Moneybag$

Ovoca Bio transformation will boost market activity

Tim McCutcheon

IN WHAT is still called Ovoca Bio, CEO (for the second time) Tim McCutcheon – who is also the largest shareholder with 22% – has shifted the focus of the failed biopharma business into, unsurprisingly, the mineral exploration business. What is clear is that this development will stimulate a jump in the market's level of interest in the company.

A former investment banker (who specialised in the Russian mining sector), McCutcheon has been on the board of Ovoca Bio (previously Ovoca Gold) for the last 16 years through its various iterations, most of which were in the gold and silver sectors, serving as CEO from December 2009 to May 2012, when Kirill Golovanov took the top job.

The deal McCutcheon now has on the table is the acquisition of 100% of a company called Tadeen International, the parent company of Horizon Mines SARL, which is registered in Morocco and holds a portfolio of mineral exploration licences in that country.

The proposal is that Ovoca will acquire Tadeen in a share deal that will result in the latter's shareholders ending up with a 40% stake of the enlarged share capital of Ovoca Bio. After that, there is to be a (presumably modest) fundraiser to add to the company's existing €3m of net cash.

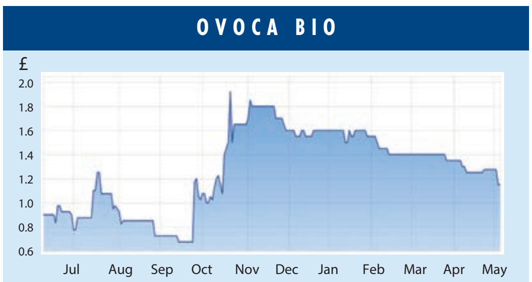
The current intention is to name the new enlarged group Talisman Metals plc to reflect the change in focus to exploration activities.

It looks like Davy has been edged aside, partly as a result of Ovoca Bio cancelling its Dublin listing, opting to focus wholly on London's AIM.

London broker Beaumont Cornish has been installed as financial adviser and nominated adviser. It will lead the reverse takeover and readmission (the shares are currently suspended) on to the AIM and will also act as the London broker.

Because of the size of the acquisition relative to Ovoca Bio's own market value, as well as the resulting fundamental change in the company's business, the shares were suspended on May 7, when the planned reverse takeover was announced. Under the AIM's rule 14, before readmission, an admission document must be published and shareholder approval will be required.

In March, prior to last month's announcement of the planned acquisition, McCutcheon made an important management change with the appointment of Leah O'Donovan (ex-Grant Thornton) as Ovoca Bio's new chief financial officer. She is a heavyweight with 15 years' experience in the financial services industry.



* Trading on London's AIM was suspended on May 7

Six months earlier, Golovanov stepped down as CEO and handed over the reins to McCutcheon, who acquired all of the Russian's 22% shareholding. Golovanov had made a gallant attempt to develop Ovoca's then mineral resources, particularly the company's gold prospects in inhospitable far eastern Siberia, where he managed to bring resources up to indicative stage before selling these on to the giant Russian Polymetal gold and silver mining outfit quoted in London.

The then CEO also tried to get into the oil industry in Siberia and, when that didn't work out, he changed focus to the pharmaceutical industry on the back of a Russian 'blockbuster' drug development programme that he believed would prove seriously profitable in the west.

The drug development programme Golovanov acquired was Orenetide, a synthetic peptide designed to treat female hyperactive sexual desire disorder, from which 10% of pre-menopausal women in Europe and the US suffer. In February 2021 he received marketing approval by the Russian health ministry – although this carried little weight outside that country – and phase two clinical trials took place in Australia and New Zealand at a total cost of €6m.

In 2023, however, the whole project was written off at a further cost of €5m.

In a cleaning-up exercise, McCutcheon has now sold the vehicle that held this drug asset, the Bermuda-registered Silver Star Ltd, meaning Ovoca Bio has completely exited the biopharmaceutical business.

Another asset that Golovanov had invested in was Taymura, which involved a loan from Ovoca Bio (10 years ago) of $6.3m to Siberian oil explorer LLC Taymura. There was a right to convert the loan into equity but instead Ovoca Bio got zilch and it did not receive any compensation after years of litigation, despite being initially awarded $1m by a Russian court in December 2016. (That ruling was then reversed on appeal and, bizarrely, Golovanov agreed to repay the $1m, possibly to protect the other Russians involved in Ovoca – Mikhail Mogutov, Leonid Skoptsov and Yuri Radchenko.)

