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City broker expects Genus to benefit from African swine fever ravaging southeast Asia

Cattle and pig breeder Genus PLC (LON:GNS) spurted higher on Tuesday after analysts at Liberum published a gushing 'buy' note.

The City broker, which moved its recommendation up to 'buy' from 'hold', thinks the African swine fever (ASF) epidemic, which is currently ravaging southeast Asia will prove to be a blessing in disguise over the long term.

READ: Genus upgraded to 'buy' by Peel Hunt

The highly contagious and incurable disease has swept through China - the world's largest producer and consumer of pork - and surrounding countries over the past six months or so.

"While this is causing a short-term hit to PIC profits in China (£3m in 1H19), it will cause Chinese and global pig prices to soar (the Chinese piglet price has jumped in the last few weeks).

"The vast scale of Chinese import demand will trigger substantial global hog production expansion for which Genus is in prime position to benefit."

The analysts add that ASF will force Chinese authorities to clamp down on 'back-yard farming'. When something similar happened in Russia, Genus' market share rocketed from 8% to 38%.

"We nudge our 2021 EPS estimates up by 4%, noting that uncertainty over the ASF situation in China is keeping a lid on nearer term estimates.

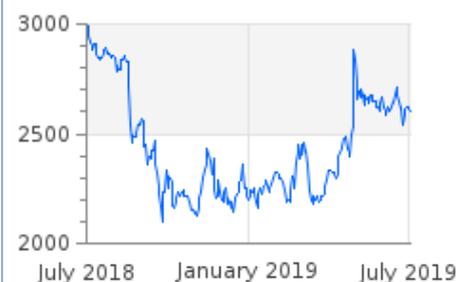
"We believe the risk to these estimates lies on the upside. The estimate upgrades nudge our target price up 4% to 2,500p (from 2,400p), and we raise our recommendation to 'buy'."

Genus shares rose 3.3% to 2,259p in early afternoon trading in London.

Price: 2600p

Market Cap: £1691.42M

1 Year Share Price Graph



Share Information

Code: GNS

Listing: LSE

52 week High Low
2,998.00p 2,090.00p

Sector: Pharma & Biotech

Website: www.genusplc.com

Company Synopsis:

Genus' principal activity is the global application of quantitative genetics and biotechnology to animal breeding. The Company operates in five operating segments: North America, Latin America, Europe, Far East, and research and development. The research and development segment includes research, bovine product development and porcine product development.

Author:

Proactive Investors Ltd

+44 (0)207 989 0813

action@proactiveinvestors.com

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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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