

Carr's Group

UK progressing well, US recovery delayed

Carr's Group is now a focused specialist agricultural group. The benefits of the reinvigorated management's actions are being seen in the UK, providing confidence in the strategy as a specialist branded product animal supplements business. Challenges remain, such as softness in the drought-affected southern US market. With a strong balance sheet, a cash-generative business and growth opportunities in existing and new geographical markets, the group is successfully transitioning from the value realisation of the last few years to a new growth mandate.

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
8/23	81.8	2.9	2.50	5.20	51.6	4.0
8/24	75.7	2.5	2.60	5.20	49.6	4.0
8/25e	80.1	4.4	4.40	1.50	29.3	1.2
8/26e	81.8	6.0	12.60	4.20	10.2	3.3

Note: PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Continuing operations show positive progress

Continuing revenue increased 7% to £50.6m in H1, with operating margins up from 8.0% to 11.1%. This was driven primarily by the UK, with sales up 15% and margins up from 7.0% to 10.9% benefiting from restructuring and a positive market. US sales grew 1.5% organic, affected by continued softness in the drought-affected south. Cost actions and stronger northern regions enabled US margin progression from 9.0% to 11.3%. Central costs continue to decline as the group becomes more streamlined. Underlying PBT from the continuing operations increased by 55% to £5.9m and EPS by 46% to 5.1p. An interim dividend of 1.2p has been declared. Cash flow was positive, assisted by controlled working capital and property disposals. Given the streamlining of the group, David White is stepping down as CEO with Josh Hoopes, CEO of the Agriculture businesses, replacing him.

Disposal and tender offer

Post the period end, the group received £68.6m in relation to the disposal of the engineering business, supporting the already planned £70m return to shareholders. Details of a tender offer are expected to be announced later this month (post the recording of the interim dividend on 16 May) and completed by the end of June.

Outlook and forecasts

The positive H1 momentum is expected to continue, albeit against the seasonally softer H2. However, recovery in the US, primarily the southern region, is expected to be delayed to CY26, delaying a recovery in profits. We have also factored in the return of cash, significantly benefiting EPS into FY26. Our forecast changes include: for FY25, PBT from £4.2m to £4.4m (+4%) and EPS from 3.8p to 4.4p (+14%); and for FY26, PBT from £7.4m to £6.0m (-18%) and EPS from 6.4p to 12.6p (+95%).

Valuation

Our valuation is unchanged at 165p/share, using a discounted cash flow (DCF) and peer-based valuation. We see a number of catalysts, notably the tender offer, US recovery and developments in the new growth strategy in agriculture.

Interim results

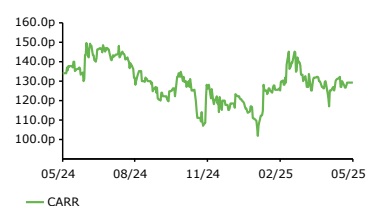
General industrials

9 May 2025

Price 129.00p
Market cap £122m

Net cash at 28 February £15.4m
Shares in issue 94.4m
Code CARR
Primary exchange LSE
Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	4.5	(0.4)	0.4
52-week high/low		146.6p	99.2p

Business description

Carr's Group's Speciality Agriculture business serves farmers in the UK, Ireland, the United States, Germany, Canada and New Zealand with high-quality feed blocks and feed supplements.

Next events

Tender offer	May/June 2025
FY25 results	December 2025

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[Edison profile page](#)