McCutcheon doesn't seem to have too much hope in getting anything back from the Taymura deal, noting: "The company also expects to shortly conclude the Taymura litigation as previously outlined in the 2023 annual report and accounts."

Now planning to explore for copper and silver prospects in Morocco, McCutcheon is steering Ovoca in a completely new direction. While he spent many years in Russia in the mineral resource sector, the CEO has also worked in the natural resources sector in America (north and south) and Africa, and no doubt has built up quite the contacts' book.

McCutcheon's plans should bring some interest back into Ovoca's shares. One issue that should disappear is Euronext's requirement that all nominee holdings end up as Euroclear nominees, which means that shareholders have no idea what is happening on the share register.

In Ovoca, McCutcheon is shown as a shareholder with 22%, while Euroclear nominees hold a

Continued on page 26

Stocks & Shares

Smooth sailing for ICG boss Eamonn Rothwell

PROBABLY THE most noteworthy aspect of the accounts for Irish Ferries owner Irish Continental Group (ICG) in recent times has been CEO Eamonn Rothwell's very generous remuneration package in the face of underwhelming performance. Based on the latest figures for the first four months of this year, ICG is on course to improve on 2024 – but that is nothing to boast about.

Eamonn Rothwell

The corporate governance code recommends a maximum term of nine years *in situ* for the chair of a quoted company to ensure, for example, that the incumbent retains an independent stance, particularly in relation to a long-serving CEO. In ICG, the very successful John McGuckian has been a director for 37 years and has been the €150,000 pa chairman for 21 years. Rothwell has been CEO for 33 years and is sitting on a 19% stake in ICG, currently worth €162m.

The current share price of €5.26 is still more than 10% down on the peak €6 price the shares hit back in 2017. This is not the kind of performance from a CEO that any chairman should be happy with.

The investment advisory body, Institutional Shareholders Services (ISS), has previously highlighted McGuckian's bizarrely lengthy chairmanship but this year the ISS recommended all shareholders vote against ICG's remuneration plan due to "a lack of clarity from the company over the targets on which the chief executive's bonuses are based".

In 2023, Rothwell trousered a total remuneration package of €3.1m, which represented no less than 5% of ICG's net profit of €61.6m. Last year, net profits were down 3% to €59.9m but Rothwell saw his total remuneration package rise by a chunky 42% to €4.47m, representing an even larger 7.5% of net profits. The CEO also scooped €4.7m in dividends courtesy of his 19% stake.

The ISS is right to query the relative bonus components of Rothwell's pay, in particular how he was awarded a short-term 199% bonus (the maximum allowed is 200% of base salary) when ICG's net profits went backwards.

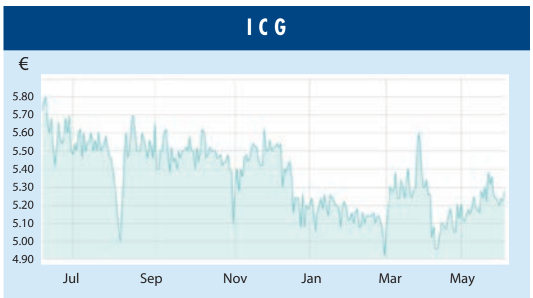
It is even more difficult to understand how the CEO warranted a long-term performance bonus of €2.23m last year, when the maximum allowed is €1.47m – twice his base salary. Only in "exceptional situations" can the Daniel Clague-chaired remuneration committee award 300%, which it has done in this case, again when net profits went into reverse.

Notably, however, there is "an existing contractual annual bonus arrangement" in place with Rothwell "in lieu of the arrangement" outlined in the annual report.

When it comes to analysing ICG's performance, the problem for investors is that the company is essentially three different businesses.

The first is the Ireland-UK ferry business operated on the Dublin-Holyhead route by the *Ulysses* ferry, which can carry 1,342 cars and the *Dublin Swift* fast ferry, which can carry 251 cars; as well as the *Isle of Innisfree*, which runs the service from Rosslare to Pembroke in Wales, with capacity for 600 cars.

