

# Ergomed

AGM statement

## FY21e EBITDA 'materially ahead' of consensus

Yesterday, Ergomed held its annual general meeting (AGM) and provided a high-level year to date [trading update](#) (four months to end-April 2021). The company guides to FY21e revenues in line with market expectations (Edison £119.6m; consensus £120.0m). Strong revenue growth has continued in its PrimeVigilance division, in line with prior trends (in FY20 revenues grew by 30%), and its CRO business has seen a further acceleration of growth from H220 (H220 service fee revenues up 13.5% vs H120). This indicates a continued rebound after a tough H120 for the CRO industry due to widespread lockdowns. The most pertinent takeaway is that adjusted EBITDA is now expected to be 'materially ahead of market expectations' in FY21 (Edison £21.7m; consensus £21.9m) due to effective cost management and the Ashfield and MedSource acquisition synergies being realised sooner than expected. We maintain our estimates and valuation of Ergomed (£683m or 1,400p/share) ahead of the more detailed H121 trading update due in July, but note upside potential to our estimates and possible consensus earnings upgrades.

Year end	Revenue (£m)	Adjusted EBITDA* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/19	68.3	12.5	19.8	0.0	65.7	N/A
12/20	86.4	19.4	23.7	0.0	54.9	N/A
12/21e	119.6	21.7	30.4	0.0	42.8	N/A
12/22e	136.8	23.2	32.9	0.0	39.5	N/A

Note: \*Adjusted EBITDA and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Strong underlying revenue growth in both divisions was partially offset by FX headwinds (more than half of sales are now booked in US dollars), which indicates that on a constant currency basis revenue growth would have been ahead of consensus.

FY20 revenue was up 27% to £86.4m with the gross margin improving to 45.9% from 43.3%. FY20 adjusted EBITDA increased to £19.4m from £12.5m in FY19. Throughout 2020, Ergomed grew its order book substantially, which stood at an all-time high of £193m at the end of 2020, up 55.5% y-o-y.

We recently published an [outlook](#) report on Ergomed, where we outlined our base case valuation at £683m or 1,400p/share derived from our DCF model, implying an EV/EBITDA multiple of 30.5x based on our FY21 forecasts. We also analysed the sensitivity of our valuation to a set of DCF assumptions (long-term sales growth and profit margins) and found that a bull case would correspond to a valuation of 1,950p/share, while a bear case would correspond to a valuation of 995p/share.

Healthcare services

11 June 2021

**Price** 1,300p  
**Market cap** £634m

Net cash (£m) at end-2020	19.0
Shares in issue	48.8m
Free float	78%
Code	ERGO
Primary exchange	AIM
Secondary exchange	Frankfurt Xetra

### Share price performance



### Business description

Ergomed is a global full-service contract research outsourcing business with a core focus on the US and EU. It provides Phase I-III clinical services in addition to post-marketing pharmacovigilance services through its PrimeVigilance division. Ergomed is predominantly focused on oncology, orphan drugs, rare diseases and pharmacovigilance.

### Analyst

Jonas Peculis	+44 (0)20 3077 5728
Sean Conroy	+44 (0)20 3077 5700

[healthcare@edisongroup.com](mailto:healthcare@edisongroup.com)

[Edison profile page](#)

**Ergomed is a research client of  
 Edison Investment Research  
 Limited**

---

## General disclaimer and copyright

This report has been commissioned by Ergomed and prepared and issued by Edison, in consideration of a fee payable by Ergomed. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2021 Edison Investment Research Limited (Edison).

---

## Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

---

## New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

---

## United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

---

## United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.