Interim results

Income statement

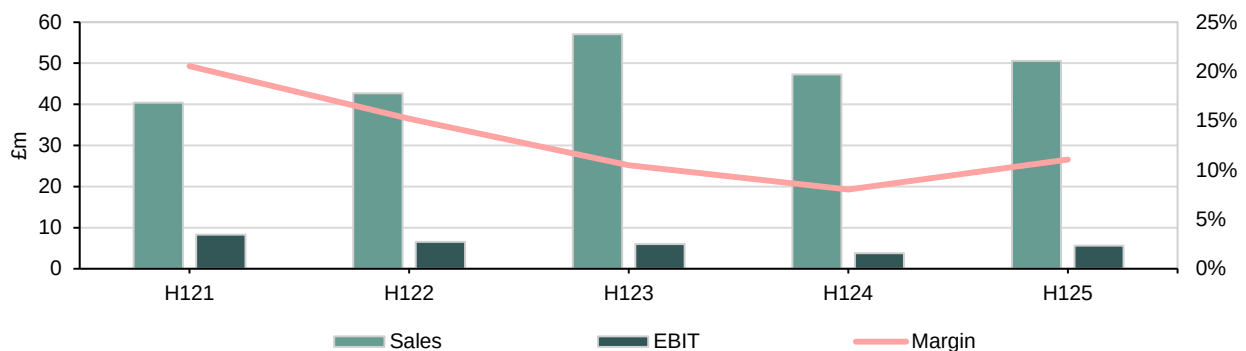
UK Agriculture performed strongly with sales up 15%, assisted by 13% volume growth at Crystalyx, the key branded product. Margins improved from 7.0% to 10.9%, benefiting from the restructuring and volume growth. Note that closure of the loss-making Animax site is expected to be completed in the second half. US Agriculture volumes increased 3% (organic sales growth 1.5%, reported -1.3%). The northern regions benefited from restructuring, particularly of the sales and marketing effort. However, the southern regions remain difficult, with the ongoing drought conditions limiting investment in cattle numbers, affecting the volumes of feed supplements required. Tariffs are providing further uncertainties and market inertia. The overseas joint venture profitability was flat, with the benefit of recent investment expected going into 2026. Overall organic growth was c 8% pre-currency impact. Operating margins increased from 8.0% to 11.1%. Central costs continue to be right sized for a smaller, single activity group, helping to drive a 63% increase in operating profit. With limited finance costs due to the net cash position, underlying PBT from continuing operations increased similarly by 55% and EPS by 46%.

Exhibit 1: Income statement – continuing operations (£m)

	H124	H125	Change/organic growth
Revenue			
UK Agriculture	24.0	27.6	15.0%
US Agriculture	23.3	23.0	1.5%
Group sales continuing operations	47.3	50.6	8.5%
EBITA Margin			
UK Agriculture	7.0%	10.9%	383bps
US Agriculture	9.0%	11.3%	229bps
Group margin continuing operations	8.0%	11.1%	305bps
EBITA			
UK Agriculture	1.7	3.0	78%
US Agriculture	2.1	2.6	24%
Speciality Agriculture	3.8	5.6	48%
Share of post-tax results of associates	1.4	1.4	5%
Central costs	(1.5)	(1.1)	(26%)
Group EBITA before exceptional items	3.6	5.9	63%
Restructuring	(1.7)	(0.9)	(45%)
Other exceptionals	(0.3)	2.7	(892%)
Group reported EBIT	1.6	7.7	366%
Net finance costs	0.2	0.0	(98%)
Reported PBT	1.8	7.7	319%
Normalised PBT	3.8	5.9	55%
Adj EPS continuing operations (p)	3.5	5.1	46%
Dividend per share (p)	2.35	1.20	(49%)

Source: Carr's Group

Exhibit 2: First half comparison for continuing operations



Source: Carr's Group, Edison Investment Research

Cash flow

Cash generation was assisted by the positive improvement in profitability, tight control of working capital and lower tax paid. Of particular note was £3.9m of property sale receipts. Net cash at the half year stood at £15.4m. Since the period end, the FY24 final dividend of £2.7m has been paid, along with £4.5m paid into escrow in relation to the pension buy-out. On the plus side, the initial receipt from the disposal of the Engineering businesses of £68.6m and property disposal proceeds of £2.5m have been received.