The second ICG business is the Ireland-France route (Dublin to Cherbourg), where the group has two ferries – the *WB Yeats,* with capacity for 1,216 cars, and the *Isle of Inisheer*, which can carry 500 cars.



The third division is the UK-France route from Dover to Calais, where ICG pounced when P&O ran into choppy waters as a result of a move to outsource its crews. Capacity here has been upgraded with the acquisition of the *Spirit of Britain* ferry (since renamed *Oscar Wilde*) in June 2024 for €89.4m. This seems a high price for a 15-year-old ferry built in Finland in 2010.

The payment terms are odd too – ICG will pay €20,000 per day by way of charter for 730 days, after which the boat can be purchased in June 2026 for €74.8m.

The *Oscar Wilde* can carry 1,059 cars, while the 28-year-old *Isle of Inishmore* carries 855 cars on the same route. Due to the short 90-minute sailing time, ICG can now operate 20 services a day on the Dover-Calais route.

The three different ICG operations should really be reported on separately but Rothwell combines them so it is not possible to know the level of contribution from each one.

Despite Storm Darragh, which hugely impacted the key Holyhead port in December 2024, ICG's ferry division did quite well, almost certainly driven by the three ferries on the Dover-Calais route.

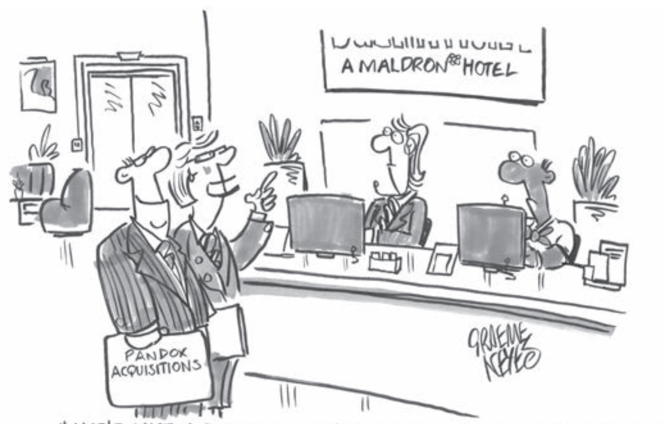
Total sales of the whole ferry division were up 5.1% to €433m and operating profit increased 4.4% to €54.4m to return healthy trading margins of 12.5%.

Rothwell also includes ICG's chartering revenue inside its car ferry business, although it has nothing to do with running car ferry operations. The €10.8m earned from chartering last year artificially boosts the car ferry division's returns, where the real profit is €43.6m. Rather than the 12.5% margin reported for the car ferry business, the actual trading margin for this operation, after stripping out the chartering revenue, is 10%.

ICG's container freight business runs freight services only from Belfast, Dublin and Cork to Rotterdam but, surprisingly, not to the UK. Last year this business shipped 318,000 standard containers, a 15.4% increase on 2023, but total revenue here rose only 4.8% to €204m, implying a 10.6% reduction in freight rates to €640 per standard container.

Rothwell does advise there was "a weak rate environment" but, given the double-digit increase in

Continued on page 26



"WE'D LIKE A ROOM WITH A VIEW TO BUYING YOUR HOTEL!"

Stocks & Shares

Ovoca Bio continued from page 24

whopping 61% of the equity. This blinds investors to the make-up of the shareholders.

Davy Crest was shown as a shareholder back in June 2020, when it was sitting on a 6.42% shareholding, while Pickco Trading held 8.96% and BBHISL held 8.6%. Citibank, meanwhile, had 4.25% and State Street was on 3.76%.

It was also clear that Michail Mogutov, the then Ovoca chairman, sold all of his 11.6 million shares to then CEO Golovanov, who topped this up to a near 20 million shares, representing a 22% stake.

LACK OF CLARITY

In June 2020 Leonid Skoptsov held 11.6 million shares, a near 13% stake, while Yuri Radchenko also had 11.6 million shares but, once he stood down from the board five years ago, it was not possible to follow this stake, apart from it ending up in Euroclear's nominees, who at that time were sitting on a 20.6% stake.

