RNS Number : 1576H
Genus PLC
15 May 2014

For Immediate Release 15 May 2014

Genus plc
("Genus" or the "Company")

Interim Management Statement

Genus, a leading global animal genetics company, today publishes its interim management statement for the period from 1 January 2014.

Market conditions for Genus's dairy and beef customers have been favourable, supported by rising output prices for milk and beef. As outlined in the interim statement in February 2014, market conditions in porcine are challenging, with porcine epidemic diarrhoea virus ("PEDv") now estimated to have affected over half the North American and Mexican swine herds. In addition, pork prices in China decreased significantly in the period, pushing pig producers in the country into losses.

In the period under review, overall demand for Genus's products and services grew at higher rates than in the first half of the financial year. Bovine volumes grew in double digits, as did porcine volumes, supported by the Génétiporc acquisition and strong growth in Asia. As a result, revenue grew in double digits in constant currency.

Genus's adjusted profit before tax for the first ten months of this financial year was slightly lower than the prior year in constant currency. This was due to lower results in the Asia region, principally in China, which offset gains in Genus PIC and Genus ABS. As expected, the translation of results in actual currency was negatively affected by the significant strength of sterling compared with the prior period.

Outlook

Genus expects 2014 financial year results to be consistent with the pattern over the first ten months, broadly in line with expectations. The effects of PEDv and lower pork prices in China are currently expected to continue over the balance of this calendar year. Genus expects performance improvements gradually to come through in constant currency in the 2015 financial year, as these headwinds reduce and we continue to execute our strategy.

Current Trading

In Genus PIC, the acquisition of Génétiporc contributed volume and revenue growth in North and Latin America. Execution of the integration and synergies continues to progress well. As expected, North America saw an impact to its royalties from PEDv. Despite record high hog prices, pig producers continue to be cautious in committing to sow herd expansion while the virus continues to spread. Genus's supply chain and technical service teams have worked actively with customers to maintain product availability and provide advice. In Europe, Genus PIC profit improved in the period and Latin America continued to grow. Profits in Genus PIC for the first ten months were up 6% in constant currency.

In Genus ABS, volumes continued to grow in the period at 6%. The very rapid pace of growth in Latin America experienced in the first half eased a little as expected, as the prior period comparatives were stronger. This was compensated for by accelerating growth in Europe. Overall, results in the period showed growth in all

regions. Profits in Genus ABS for the first ten months were 12% higher in constant currency.

Genus Asia experienced very strong growth of over 20% in both porcine and bovine volumes in the period. However, results in China porcine were adversely impacted by the unexpected sharp reduction in slaughter prices in that market, which led customers to postpone orders and impacted slaughter margins of by-product pigs. As expected, we have also continued to incur costs associated with investments to grow capacity in China in order to capture the significant opportunity. Our businesses in the Philippines and Russia continued to perform well. In the bovine business, volumes were driven by strong growth of local semen in India. Profit performance in Asia bovine improved, with China showing good recovery after a difficult first half as we continue to expand our direct sales and distribution partnerships. Profits in Genus Asia for the first ten months were down 48% in constant currency.

Research and development spending grew by 3% in constant currency in the first ten months as investment continued in Genus's research priorities.

Financial Position

Net debt at the end of April 2014 was at a similar level to 31 December 2013 and above the level at the same time last year due to the acquisition of Génétiporc.

Strategy Update

In the period under review, Genus has continued to implement its strategy. The acquisition of Génétiporc do Brasil was completed by Agroceres PIC in February 2014. Substantial progress has been made in integrating the Génétiporc businesses, including the implementation of a single customer-facing organisation and order-to-cash process. Customer retention continues to be high.

In China, we are encouraged by the pipeline of new porcine customers and prospects, but the financial pressure on the industry caused by the sudden sharp drop in pork slaughter prices has led to delays in stockings and farm expansions across the industry. We have decided to extend the period for completion of the joint venture where Genus had signed a Memorandum of Understanding in the first half. Market volatility reinforces the need to share farming risk through joint ventures while progressively adding capacity.

In line with our strategy to increase product differentiation through proprietary indices and genetics, we announced an innovative partnership with ABP Food Group, one of the largest beef processors in Europe. Under the multi-year agreement, Genus and ABP will collaborate to improve beef genetics at the primary producer level. ABP will provide a rich source of supply chain data which will enable Genus to develop a proprietary custom index for beef bulls specifically for ABP. Participating farmers using Genus's beef genetics will benefit from ABP's extensive expertise in calf procurement and calf rearing, while Genus will receive a royalty from ABP for the genetic value delivered.

For further information please contact:

Genus plc Tel: 01256 345970

Karim Bitar, Chief Executive

Stephen Wilson, Group Finance Director

Buchanan Tel: 0207 466 5000

Charles Ryland /Sophie McNulty

This announcement is available on the Genus website www.genusplc.com

About Genus

Genus creates advances to animal breeding and genetic improvement by applying biotechnology and sells added value products for livestock farming and food producers. Its technology is applicable across all livestock species and is currently commercialised by Genus in the dairy, beef and pork food production sectors.

Genus's worldwide sales are made in seventy countries under the trademarks "ABS" (dairy and beef cattle) and "PIC" (pigs) and comprise semen and breeding animals with superior genetics to those animals currently in production. Genus's customers' animals produce offspring with greater production efficiency, and quality, and use these to supply the global dairy and meat supply chain.

The Group's competitive edge has been created from the ownership and control of proprietary lines of breeding animals, the biotechnology used to improve them and its global supply chain, technical service and sales and distribution network.

With headquarters in Basingstoke, United Kingdom, Genus companies operate in thirty countries on six continents, with research laboratories located in Madison, Wisconsin, USA.

This information is provided by RNS
The company news service from the London Stock Exchange

END

IMSSFAESLFLSEDI