales manager has also been recruited to support development in this area.

Our operations in the UK and Ireland, which account for 11% of total sales, did well growing sales by 15%. The recovery in milk prices helped to strengthen demand for Ultrabond and Optomega, which improve fertility in dairy cows. Our UK team is working, in partnership with industry specialists, offering turnkey solutions for the egg laying industry by demonstrating the benefits of Anpario products to farmers, who are keen to maximise the profitability of their egg laying stock.

Our main product groups of eubiotics (gut health) and mycotoxin binders delivered encouraging performances with our leading product brands: Orego-Stim, Salkil, Salgard, Ultrabond and Prefect all contributing to the growth.

Innovation and development

Over the past 12 months we have recruited a new central technical team to manage new product development and technical support for our customers. One of the team's principal tasks is to demonstrate that our products can help farmers' profitability by improving performance when regulatory changes dictate that certain treatments, such as antibiotic growth promoters, or other industry practices, can no longer be used in meat production. One recent opportunity is the phased banning of zinc oxide in pig diets across the European Union and in some other countries. A number of customers have successfully replaced zinc oxide in diets with our organic acid based eubiotic products, which promote development of the gut microbiota. In order to scientifically support our field experiences, we carried out successful trials at leading institutions in Canada and Thailand.

Our technical team has also been strengthened through the recruitment of species specialists in ruminant, swine and aquaculture. This group will support our commercial teams and work with marketing to help communicate our solution driven approach to customers' problems. The teams, working collaboratively, have also developed a number of feed additive programmes to show customers how to use our products in a combined approach through the life stages of their animals. The preventative nature of our feed additives helps present a robust response from animals during periods of growth and disease. Anpario's natural additives also reduce the use of antibiotic growth promoters, which is an important element in the move towards antibiotic free protein production. Our products have also performed strongly in trials carried out in China when removing colistin sulphate, a widely used antibiotic, from weaning piglet diets.

Outlook

The second half of the year has started well. Our focus remains on implementing the strategy that is successfully transforming our sales and distribution channels by building stronger and closer relationships with customers. Our strong balance sheet and positive cash generation give Anpario a sound platform from which to make selective earnings enhancing acquisitions and to further invest in recruitment and infrastructure to accelerate the profitable growth of the business.

Peter Lawrence

Chairman

19 September 2017

Unaudited consolidated income statement

for the six months ended 30 June 2017

	Notes	**six months to 30/06/2017 £000**	six months to 30/06/2016 £000	year ended 31/12/2016 £000
Revenue	3	**14,803**	10,687	24,340
Cost of sales		**(7,528)**	(5,561)	(12,895)
Gross profit		**7,275**	5,126	11,445
Administrative expenses		**(5,146)**	(3,411)	(7,603)
Exceptional items		**(269)**	(235)	(1,221)
Operating profit		**1,860**	1,480	2,621
Finance income		**17**	34	59
Profit before income tax		**1,877**	1,514	2,680
Income tax expense		**(292)**	(203)	(100)
Profit for the period		**1,585**	1,311	2,580
Profit attributable to:				
Owners of the parent		**1,584**	1,311	2,580
Non-controlling interests		**1**	-	-
Profit for the period		**1,585**	1,311	2,580
Basic earnings per share	4	7.80p	6.55p	12.79p
Diluted earnings per share	4	7.62p	6.42p	12.58p
Adjusted earnings per share	4	9.13p	7.49p	16.90p
Diluted adjusted earnings per share	4	8.92p	7.35p	16.62p

Unaudited consolidated statement of comprehensive income

for the six months ended 30 June 2017

	six months to 30/06/2017 £000	six months to 30/06/2016 £000	year ended 31/12/2016 £000
Profit for the period	**1,585**	1,311	2,580
Items that may be subsequently reclassified to profit or loss:			
Exchange difference on translating foreign operations	**54**	(19)	(87)
Total comprehensive income for the period	**1,639**	1,292	2,493
Attributable to the owners of the parent:	**1,638**	1,292	2,493
Non-controlling interests	**1**	-	-
Total comprehensive income for the period	**1,639**	1,292	2,493