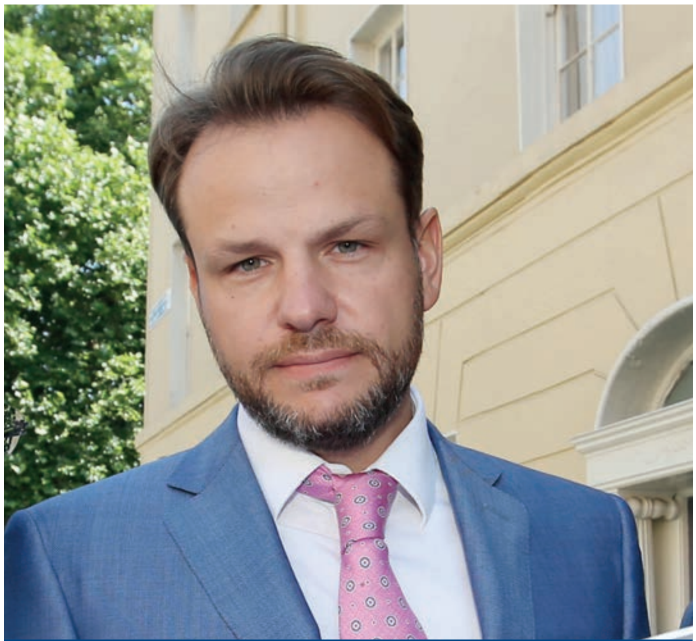
The position now is that, other than McCutcheon's 22% holding, investors have no idea who owns what, with Euroclear nominees holding a 61% stake, while only Pickco Trading is still shown separately.

With Ovoca pulling out of the Euronext exchange and focusing on its London AIM listing, the lack of clarity around Euroclear nominees should be resolved and it will be possible to again see a breakdown of all institutional investors.

Ovoca had been trading at around the 15p mark when there was hope that the clinical trials being carried out in New Zealand and Australia would pay off so that the Orenetide drug it was developing could be sold in Europe or North America. Once the trial results came out in September 2023, the share price collapsed to around 1p, even though this represented a 67% discount to the €3m cash the company held.

Now that McCutcheon has kick-started the change in direction, when the shares will be again listed on the market after the proposed Moroccan mineral exploration deal is presumably greenlighted, Ovoca shares are certainly going to attract more interest.

Just how significant this turns out to be will be determined by the next deal the CEO does but, pre-suspension, the shares were clearly trading at bargain-basement levels.


Kirill Golovanov

ICG continued from page 25

volume, it is surprising that rates should fall.

The net effect of this was that the operating profit here dropped by 9.8%, to a reported €14.7m, to return trading margins of 7.2%.

Moreover, Rothwell operates quite a distorting cross-subsidisation strategy, whereby ICG's car ferry division owns the freighters and leases them to the freight division. Taking into account the €10m lease fee, the container business actually earned an underlying return of €24.7m and rather more respectable trading margins of 12.1%.

SPACE SHARING

A significant development last year was the 'peace treaty' with P&O, which allows for space sharing on each other's car ferries for freight and passenger traffic, the effect of which will be to significantly restrain price competition on the route.

Meanwhile, there doesn't appear to be much evidence of intense competition on the Irish Sea. Next weekend, Stena Line is quoting €309 for a car and four passengers from Dublin to Holyhead, with Irish Ferries quoting €319. On the Rosslare to Pembroke route, Stena Line is quoting €315 and Irish Ferries €319.

It is also notable that the prices on the far less popular Rosslare to Wales route are as expensive as the Dublin-Holyhead route.

Rothwell notes that the total roll-on-roll-off (RoRo) freight market between Ireland and the UK and France and on the Dover-Calais route last year rose 0.2% to 4.3 million units, with Irish Ferries accounting for 767,000 trucks, up from 724,000 in 2023 – an increase of 6%. This was "primarily driven by further market presence on the Dover-Calais route".

This leaves ICG with an apparent 17.9% market share.

This is not really helpful, however, given that it is understood that ICG carries roughly 50% of the business across the Irish Sea but clearly has a much smaller market share on the English Channel and around 20% of the direct Ireland-France traffic.

When Brexit sailed over the horizon, Rothwell surprisingly ordered a new €165m day car ferry from a German ship yard, which he planned to put on the Dublin-Holyhead route. He did not, however, take significant steps to refocus on continental Europe, leaving space for five ferry companies to grab the major increase in the RoRo business to avoid the UK land bridge.

