

Ergomed

AGM statement

AGM update: 'Revenue growth trend' maintained

Today Ergomed held its annual general meeting (AGM). As expected, no new financial details were provided, although the executive chairman released a statement with a general business update. Q120 trading was good with 'solid overall growth in revenue' and cash generation 'remained strong'. In Q220, Ergomed continued to grow the order book across the business and maintained its 'revenue growth trend'. Its staff successfully adapted to remote working conditions and no employees were made redundant or furloughed. The H120 trading update will be released in July 2020 as usual, but Ergomed stated within its AGM update (June 10) that it is confident the results will be 'in line with current market expectations'.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/18	54.1	1.0	1.9	0.0	N/A	N/A
12/19	68.3	8.6	19.8	0.0	22.6	N/A
12/20e	84.8	13.7	24.9	0.0	18.0	N/A
12/21e	100.3	16.5	28.9	0.0	15.5	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items.

We recently [initiated coverage](#) of Ergomed. Audited FY19 numbers were impressive, with revenue up 26% to £68.3m and EBITDA up 5.5x to £12.5m. The order book was up 15% to £125m in FY19, which gives over 90% visibility for 2020 revenue. We believe Ergomed is well positioned to maintain a steady course through the economic crisis caused by the onset of the COVID-19 pandemic. Its services in both its contract research outsourcing and pharmacovigilance divisions are provided under long-term contracts to meet the needs of essential medical research as well as mandated pharmacovigilance requirements. Ergomed enjoys relatively low customer concentration with its top five clients representing 24.8% of FY19 revenues.

It is noteworthy that Ergomed has been engaged to provide services for two COVID-19 clinical trials in Italy. Both these studies explore potential monoclonal antibody treatments (anti-IL-6 and anti-GM-CSF) for COVID-19 patients with severe disease. Although we do not expect a material financial effect from these engagements in H120, these are high-profile trials that showcase Ergomed's expertise. In addition, COVID-19 is a fast-moving field for clinical trial investigators and any pharmaceutical services providers with prior experience in this area will have an edge.

The next trading update is expected in July 2020, which is when we will review our estimates and update the valuation.

Healthcare services

10 June 2020

Price **448p**
Market cap **£216m**

Net cash (£m) at 31 December 2019 14.3

Shares in issue 48.2m

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 (Phase IV) services through its PrimeVigilance division. The company is predominantly focused on oncology, orphan drugs or rare diseases and pharmacovigilance.

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