Exhibit 3: Cash flow (£m)

	H124	H125	Change
Net income	1.8	6.1	246%
Depreciation	0.8	0.6	(23%)
Income tax expense	0.0	1.6	15440%
Finance & other	(0.2)	(2.9)	1476%
EBITDA	2.3	5.3	126%
Changes in working capital	2.5	0.2	(93%)
Share of JVs	(1.4)	(1.4)	5%
Pensions	0.2	0.2	42%
Share-based payments	0.1	0.0	(100%)
Tax paid	1.7	0.4	(78%)
Operating cash flows from continuing ops	5.4	4.7	(13%)
Purchase of property, plant and equipment	(0.4)	0.4	(215%)
Acquisitions/disposals	4.0	3.9	(3%)
Interest	0.0	(0.0)	(184%)
Other/discontinued	(1.6)	1.6	(201%)
Dividends	(3.8)	0.0	(100%)
Share repurchase/issue	0.1	0.0	(100%)
Net change in cash	3.8	10.5	179%
FX/other	(0.0)	0.3	(1011%)
Opening net cash/(debt)	4.3	4.5	4%
Closing net cash/(debt)	8.0	15.4	91%

Source: Carr's Group

Cash return

Management has confirmed its commitment to return £70m to shareholders, which will be carried out through a tender offer. The details are expected to be announced after the interim dividend record date (16 May) and completed by the end of June. We expect this to be via a fixed price tender, hence the requirement to wait until after the interim dividend record date. This will still leave the group in a net cash position.

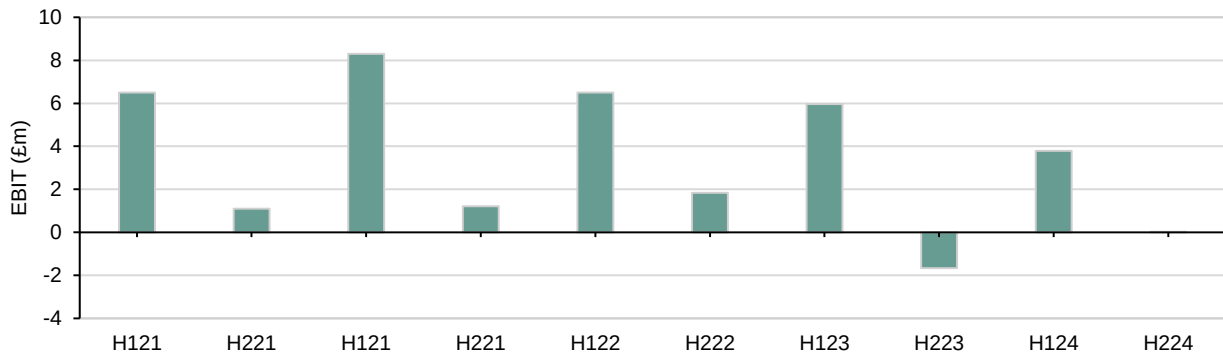
Management changes

Reflecting the reduced size and complexity of the group as a focused agriculture group, David White is stepping down as CEO at the end of June, with Josh Hoopes, CEO of the agriculture businesses, stepping up to PLC CEO.

Outlook

Management expects the positive momentum seen in the first half will continue, albeit the second half of the year is seasonally softer. Exhibit 4 highlights the recent seasonality seen in the Agriculture activities, with over 90% of profits achieved in H1 over the last five years. In addition, management expects to reduce central costs further post the disposal of the Engineering businesses. We would also expect gradual benefits from the restructuring, such as the closure of Animax. On the more cautious side, recovery in the US market, in particular the south, which has been affected by droughts, is now not expected until CY26 (previously anticipated in CY25).

Exhibit 4: Seasonality of profitability



Source: Carr's Group, Edison Investment Research

Forecasts

Our FY25 forecasts are broadly unchanged, with improvement in the UK offset by a softer US. Note that reflecting the increased seasonality, we expect the group to report a loss in H2. More important are the changes to FY26, with the US end recovery now not expected until CY6, leading us to pull back expectations, albeit we expect the UK to remain positive assisted by recent actions and the benefit of closing the loss-making Animax business. We have also looked to take into account the return of capital to assist forward valuation. We have assumed a return of capital at the current share price and will adjust when the terms are released.