ICG's market share on the prime direct route to continental Europe is now down to well below 25%, a market that ICG previously dominated.

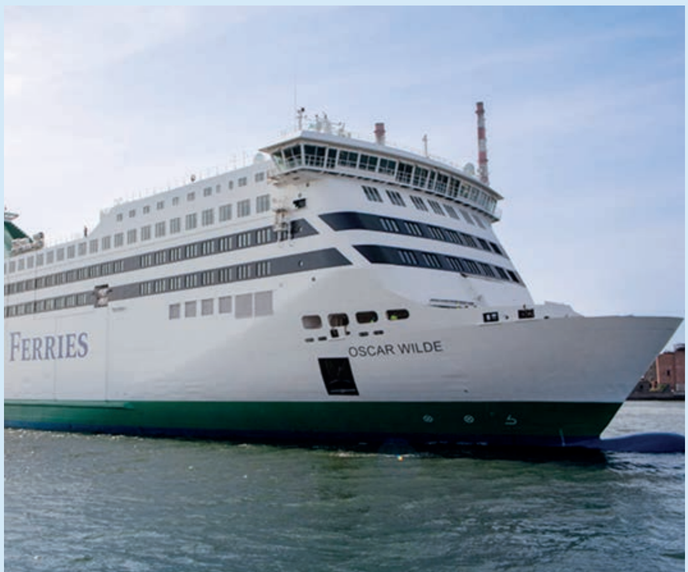
The good news for Rothwell is that the big ferry he ordered for the Dublin-Holyhead route was never delivered as the German ship yard went into liquidation.

In the current year to date (to May 3), ICG has reported a 7.1% drop in car ferry traffic to 140,000, while RoRo truck traffic was down 0.6% to 259,000, at least partly explained by the storm-inflicted problems in Holyhead, which came back into operation in mid-January this year.

Rather surprisingly, the container freight business to continental Europe showed a hefty 28.6% uplift to 132,800 standard containers, which looks remarkable and is possibly driven by the huge push to get goods into the US before Donald Trump's tariffs kick in. Oddly, there is no direct freight route from Ireland to the US.

This has pushed up total revenue to May 3 by 7.1% to €190m, with the car ferry division more or less static at €119m, while the container freight business has shot ahead 17.6% to €80.9m.

On the basis of last year's earnings per share of 36.3c, this leaves ICG shares, at the current price of €5.26, standing on a trailing price-earnings multiple of 14.5 times. Given the performance in the first four months of this year, the group is trading ahead of last year and, assuming profit margins have been maintained, this is not a bad rating. With ICG capitalised at €847m, it is trading at nearly three times its net equity base of €322m.



The 'Oscar Wilde', which operates on the Dover-Calais route.

KEEP INFORMED IN 2025!

1 YEAR FOR ONLY

€89

- Get the Inside Stories first.
- Receive the *Phoenix* every two weeks to your door.
- 24 Fabulous Issues + The Brilliant Bumper Annual.
- Call Today (01) 661 1062

A great Gift for a friend or relative!

I wish to order a Phoenix Gift Subscription*

*Offer is for NEW subscribers in Ireland / NI only. Subscription reverts to full price at next renewal.

COMPLETE THE ORDER FORM

Your new gift/or subscription will commence with the next issue.

I enclose ❏ Cheque ❏ Postal Order
or
I wish to pay by ❏ Visa ❏ Master Card
❏ Amex ❏ Debit Card

Credit Card Details **Expiry Date of Credit Card** .... /........

_ _ _ _/_ _ _ _/_ _ _ _/_ _ _ _

Name on Credit/Debit Card ....

Do you require a gift card? Yes ☐ No ☐
PLEASE TICK AS APPROPRIATE

☐ New Subscription

(PLEASE PRINT CLEARLY)

Your Details:

NAME:..

ADDRESS:..

....

TEL. NO. ....

E-MAIL: ....

Gift Subscription. Please send The Phoenix to:

NAME:..

ADDRESS:..

....

....

TEL. NO. ....

E-MAIL: ....

Send this to: The Phoenix, 44 Lower Baggot Street, Dublin 2. **Tel:** 01-661 1062 **Fax:** 01-662 4532 or **e-mail:** admin@thephoenix.ie

Call our order hotline: (01) 661 1062

Quote Code (PHX2025)