Unaudited consolidated statement of financial position

as at 30 June 2017

	Notes	**as at 30/06/2017 £000**	as at 30/06/2016 £000	as at 31/12/2016 £000
Intangible assets	5	**10,851**	10,390	10,132
Property, plant and equipment	6	**3,442**	3,289	3,539
Deferred tax assets		**338**	307	286
Non-current assets		**14,631**	13,986	13,957
Inventories		**2,315**	2,014	2,246
Trade and other receivables		**6,921**	6,379	6,733
Cash and cash equivalents		**12,611**	10,870	11,112
Current assets		**21,847**	19,263	20,091
Total assets		**36,478**	33,249	34,048
Called up share capital		**5,292**	5,095	5,291
Share premium		**9,518**	7,796	9,515
Other reserves		**(4,801)**	(3,331)	(5,112)
Retained earnings		**20,428**	18,598	18,843
Equity attributable to owners of the parent company		**30,437**	28,158	20,129
Non-controlling interest		**(1)**	-	-
Total equity		**30,436**	28,158	28,537
Deferred tax liabilities		**974**	1,176	1,014
Non-current liabilities		**974**	1,176	1,014
Trade and other payables		**4,602**	3,759	4,351
Current income tax liabilities		**466**	156	146
Current liabilities		**5,068**	3,915	4,497
Total liabilities		**6,042**	5,091	5,511
Total equity and liabilities		**36,478**	33,249	34,048

Unaudited consolidated statement of changes in equity
for the six months ended 30 June 2017

	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2016	**5,058**	**7,613**	**(3,374)**	**17,287**	**-**	**26,584**
Profit for the period	-	-	-	1,311	-	1,311
Currency translation differences	-	-	(19)	-	-	(19)
Total comprehensive income for the period	-	-	(19)	1,311	-	1,292
Issue of share capital	37	183	-	-	-	220
Share-based payment adjustments	-	-	62	-	-	62
Transactions with owners	37	183	62	-	-	282
Balance at 30 June 2016	**5,095**	**7,796**	**(3,331)**	**18,598**	**-**	**28,158**
Profit for the period	-	-	-	1,269	-	1,269
Currency translation differences	-	-	(68)	-	-	(68)
Total comprehensive income for the period	-	-	(68)	1,269	-	1,201
Issue of share capital	196	1,719	-	-	-	1,915
Deferred tax regarding share–based payments	-	-	(128)	-	-	(128)
Cash flow hedge reserve	-	-	37	-	-	37
Joint share ownership plan	-	-	(1,760)	-	-	(1,760)
Share-based payment adjustments	-	-	138	-	-	138
Dividends relating to 2015	-	-	-	(1,024)	-	(1,024)
Transactions with owners	196	1,719	(1,713)	(1,024)	-	(822)
Balance at 31 December 2016	**5,291**	**9,515**	**(5,112)**	**18,843**	**-**	**28,537**
Profit for the period	-	-	-	1,585	(1)	1,584
Currency translation differences	-	-	54	-	-	54
Total comprehensive income for the period	-	-	54	1,585	(1)	1,638
Issue of share capital	1	3	-	-	-	4
Cash flow hedge reserve	-	-	123	-	-	123
Share-based payment adjustments	-	-	134	-	-	134
Transactions with owners	1	3	257	-	-	261
Balance at 30 June 2017	**5,292**	**9,518**	**(4,801)**	**20,428**	**(1)**	**30,436**

Unaudited consolidated statement of cash flows

for the six months ended 30 June 2017

	six months to 30/06/2017 £000	six months to 30/06/2016 £000	year ended 31/12/2016 £000
Cash generated from operating activities	**2,448**	1,943	3,957
Income tax paid	**(73)**	(13)	(159)
Net cash generated from operating activities	**2,375**	1,930	3,798
Investment in subsidiary	**(514)**	-	-
Purchases of property, plant and equipment	**(69)**	(367)	(729)
Proceeds from disposal of property, plant and equipment	**1**	-	4
Payments to acquire intangible assets	**(298)**	(354)	(831)
Interest received	**17**	34	59
Net cash used in investing activities	**(863)**	(687)	(1,497)
Joint share ownership plan	**-**	-	(1,760)
Proceeds from issuance of shares	**4**	220	2,135
Dividend paid to Company's shareholders	**-**	-	(1,024)
Net cash used in financing activities	**4**	220	(649)
Net increase in cash and cash equivalents	**1,516**	1,463	1,652
Effect of exchange rate changes	**(17)**	70	123
Cash and cash equivalents at the beginning of the period	**11,112**	9,337	9,337
Cash and cash equivalents at the end of the period	**12,611**	10,870	11,112

	six months to 30/06/2017 £000	six months to 30/06/2016 £000	year ended 31/12/2016 £000
Cash generated from operating activities			
Profit before income tax	**1,877**	1,514	2,680
Net finance income	**(17)**	(34)	(59)
Depreciation, amortisation and impairment	**348**	254	1,130
(Profit)/Loss on disposal of property, plant and equipment	**7**	-	(4)
Share-based payments	**134**	62	200
Changes in working capital:			
Inventories	**(38)**	28	(218)
Trade and other receivables	**(212)**	430	55
Trade and other payables	**349**	(311)	173
Net cash generated from operating activities	**2,448**	1,943	3,957