Exhibit 5: Estimate changes

	Old	FY25e New	Change	Old	FY26e New	Change
Group revenues (£m)	73.8	80.1	8%	79.0	81.8	4%
Speciality Agriculture EBITA including JVs	6.0	6.4	6%	8.0	6.9	-13%
Central costs (£m)	(2.0)	(2.0)	0%	(1.0)	(1.0)	0%
Group EBITA (£m)	4.0	4.4	10%	7.0	5.9	-15%
Net finance costs	0.2	0.0	-100%	0.4	0.1	-72%
Normalised PBT after deducting share-based payments (£m)	4.2	4.4	4%	7.4	6.0	-18%
Normalised undiluted EPS (p)	3.8	4.4	14%	6.4	12.6	95%
Dividend per share (p)	1.3	1.5	0.1	2.1	4.2	95%
Net debt/(cash) (£m)	(7.3)	6.1	-184%	(9.6)	8.0	-184%

Source: Edison Investment Research

Valuation

We value Carr's using on a DCF and peer group valuation basis.

DCF

A discount rate of 8% and terminal growth of 1% suggests a valuation of 164p a share.

Exhibit 6: Discounted cash flow valuation (p/share)

		Discount rate (post-tax, nominal)						
		6.0%	7.0%	8.0%	9.0%	10.0%	11.0%	12.0%
Terminal growth	0%	185	167	154	144	135	129	123
	1%	205	181	164	151	141	133	127
	2%	235	200	177	160	148	138	131
	3%	284	228	195	173	157	145	136
	4%	383	276	223	191	169	154	143

Source: Edison Investment Research

Peer group valuation

Our valuation uses key UK-listed agricultural product groups using a range of profitability and valuation metrics. This provides an average valuation of 167p a share.

Exhibit 7: Peer-based valuation

	Market Cap	EV/EBIT			EV/EBITDA			P/E		
Company	£m	2025	2026	2027	2025	2026	2027	2025	2026	2027
Anpario	82	13.3	12.3	10.8	10.5	9.6	8.4	16.4	15.2	13.1
Benchmark Holdings	186	179.5	23.2	20.6	11.8	10.8	14.2	N/A	21.0	15.8
Genus	1,248	18.8	16.5	14.9	12.3	11.3	10.6	24.8	21.4	18.9
Wynnstay Group	72	7.3	6.2	N/A	4.8	4.2	N/A	12.2	10.6	N/A
Average		54.7	14.6	15.4	9.9	9.0	11.1	17.8	17.1	15.9
Median		16.1	14.4	14.9	11.2	10.2	10.6	16.4	18.1	15.8
Carr's EBIT/EBITDA/EPS (£m/p)		4.4	5.9	7.6	4.4	7.1	9.0	4.4	12.6	16.4
Enterprise value (£m)		70	86	113	49	73	96			
Net cash/(debt) £m		76	78	81	76	78	81			
Equity value (£m)		146	164	194	126	151	177			
Value per share (p)		156	174	206	134	160	188	104	173	187

Source: Edison Investment Research, LSEG Data & Analytics (at 6 May 2025)

Our overall valuation comes to 165p a share. Note that our valuations are before the £70m cash return. To the extent that the price of the tender offer is below our valuation will clearly assist the value per share of the ongoing group.