Notes to the financial statements

for the six months ended 30 June 2017

1 General information

Anpario plc ("the Company") and its subsidiaries (together "the Group") manufacture and supply high performance natural feed additives for the agricultural market with products to improve the health and output of animals.

The company is traded on the London Stock Exchange AIM market and is incorporated and domiciled in the UK. The address of the registered office is Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS.

2 Basis of preparation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries drawn up to 30 June 2017.

The Group has presented its financial statements in accordance with International Reporting Standards ("IFRS's"), as endorsed by the European Union, IFRS IC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. Full details on the basis of the accounting policies used are set out in the Group's financial statements for the year ended 31 December 2016, which are available on the Company's website at www.anpario.com.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2016 were approved by the Board of Directors on 8 March 2017 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

The consolidated interim financial information for the period ended 30 June 2017 is neither audited nor reviewed.

3 Segment information

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Board considers the business from a geographic perspective. Management considers adjusted EBITDA to assess the performance of the operating segments, which comprises profit before interest, tax, depreciation and amortisation adjusted for share-based payments and exceptional items.

	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
for the six months ended 30 June 2017						
Total segmental revenue	**2,859**	**6,588**	**5,124**	**2,136**	**-**	**16,707**
Inter-segment revenue	**-**	**-**	**(1,904)**	**-**	**-**	**(1,904)**
Revenue from external customers	**2,859**	**6,588**	**3,220**	**2,136**	**-**	**14,803**
Adjusted EBITDA	**994**	**2,057**	**1,217**	**833**	**(2,464)**	**2,637**
Depreciation and amortisation	**(7)**	**(4)**	**-**	**-**	**(336)**	**(347)**
Net finance income	**1**	**-**	**-**	**1**	**15**	**17**
Share-based payments	**-**	**-**	**-**	**-**	**(161)**	**(161)**
Exceptional items	**-**	**(165)**	**-**	**(19)**	**(85)**	**(269)**
Income tax	**31**	**8**	**-**	**(1)**	**(330)**	**(292)**
Profit for the period	**1,019**	**1,896**	**1,217**	**814**	**(3,361)**	**1,585**
Total assets					**36,478**	**36,478**
Total liabilities					**(6,042)**	**(6,042)**

	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
for the six months ended 30 June 2016						
Total segmental revenue	1,832	4,177	3,975	1,465	-	11,449
Inter-segment revenue	-	-	(762)	-	-	(762)
Revenue from external customers	1,832	4,177	3,213	1,465	-	10,687
Adjusted EBITDA	655	1,397	1,243	681	(1,960)	2,016
Depreciation and amortisation	(4)	(1)	(2)	-	(247)	(254)
Net finance income	-	-	-	-	34	34
Share-based payments	-	-	-	-	(47)	(47)
Exceptional items	(21)	(6)	-	(25)	(183)	(235)
Income tax	-	1	-	-	(204)	(203)
Profit for the period	630	1,391	1,241	656	(2,607)	1,311
Total assets					33,249	33,249
Total liabilities					(5,091)	(5,091)

	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
for the year ended 31 Dec 2016						
Total segmental revenue	4,491	10,351	8,450	2,953	-	26,245
Inter-segment revenue	-	-	(1,905)	-	-	(1,905)
Revenue from external customers	4,491	10,351	6,545	2,953	-	24,340
Adjusted EBITDA	1,373	3,507	2,510	1,247	(4,026)	4,611
Depreciation and amortisation	(10)	(6)	(3)	-	(540)	(559)
Net finance (income)/expense	-	1	-	-	58	59
Share-based payments	-	-	-	-	(210)	(210)
Exceptional items	(93)	(107)	-	(32)	(989)	(1,221)
Income tax	156	29	-	(3)	(282)	(100)
Profit for the year	1,426	3,424	2,507	1,212	(5,989)	2,580
Total assets					34,048	34,048
Total liabilities					(5,511)	(5,511)