Exhibit 8: Financial summary

£m	FY23	FY24	FY25e	FY26e	FY27e
Year end 31 August					
INCOME STATEMENT	IFRS	IFRS	IFRS	IFRS	IFRS
Revenue	81.8	75.7	80.1	81.8	85.9
EBITDA (including JVs)	3.3	4.1	4.4	7.1	9.0
Operating profit (before amort. and excepts.)	2.8	2.2	4.4	5.9	7.6
Amortisation of acquired intangibles	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)
Exceptionals	(3.2)	(3.6)	(1.0)	0.0	0.0
Reported operating profit	(0.9)	(1.5)	3.3	5.9	7.5
Net Interest	0.1	0.3	0.0	0.1	0.4
Profit Before Tax (norm)	2.9	2.5	4.4	6.0	8.0
Profit Before Tax (reported)	(0.8)	(1.1)	3.3	6.0	7.9
Reported tax	(0.1)	2.0	(0.4)	(1.0)	(1.4)
Profit After Tax (norm) - continuing businesses	2.9	2.3	3.7	5.0	6.5
Profit After Tax (reported) - continuing businesses	(0.9)	0.8	2.9	5.0	6.5
Average Number of Shares Outstanding (m)	94.0	94.2	85.0	40.0	40.0
EPS - normalised (p)	2.5	2.6	4.4	12.6	16.4
EPS - basic reported (p)	(1.0)	(4.8)	3.4	12.4	16.2
Dividend (p)	5.2	5.2	1.5	4.2	5.5
EBITDA Margin (%)	4.0	5.4	5.5	8.7	10.5
Normalised Operating Margin (%)	3.4	2.9	5.5	7.3	8.8
BALANCE SHEET					
Fixed Assets	73.9	21.3	20.6	20.6	20.6
Intangible Assets	22.5	2.1	2.0	1.9	1.8
Tangible Assets	37.3	10.6	10.0	10.1	10.2
Investments & other	14.1	8.6	8.6	8.6	8.6
Current Assets	88.4	122.5	46.6	47.8	51.5
Stocks	26.6	12.1	14.0	14.1	14.6
Debtors	26.9	10.4	16.5	15.7	16.0
Cash & cash equivalents	23.1	13.7	15.4	17.3	20.2
Other	11.8	86.4	0.7	0.7	0.7
Current Liabilities	(39.2)	(45.5)	(15.1)	(14.4)	(14.8)
Creditors	(24.1)	(10.7)	(12.1)	(11.3)	(11.8)
Tax and social security	(0.1)	0.0	0.0	0.0	0.0
Short-term borrowings including finance leases	(15.0)	(3.0)	(3.0)	(3.0)	(3.0)
Other	0.0	(31.7)	0.0	0.0	0.0
Long-Term Liabilities	(15.3)	(3.4)	(3.4)	(3.4)	(3.4)
Long-term borrowings including finance leases	(10.8)	(3.4)	(3.4)	(3.4)	(3.4)
Other long-term liabilities	(4.5)	(0.0)	(0.0)	(0.0)	(0.0)
Net Assets	107.9	94.9	48.7	50.7	54.0
Minority interests	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	107.9	94.9	48.7	50.7	54.0
CASH FLOW					
EBITDA	3.3	4.1	4.4	7.1	9.0
Working capital	(3.1)	3.2	1.0	(0.1)	(0.3)
Exceptional & other	(1.8)	(4.6)	(5.6)	(1.1)	(1.2)
Tax	(0.5)	1.5	(0.4)	(1.0)	(1.4)
Net Operating Cash Flow	(2.1)	4.2	(0.6)	5.0	6.1
Investment activities	(3.3)	(1.0)	(1.4)	(1.4)	(1.4)
Acquisitions/disposals	26.5	4.0	80.0	0.0	0.0
Net interest	(0.2)	0.1	0.0	0.1	0.4
Equity financing	0.2	0.2	(70.0)	0.0	0.0
Dividends	(4.9)	(5.1)	(4.0)	(1.2)	(1.7)
Other	(1.1)	(5.0)	(2.4)	(0.5)	(0.5)
Net Cash Flow	15.1	(2.6)	1.6	1.9	3.0
Opening net debt/(cash) including finance leases	21.6	4.2	4.5	6.1	8.0
FX	0.0	(0.2)	0.0	0.0	0.0
Other non-cash movements	2.4	3.1	0.0	0.0	0.0
Closing net debt/(cash) including finance leases	4.2	4.5	6.1	8.0	11.0

Source: Carr's Group, Edison Investment Research

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