4 Earnings per share

	six months to 30/06/2017	six months to 30/06/2016	year ended 31/12/2016
Weighted average number of shares in Issue (000's)	**20,313**	20,024	20,166
Adjusted for effects of dilutive potential Ordinary shares (000's)	**473**	381	340
Weighted average number for diluted earnings per share (000's)	**20,786**	20,405	20,506
Profit attributable to owners of the Parent (£000's)	**1,585**	1,311	2,580
Basic earnings per share	**7.80p**	6.55p	12.79p
Diluted earnings per share	**7.62p**	6.42p	12.58p

	six months to 30/06/2017 £000	six months to 30/06/2016 £000	year ended 31/12/2016 £000
Adjusted profit attributable to owners of the Parent			
Profit attributable to owners of the Parent	**1,585**	1,311	2,580
Exceptional items (net of tax)	**269**	188	1,113
Prior year tax adjustments	**-**	-	(285)
Adjusted profit attributable to owners of the Parent	**1,854**	1,499	3,408
Adjusted earnings per share	**9.13p**	7.49p	16.90p
Diluted adjusted earnings per share	**8.92p**	7.35p	16.62p

5 Intangible assets

	Goodwill £000	Brands £000	Customer relationships £000	Patents, trademarks and registrations £000	Development costs £000	Software and Licences £000	Total £000
Cost							
As at 1 January 2017	5,490	2,768	686	1,050	2,198	521	12,713
Additions	470	43	100	147	96	55	911
Disposals	-	-	-	(10)	-	-	(10)
Foreign exchange	-	-	-	(1)	-	-	(1)
As at 30 June 2017	**5,960**	**2,811**	**786**	**1,186**	**2,294**	**576**	**13,613**
Accumulated amortisation/impairment							
As at 1 January 2017	-	227	365	232	1,661	96	2,581
Charge for the period	-	42	34	67	5	36	184
Disposals	-	-	-	(3)	-	-	(3)
As at 30 June 2017	**-**	**269**	**399**	**296**	**1,666**	**132**	**2,762**
Net book value							
As at 30 June 2017	**5,960**	**2,542**	**387**	**890**	**628**	**444**	**10,851**
As at 1 January 2017	5,490	2,541	321	818	537	425	10,132

6 Tangible assets

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Assets in the course of construction £000	Total £000
Cost					
As at 1 January 2017	2,180	1,904	545	101	4,730
Additions	1	12	12	44	69
Disposals	-	(2)	-	-	(2)
Transfer of assets in construction	-	131	-	(131)	-
Foreign exchange	-	(2)	(1)	-	(3)
As at 30 June 2017	2,181	2,043	556	14	4,794
Accumulated depreciation					
As at 1 January 2017	276	583	332	-	1,191
Charge for the period	16	108	39	-	163
Disposals	-	(1)	-	-	(1)
Foreign exchange	-	(1)	-	-	(1)
As at 30 June 2017	**292**	**689**	**371**	**-**	**1,352**
Net book value					
As at 30 June 2017	**1,889**	**1,354**	**185**	**14**	**3,442**
As at 1 January 2017	1,904	1,321	213	101	3,539

7 Business combinations

On 3 February 2017, the Group acquired the business and inventory of Cobbett Pty Ltd ("Cobbett"). Cobbett has been Anpario's distributor since 1987 and the acquisition is in line with our strategy to strengthen sales and distribution channels and develop closer relationships with end users of our products.

On completion, the fair value of the net assets and liabilities of Cobbett equalled £228,000 and consequently gives rise to goodwill on the transaction of £470,000. The acquired business contributed revenues of £390,000 and a net profit before tax of £41,000 to the Group for the period from 3 February 2017 to 30 June 2017.

A contingent consideration arrangement exists that requires the Group to pay in cash, to the former owners of Cobbett, up to AUD $300,000 (£184,000) after one year, based on certain performance criteria being met.

Details of net assets acquired and goodwill are as follows:

	£000
Purchase consideration	429
Inventory	85
Contingent consideration	184
Total consideration	**698**

The assets and liabilities at 3 February 2017 arising from the acquisition are as follows:

	Fair value £000	**Acquiree's Carrying Value £000**
Brands	43	-
Customer relationships	100	-
Inventory	85	85
Fair value of assets	**228**	**85**
Goodwill	470	
Total purchase consideration	**698**	

Cash outflow on acquisition	**514**